

# Worcestershire County Council Children's Social Care Services Alternative Delivery Model

## Full Business Case

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Author: Mutual Ventures

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## Version history

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## 1. EXECUTIVE SUMMARY

### 1.1 INTRODUCTION

#### Purpose of document

This Full Business Case (FBC) is for the development of an Alternative Delivery Model (ADM) for Worcestershire County Council's (WCC) Children's Social Care Services. The original intention of this FBC was to conduct a 'twin-track' analysis across two options, a Wholly Owned Council Company (WOCC) and a Strategic Partnership.

During December 2017 and January 2018, the Council approached potential local authority partners to assess the viability of the Strategic Partnership option. There was a willingness from an Ofsted-rated 'good' Council to explore partnership arrangements with Worcestershire County Council (WCC), however the content of these proposals did not satisfy the DfE's requirements for operational independence. Therefore, only the WOCC is explored in this document.

This FBC has been created using the 'Five Case Model' comprising the following key components:

- The **strategic case** - this sets out the case for change, together with the supporting investment objectives for the arrangement;
- The **economic case** - this demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money;
- The **commercial case** - this sets out the content of the proposed 'deal', i.e. that the ADM is commercially feasible for WCC to implement;
- The **financial case** – this describes funding arrangements, the required budget, and key considerations for the affordability of the ADM; and
- The **management case** – this specifies the plans for the successful delivery of the programme of work to cost, time and quality.

#### Local context

On the 19<sup>th</sup> September 2017 the Secretary of State issued a revised statutory direction (replacing an earlier statutory direction, issued March 2017). Part of the revised direction requires that the WCC develop the following, in consultation and agreement with the Children's Services Commissioner:

- i) An options analysis for an alternative delivery model, with an outline recommended model, by 31<sup>st</sup> December 2017;
- ii) A full business case for the proposed alternative delivery model by 31<sup>st</sup> March 2018; and
- iii) To provide regular reports on its progress, the first by no later than 30<sup>th</sup> November 2017.

WCC has initiated a programme to appraise, design and implement an alternative delivery model for Children's Social Care. Phase 1 was the completion of an Options Analysis to decide the highest-scoring ADM option(s) (completed in December 2017). Phase 2 is the completion of a Detailed Business Case on the final option(s) chosen (to be completed by 31<sup>st</sup> March 2018). Subject to Cabinet and Secretary of State approval, implementation is likely to begin in April 2018, with an aim to go-live in April 2019.

Throughout the Business Case phase, key stakeholders across WCC and WCC's partners have been engaged through a series of meetings and workshops, during January – March 2018.

## 1.2 STRATEGIC CASE SUMMARY

This section of the Full Business Case tests whether the option is supported by a compelling case for change that provides a holistic fit with other parts of the organisation and the public sector, including strategic drivers and objectives.

### Key drivers for change

The aim of the ADM is to provide the service with the platform and further opportunities to improve outcomes for children, young people and families (CYPF). A number of further considerations and drivers, including the Essex Improvement Partnership, are reflected within the Strategic Case section.

### Areas of concern for Worcestershire's Children

The [Children and Young People's Plan \(CYPP\)](#) Companion document (September 2017) highlights a number of potential factors that the implementation of WCC's Children's Social Care Services plans will need to take into account and/or address. This includes population statistics, inequalities in health and education outcomes, care leaver statistics, and demands on social care.

The ADM, as the vehicle for sustaining improvement, will have the opportunity to be designed in such a way that supports the needs of the Children, Young People and Families (CYPF) in the county. The ADM will be solely focused on improving children's social care services for Worcestershire's CYPF. Tailoring the service will be mostly addressed through the improvement activity, taking advantage of flexibilities provided by the ADM.

### WCC's improvement priorities

A Service Improvement Plan (SIP) has been created by the Children, Families and Communities directorate to address all recommendations outlined by Ofsted. The SIP outlines 8 improved outcomes:

- Outcome 1 – Be the Social Work 'employer of choice'
- Outcome 2 – Children's needs are assessed and met in a timely and purposeful manner
- Outcome 3 – Children and families benefit from services that have been quality assured
- Outcome 4 – Children and families' views drive service improvement
- Outcome 5 – Children and families benefit from early help and avoid unnecessary interventions
- Outcome 6 – Children and families receive the right service at the right time
- Outcome 7 – Children and young people achieve permanency without delay
- Outcome 8 – Our Looked after Children are fully prepared for adulthood

Furthermore, WCC's Children's Services proactively commissioned Essex County Council as their improvement partner. Experts from Essex are working alongside WCC to improve the lives of Children and Young People in Worcestershire from 24 Aug 2017 to 31 March 2019. Essex's improvement team, have worked proactively with WCC's social work teams and managers, Targeted Family Support, quality assurance, HR and other children's specific support services.

It is crucial that the development of the ADM adds value to, and does not distract from, the improvement work taking place across Children's Social Care. It is also important for the improvement journey and improvement partner to be involved in the design of the ADM's operating model during implementation to ensure the progress is sustained.

## **ADM Vision, Mission, Values and Objectives**

Building upon the service strategies, the CYPP and improvement plan (detailed in section 3.1.3), a 'visioning' workshop was held with service and support staff on the 10<sup>th</sup> January 2018 to develop the Vision, Mission, Values, Behaviours and Strategic Objectives of the services transferring to the ADM:

**The Vision** communicates what the organisation aims to achieve in the future. The current Vision for Company is as follows:

*Our vision is for Worcestershire to be a wonderful place for all children and young people to grow up. We will create supportive communities where children and young people are safe, secure and nurtured to become independent.*

**The Mission** communicates how the organisation will achieve its vision. The current Mission for the Company is as follows:

*Our mission is to create the conditions where social care practice and practitioners can flourish so we deliver outstanding services for children, young people and families.*

**Values and Behaviours** sit at the core of an organisations activities. Service or organisational values are the behaviours and skills that are valued in fellow employees and the way in which work is carried out. They underpin policies, procedures and behaviours, because they act as an anchor for all activity. The Values and Behaviours for the Company are as follows:

- *We believe that all children and young people should be at heart of everything we do.*
- *We will make a positive difference to every child we work with.*
- *We will keep families together where it is in the best interest of the child.*
- *We will understand and value the role, responsibilities and contribution of our partners.*
- *We will inspire confidence and create capability in our staff so they practice to the best of their ability.*
- *We will act with integrity and respect.*
- *We will continually recognise and reinforce that achieving positive outcomes for children and young people is the most important thing we do and the reason we do what we do.*
- *We will be open to new ideas and feedback and use these to continuously learn and improve.*

The **Outcomes and respective Objectives** within Worcestershire's CYPP, which demonstrate how the Vision and Mission are measured, can be found in the table within section 3.2.4.

## **Potential scope**

The scope for the ADM has been mostly driven by the statutory direction, as well as specific services which are essential for improvement. Section 3.5.1 contains a detailed description of how the scope of services was agreed for this stage of the Programme. The list below summarises the services in-scope, and associated staff expected to transfer to the ADM (as of 20<sup>th</sup> February 2018). This is based on the **current** 2017/2018 budget of approximately £50M, which increases in following years.

- Total – 629 FTE
- Children's Social Care - 311 FTE
- Children's Social Care Provider Services - 282 FTE
- Targeted Family Support - 21 FTE (due to increase following the insourcing of other provision)
- Placement Team, Assistant Director, PA and Service Co-ordinators – 16 FTE



*Note: The Financial Case (section 6) describes cost and staffing figures in further detail, including the significant increase in budget and FTE from 2019/20 onwards.*

The detailed list of services in-scope (not including support services) is shown in the table below:

|  |   |
|--|---|
| Independent Review and Quality Assurance   | Supported Living – Children with disabilities (CWD)             |
| Children with Disabilities   | Equipment for CWD   |
| Principal Social Worker  | Domiciliary Care for CWD  |
| Locality Teams   | Targeted Family Support   |
| Specialist Services (incl. Child Sexual Exploitation, Homeless Intervention Team, Emergency Duty Team) | In House Residential & Short Breaks - Non CWD                   |
| Contact & Referral   | Fostering & Kinship   |
| Community Function   | Outreach Service  |
| Safeguarding Teams & Group Manager   | Health & Well-being   |
| Worcestershire Safeguarding Children Board   | Contact Service   |
| Workforce development* (budget – not team)   | External Placements & Placements Team                           |
| Supported Living - Non CWD   | Care Leavers  |
| In House Residential & Short Breaks - CWD  | Section 17 & Section 20 Support                                 |
| Special Guardianship, Direct Financial Support & Residence Orders                                      | Adoption Services (those not in Adoption Central England (ACE)) |

*\*Please note, the budget for workforce development is currently for the whole directorate, not the services transferring to the ADM. Therefore, this budget needs to be disaggregated in the next phase.*

The Central Adoption Team and the Young Adults Team, which currently sit within Children's Social Care, have been omitted from the ADM, due to the nature of their current delivery arrangements.

### Wholly Owned Council Company governance & accountability arrangements

A summary of the starting positions for the governance and accountability arrangements for the WOCC, based on a number of workshops and discussions across WCC stakeholders, is below:



The above structure is a draft of the needs of the Company and the requirements of the WOCC model. Section 3.7 of the Strategic Case describes each area in detail, with key principles and rationale against each starting position or preference. It is important to note that due consideration will be given to each area during the detailed design and implementation phase, including cost and staffing implications as well as the engagement with children and young people.

## **Strategic Case conclusions and recommendations**

The case for change has been clearly demonstrated through the Strategic Case, citing a number of improvement goals and outcomes, as well as the direction from the DfE. The vision and outcomes of the ADM, the scope of services and the high-level design have been discussed and agreed in principle with a wide range of stakeholders within WCC. Consequently, the Strategic Case provides a sound basis to proceed with the Full Business Case. There are a number of recommendations and next steps for the implementation phase, including:

- Finalise and/or confirm the Vision, Mission, Values & Behaviours and Strategic Objectives.
- Fully investigate and confirm the final scope of services transferring to the ADM.
- Remain aligned to the improvement journey through ADM Programme governance.
- The legal form of the Company will be determined early on during implementation.
- Conduct detailed design of the governance and accountability arrangements, develop the performance framework, design the Company and the contractual matters and documentation.
- Further investigate the requirements of the Board, including considerations of CYPF engagement.
- Update the Project Initiation Document and risk register and regularly review going forward
- Properly map and understand how in-scope services' working relationships with remaining children's services within the Council are managed, e.g. SEND and Health.

## **1.3 ECONOMIC CASE SUMMARY**

This section of the Full Business Case tests whether WCC has selected the most economically advantageous offer, which best meets service needs and optimises value for money.

### **Shortlisting of options**

Prior to the Options Analysis commencing, WCC identified a long-list of options during September 2017. Mutual Ventures subsequently conducted a review of these options against a comprehensive list of known delivery models for Children's Services. This created a long-list of 16 options.

To produce a manageable shortlist of model options suitable to Worcestershire, a 'gateway' process was applied to the long-list of models. The gateway criteria comprised a set of pass/fail questions. The gateway process resulted in a set of 5 short-listed options to take into a more detailed Options Analysis process. The short-listed options assessed within the Options Analysis were as follows:

- Strategic Partnership (with another local authority)
- Joint Venture (with another local authority)
- Wholly Owned Council Company (WOCC)
- Independent organisation (multiple variants)
- Outsource

The Options Analysis results of the 5 shortlisted options were published in the December 2017 [Cabinet Report](#), which identified the WOCC as the highest scoring option.

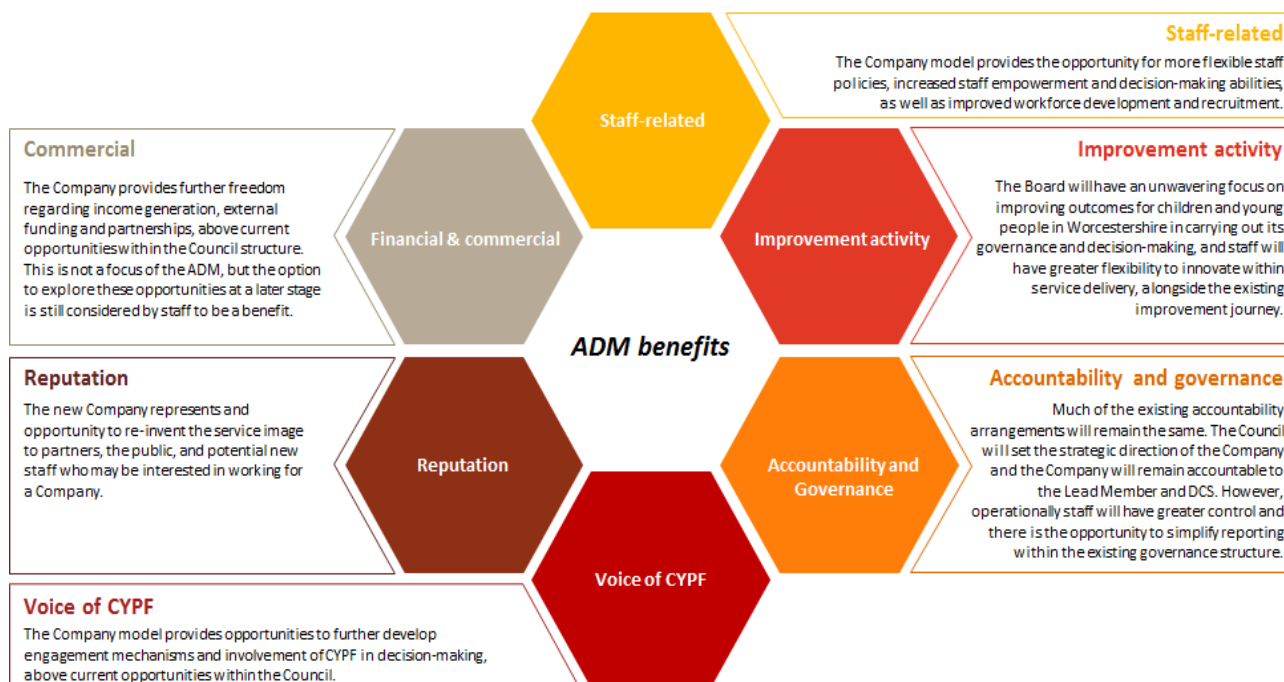
### **Option(s) to take through to Full Business Case**

It was decided at the Cabinet on 14<sup>th</sup> December 2017, that the WOCC and the Strategic Partnership options were to be taken through to the Full Business Case stage, taking into account the local political context and other considerations beyond the mechanisms of the Options Analysis. However, as a viable partner was not found during the Options Analysis and early Business Case stages, the WOCC is the sole ADM considered in this Business Case.

### Benefits and dis-benefits

The benefits and dis-benefits described within the Economic Case have been identified through research of similar children's services organisations, and a workshop with service leadership and support staff on the 10<sup>th</sup> January 2018. Focus is given to the service itself and users (CYPF).

The full financial and qualitative benefits are detailed in section 4.5 of the Economic Case. A summary of the key benefits identified are in the image below. It is important to note that whilst the financial benefits are vital to take into account within the business case, the key driver for the ADM is improvement of outcomes for children, not cost reduction or income generation. Therefore, limited measurable financial benefits have been attributed to the ADM.



A number of dis-benefits and costs have also been identified, which require mitigation or addressing through the implementation phase:

- **Impact on partners:** there is a risk that existing and potential partners will feel differently about engaging with a Company as opposed to the Council. Partners will be engaged closely during the implementation phase through the Partnership Reference Group and other means.
- **Fragmentation with other services:** As the services transferring will operate autonomously from the Council, there is risk that they will lose the current communication and collaboration with other Council services, e.g. Adults There is a risk of things falling between the gaps, and therefore a detailed mapping of these services is required during implementation.

- **DCS relationship:** The status of the DCS has yet to be determined. If the DCS remains in the Council, there is a risk that the relationship between the DCS and the Chief Executive/Managing Director of the Company is not stable or effective, due to having two leadership positions.
- **Public and staff perception of privatisation:** There is some misinterpretation within the public eye, within the Council, and the press of 'privatisation' regarding alternative delivery models. There is a risk that residents, staff and partners will view the Company as an 'outsource' model.

### **Economic Case conclusions**

The Economic Case has demonstrated that the ADM option (WOCC) has been selected through a thorough shortlisting process using appropriate governance across WCC. Furthermore, it has specified a number of key quantitative and qualitative benefits, dis-benefits and risks associated with the Company model. Key conclusions within this case are:

- The Company model presents a wide range of opportunities for staff and social work practices which, if executed successfully, will enable the service to enhance itself to 'good' or 'outstanding'. It does not present significant financial benefit, however, this is not the purpose of the investment.
- The implementation and running of the Company will incur significant further cost. However, it is likely that a proportion of this will be mitigated through DfE funding. During March and April 2018, further work is required to understand the impact on WCC's finances.
- The Company model presents some risks, though none of these risks have been identified as insurmountable or puts the Council in jeopardy. Providing attention is brought to these areas through the design, the Company could bring significant value to the users, public and to WCC.

### **Recommendations for the implementation phase**

- The legal form and detailed design of the Company will be determined during the implementation phase and will drive the financial and qualitative benefits of the Company.
- The key benefits of the Company must be refined as the design of the Company is finalised and communicated out to all staff and CYPF.
- The final estimated costs of the implementation will be submitted in a bid to the DfE and refined further during April 2018.

## **1.4 COMMERCIAL CASE SUMMARY**

This section of the Full Business Case tests whether the proposed option is attractive to the market place, can be procured and is commercially viable, including an analysis of existing contracts and suppliers of services (for the services listed in section 1.2.2). A summary of this case is found below.

### **Procurement approach**

It is proposed that WCC provide the opportunity for the Company to be developed as a Teckal body to allow it to provide services back to the Council, for an initial agreed period. The assumption is that a direct award will be achieved using the Teckal Exemption, which has been used for similar children's services companies. The conditions for Teckal are summarised below:

- The control condition requires WCC to exercise over the WOCC a control "which is similar to that which it exercises over its own departments".
- The activity condition requires that more than 80% of the activities of the WOCC are carried out in the performance of tasks entrusted to it by the controlling contracting authority.
- There can be no direct private capital participation in the WOCC: This test is satisfied as the Company will be 100% owned by the Council.

### Staff transfer arrangements

All staff who, at the point of transfer, are caught by TUPE regulations within the transferred services, are potentially in scope to transfer to the new organisation and would be directly employed by the new company. In accordance with the regulations, staff will transfer to new organisation on their current terms and conditions, including access to their current pension or a broadly comparable scheme. There will be a TUPE consultation period (typically 90 days) during implementation.

### Pensions

This section has been supported by research and advice provided by WCC's ADM legal partner, Bevan Brittan. The detailed paper can be found in Background Paper 9.2.

A key principle of the ADM design is that all transferring staff must retain access to the Local Government Pension Scheme ("LGPS"). The paper sets out two options available to the WOCC:

- **Admitted Body Status (ABS) route:** This is often seen as the 'standard' route, as indeed it is when services are being outsourced to the private sector. Under the ABS route the WOCC would be treated by the Fund for accounting purposes as an isolated entity, dealt with separately by the Fund and treated as any other non-local authority service provider.
- **Designated Body Status route (scheme employer):** Given that whatever its eventual corporate structure the WOCC is likely to be a Teckal company (i.e. a wholly owned subsidiary of the Council) it is allowed under the statutory LGPS Regulations to participate within the LGPS scheme by virtue of being a "designated body". This is also known as being a scheme employer. This means that the WOCC is allowed to "designate" which classes of employees can participate in the Fund.

Given the potential cost and administrative savings, and the possible reduction in risk to the Council, which is set out in more detail in Background Paper 9.2, it is recommended that designation body status route is explored.

### Redundancy liabilities

TUPE provides that a change in your employer does not constitute a break in continuous employment. This means that the Company would be liable for future redundancy payments for staff that have many years of employment with WCC. WCC will quantify the level of redundancy liability associated with the staff group transferring once the TUPE list is confirmed and identify any reserved matters regarding high value redundancies (threshold TBC). The proposal is that WCC will retain redundancy liabilities.

## Support services

The options for delivering corporate support services to the Company are being considered. Please note that all corporate support service decisions will be made during the implementation phase, and the positions included in this paper are options being considered.

A series of workshops have been held to assess service options against the following principles:

- Supports the Company in meeting its long- term objectives and immediate priorities of service improvement. As such, this may include transition arrangements for some service areas to support the overall financial position or improvement plan.
- The Company shall still be seen as a 'Corporate Partner' and as such will be part of any project team created to shape and source future strategic contracts managed by the Council.
- The Company shall not have high implementation and procurement costs. The lowest cost support model shall be used except where this does not support service improvement.
- Where additional costs are forecast, these need to be accounted for in the business case to inform the final decision on the delivery model.
- Where/if Services may transfer, TUPE considerations will apply.
- The Company may change how it spends its central support costs budget over time. This will be influenced by the strategic plans for the Company.
- The Company shall retain the policies and procedures of the Council, providing that these support service improvements and don't add avoidable complexity.

A summary of the positions against each required support service is found in the table below:

| Service  | Proposed options   |
|--|--|
| <b>Property: Service (facilities mgmt.)</b>        | Buy back   |
| <b>Property: Buildings / location</b>              | Option 1: Stay in current (e.g. Headquarters)<br>Option 2: Move to new (e.g. Localities) |
| <b>HR</b>  | Part transfer, part buy back   |
| <b>Finance</b>                                     | Part transfer, part buy back<br>Procure external audit of accounts (required)            |
| <b>HR Finance Transactional</b>                    | Buy back   |
| <b>Legal</b>                                       | Buy back<br>Procure externally for company-specific issues                               |
| <b>ICT</b>   | Buy back   |
| <b>Commercial, procurement and market research</b> | Buy back   |
| <b>Performance</b>                                 | Transfer core service<br>Buy back corporate support                                      |
| <b>Communications</b>                              | Buy back   |

Estimated support service costs are found in section 6.3 of the Financial Case. A detailed paper found in Background Paper 9.3 contains more detail regarding each service, and the benefits and risks associated with each proposed option.



### **Use of non-property assets / systems**

The new organisation will need continued access to assets and equipment currently utilised in service delivery. The Company needs to ensure that liabilities are equitable and affordable. The current assumption is that the majority of current assets/equipment utilised in service delivery, and intellectual property and data, will be transferred to the Company. It is also proposed that the Company will have operational access to WCC information systems/databases which are relevant to the companies' services. This section excludes property / buildings.

### **Cashflow and payment mechanisms**

The Company, like any new business, may have short term working capital requirements. Modelling will be conducted during the implementation phase regarding capital requirements. A contract will be paid quarterly or monthly. It may be that Revenue In Advance (RIA) will be required from WCC during/prior to Year 1. If required, WCC may be asked to provide a working capital loan to the Company - interest rate to be agreed and affordability to be discussed with WCC during implementation.

### **Novation of 3<sup>rd</sup> party contracts**

The novation process will apply to service-specific contracts only (i.e. Children's Social Care Services) and does not apply to shared corporate contracts which cut across the Council. Access to wider corporate contracts (e.g. Liberata) will be managed through Service-Level Agreements (SLA).

There are currently 17 core contracts that would transfer to the ADM, as identified by C. Co and the Commercial workstream. A number of these are frameworks contracts, and contain several suppliers and services, therefore the number of providers will be significantly higher than 17. It is anticipated that these contracts will novate in-line with contract terms, or by agreement where there is no novation provision set out. At this stage, there is no intention to terminate any contract arrangements. The annual value of these contracts equates to approximately £17million. A full list of the third-party contracts being considered for novation can be found in Background Paper 9.5.

### **Regulatory requirements**

The new organisation will also be subject to regular and extensive national oversight of its performance and effectiveness by the Department for Education and Ofsted.

The Company will register directly with Ofsted for its Residential Homes and be subject to the Inspections of Local Authority Children's Services (ILACS) framework. The ADM may also have to contribute to other WCC inspections, such as Special Educational Needs. The Council will continue to be inspected and held to account for the delivery of children's services in Worcestershire. The Company will be acting as an agent for the Council via the services contract and therefore the Company will be required to demonstrate that it meets the standards set by the Council.

### **Exit strategy**

A contingency plan and detailed exit strategy will be developed to enable the Council to exit the arrangements if necessary in the future, subject to detailed discussion and agreement between all relevant parties, whilst still ensuring service delivery. The requirements for a formal exit clause will be established during implementation, with a full exit strategy in place prior to the transfer of staff.

### **VAT liability**

High-level VAT advice was sought during the Business Case phase of the ADM Programme from PS TAX, experienced children's services company tax advisers. The report can be found in Background Paper 9.4. A thorough VAT assessment will be conducted during the implementation phase, with the aim of fully quantifying the amount and identifying an approach to mitigate any irrecoverable VAT by October 2018. Current findings are as follows:

- The Company is likely to incur similar VAT on the in-scope services as WCC does currently (approximately £365k). Under current rules, the VAT incurred by the Company will be irrecoverable.
- Where WCC currently uses 'in-house' services, such as legal, there will be an additional irrecoverable VAT charge if such services are supplied to the Company. Generally, all in-house support services supplied to the Company will be subject to VAT. It may be possible to exclude services from the contract and retain responsibility within the Council, thereby removing the VAT cost. However, such separation could be difficult both legally and practically.
- The rental of commercial property will be exempt unless the landlord has opted to tax.
- In summary, under current rules, VAT will represent a significant cost to the supply of children's social services under an ADM model. This has been included as a cost in the financial model.

### **DfE funding - VAT**

The position in respect of VAT liabilities for local authorities implementing alternative delivery models is currently under discussion between Department officials and Her Majesty's Revenue and Customs and the Treasury. The Department is hopeful of reaching agreement on a long-term solution. Irrespective of the outcome of this discussion, in delegating children's social care functions to a new Company, the DfE's view is that local authorities should not incur greater costs through the value added tax (VAT) regime than would be the case were it to continue providing services in-house, and the Department would seek to provide funding accordingly. As such, within the financial case, it is assumed that the irrecoverable VAT is funded.

### **Commercial Case conclusions**

The Commercial Case currently includes the starting positions put forward by the ADM Programme to investigate further and confirm during the implementation phase. Recommendations and next steps for the implementation phase are as follows:

- The procurement route is to be confirmed by legal partners and WCC.
- The TUPE list is to be created based on scope of services, following which pension liabilities and redundancy liabilities will be quantified.
- All support service options must be investigated regarding service, staff and cost impact during the implementation phase. Work has already been conducted which has informed this FBC.
- Detailed cashflow modelling will be conducted during the implementation phase and following this the payment schedule and mechanisms with the Council will be agreed.
- Detailed analysis of the 3<sup>rd</sup> party contracts will be conducted to confirm the novation list, and contracts to be renewed and terminated.
- A full VAT assessment will be conducted by October 2018, following the finalisation of the scope of services and buy-back arrangements.



## 1.5 FINANCIAL CASE SUMMARY

This case presents the projected financial impact of establishing the WOCC. As noted in the economic case, the key driver for the ADM is improvement of outcomes for children, not cost reduction or income generation. The projected budget thus shows an ongoing increased cost of service delivery.

- It is estimated that an investment of approximately **£4.6M will be required to establish a WOCC**. This is based on financially prudent assumptions and may change during implementation as key decisions are taken, in particular on where the WOCC will be located.
- The total **recurrent cost of the ADM is estimated at £77M in 2019-20**, rising to £82M in 2022-23. These figures include:
  - Service and improvement plan costs of £68M in 2019-20 (service-specific, not ADM)
  - Support service costs of £6.5M
  - Additional ADM-specific recurrent costs of £2.2M (assuming VAT funding); and
  - WCC-side recurrent costs due to the ADM of £287K.
- The **recurrent deficit of costs against income, before any funding** from the DfE or additional funding from WCC is included, **is £7.5M in 2019-20**, rising to £11.1m in 2022-23
- Based on assumed funding from the DfE for irrecoverable VAT, **the deficit is reduced to £6.2m in 2019-20**, and £9.7m in 2022-23. This may change during implementation as decisions are taken regarding the design of the Company.

### Summary of Recurrent Income and Costs

The table below shows the income and costs of children's social care services in scope of an ADM. This is based on there being no additional cost for property services, corporation tax, pensions contributions or future redundancy liabilities:

Table 1: Recurrent costs and income in scope of an ADM (£'000)

|   | Budgeted Income and Costs of ADM                                     | 2018-19<br>(£'000) | 2019-20<br>(£'000) | 2020-21<br>(£'000) | 2021-22<br>(£'000) | 2022-23<br>(£'000) |
|---|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| A | Total income budget excluding support services (recharges)           | 64,049             | 64,093             | 64,877             | 65,171             | 65,467             |
| B | Support Services / Corporate Recharges                               | 5,254              | 5,350              | 5,379              | 5,408              | 5,437              |
| C | <b>Total Income and Recharges</b>                                    | <b>69,303</b>      | <b>69,443</b>      | <b>70,256</b>      | <b>70,579</b>      | <b>70,904</b>      |
| D | <b>Total cost of service in the WOCC</b>                             | <b>69,303</b>      | <b>76,955</b>      | <b>81,331</b>      | <b>81,677</b>      | <b>82,027</b>      |
| E | <b>Total Budget surplus/(deficit) before DfE funding assumptions</b> | <b>0</b>           | <b>(7,512)</b>     | <b>(11,075)</b>    | <b>(11,098)</b>    | <b>(11,123)</b>    |
| F | Assumed funding for VAT (from DfE)                                   | 0                  | 1,353              | 1,394              | 1,398              | 1,403              |
| G | <b>Project ADM Budget surplus / (deficit)</b>                        | <b>0</b>           | <b>(6,158)</b>     | <b>(9,681)</b>     | <b>(9,700)</b>     | <b>(9,720)</b>     |

- Total income budget for the service (A):** This is the baseline projected budget of WCC children's services in scope. These projections are purely for the service and irrespective of the ADM.

Figures were projected from the 2017-18 budget to include staff salary inflation and increases in activity resulting from the improvement plan.

- **Support Services / Corporate Recharges (B):** These are the corporate recharges for services in WCC which support children's social care and provider services in scope of an ADM. These recharges were calculated in February 2018 by the ADM finance manager, as part of a council-wide exercise to ensure that corporate recharges accurately reflect the services provided to each directorate. The support services are shown in more detail in sections 6.3 and 6.7.2.
- **Cost of Service in the WOCC (D):** This is the cost of delivering the service in a WOCC, including the costs of in-scope children's social care and provider services, additional staff posts required in the WOCC, support services transferring to the WOCC, support services bought-back from WCC any increase in non-staff costs and potentially irrecoverable VAT. Any additional costs incurred before go-live (for example, early recruitment of directors and board) have been included in the transitional costs, not in 2018-19 recurrent costs.
- **Total Budget (Surplus)/ Deficit before DfE funding assumptions (E):** This is the surplus or deficit of existing operational income (before increases for the ADM) against costs of running the service in a Company. It thus represents the total additional recurring costs of delivering the service in a WOCC.
- **VAT funding (F):** The WOCC may incur irrecoverable VAT. This is the expected funding from the DfE (statement of intent in section 6.2) to cover this cost while the service is in intervention.
- **Annual Budget Surplus/Deficit(I):** This line shows the budget deficit after VAT funding.

### Summary of Transition Costs

The transition costs are shown in Table 2 below. £366K is expected to be incurred by 31<sup>st</sup> March 2018 in carrying out the options analysis, business case and preparing for implementation. An additional £4,261K is expected to be required for implementation, based on financially prudent, worst-case scenario assumptions. A breakdown of all these transition costs is shown in Section 6.4.

Table 2: Transition Costs of ADM

| Transitional Costs (£'000)       |               |
|----------------------------------|---------------|
| Pre-business case costs incurred | 366           |
| Costs of Implementation          | 4,261         |
| <b>Total set-up costs</b>        | <b>£4,627</b> |

The Financial Case demonstrates the above figures in more detail broken down in the following sections:

- **Section 6.2:** Recurrent Income
- **Section 6.3:** Recurrent Expenditure
- **Section 6.4:** Transitional Costs
- **Section 6.5:** 5-year Staffing
- **Section 6.6:** Financial Case Summary
- **Section 6.7:** Key Considerations and Risks

Background Paper 9.6 contains the detailed financial model and cost breakdown.

### Financial Case conclusions

In order to formulate the Finance Case to estimate the costs and risks associated with the Company and create a robust 5-year Financial Model, a number of informed assumptions have been made regarding the scope of services, buy-back arrangements, technical and financial arrangements of the WOCC, property arrangements, set-up requirements, the DfE intention to provide funding and the anticipated budget.

The affordability of the Company is heavily dependent on the agreement made between the Council and the DfE regarding funding. In the absence of this pending agreement, the Financial Case demonstrates the costs associated with the implementation and running of the Company, as opposed to ascertaining exactly how it will be funded. Therefore, once an agreement has been made regarding funding, the Financial Model must be revisited to ensure WCC has the budget to be able to successfully deliver the service within the proposed Company.

## 1.6 MANAGEMENT CASE SUMMARY

This section of the FBC addresses in detail how the scheme will be delivered and the 'achievability' of the preferred option. Its purpose is to set out the actions that will be required to enable the successful delivery of the scheme, within specific timescales, in accordance with best practice.

It takes into account the Council's ability to deliver a large-scale programme that cuts across a number of disciplines which will impact all children's social care services staff, Council staff and partners.

The timescale to achieve this change is estimated to be 1 year, starting in April 2018 for a go-live of 1 April 2019. This is an achievable timescale, based on similar timescales for other children's services companies, provided the sufficient resources are provided. The case in section 7 includes:

- Key principles for implementation
- Proposed implementation plan and timescales
- Communications and engagement plan
- Programme reporting structure and governance
- Programme management and workstreams
- Resource requirements
- Risk management
- Post-project evaluation

### Implementation timescales and activities

There are a number of critical path activities that will enable the Company to go-live successfully and provide the foundation of the detailed implementation plan. A detailed draft implementation plan is found in section 7.2. A summary of these activities is listed in the table below:

| Category           | Activity   | Target date |
|--------------------|--|-------------|
| <b>MoU</b>         | Memorandum of Understanding agreed with the Secretary of State | 1 May 2018  |
| <b>DfE Funding</b> | Funding agreed with the DfE                                    | 1 May 2018  |
| <b>Companies</b>   | Company registered   | May 2018    |

| Category                     | Activity   | Target date    |
|------------------------------|--|----------------|
| <b>House</b>                 | Final constitutional documents filed at Companies House                | 31 March 2019  |
| <b>Contracts</b>             | Council client function operational (i.e. commissioning arrangements)  | June 2018      |
|                              | Contract negotiations of schedules commence                            | September 2018 |
|                              | Third party contracts novated / assigned etc.                          | January 2019   |
|                              | Draft services contract ready for testing                              | October 2018   |
|                              | Services contract signed (including Cabinet and Commissioner approval) | March 2019     |
| <b>Accommodation</b>         | Property surveys and commencement of refurbishment (TBC)               | July 2018      |
|                              | Property ready for move-in   | March 2019     |
| <b>Staff transfer</b>        | Organisational structure / design completed                            | September 2018 |
|                              | Staff TUPE list ready  | October 2018   |
|                              | TUPE consultation commences  | November 2018  |
|                              | Staff TUPE transfer  | April 2019     |
| <b>Chair recruitment</b>     | Chair appointed  | September 2018 |
| <b>Board recruitment</b>     | Executive Directors & Non-Executive Directors appointed                | October 2018   |
|                              | Company Board fully operational in shadow form                         | December 2018  |
| <b>Business plan</b>         | Business plan completed (i.e. design of the company)                   | November 2018  |
| <b>Bank account</b>          | Bank account set up  | November 2018  |
| <b>Cabinet approval</b>      | Company budget 2018/19, business plan presented to Cabinet             | February 2019  |
| <b>Regulatory approval</b>   | Ofsted registration complete   | January 2019   |
| <b>Ministerial approvals</b> | Submissions for go-live; Chair recruitment; DfE funding (other TBC)    | On-going       |
| <b>Go live</b>               | Company go-live  | 1 April 2019   |

The target dates have been devised through an understanding of 'standard' lead times (gathered through similar programmes), WCC's capabilities and resources and the current state of services. These dates are indicative and subject to change following the detailed design.

### Communications and engagement plan

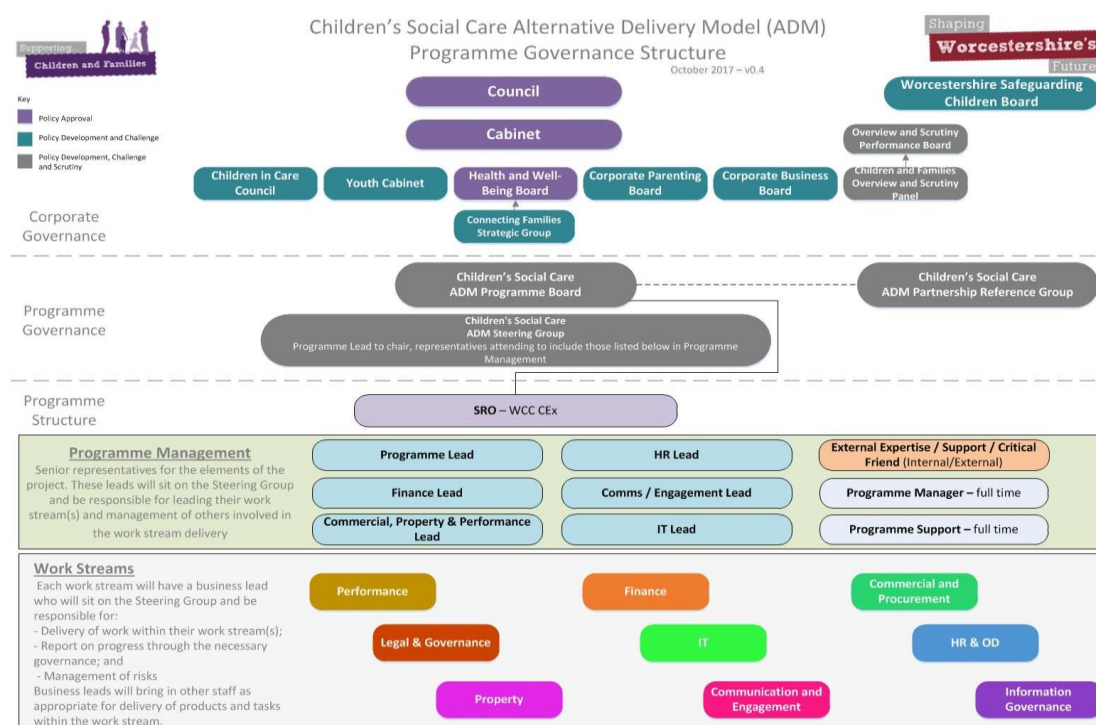
The full ADM Communications Plan is a working progress. The plan was updated following a workshop with service and support staff on the 2<sup>nd</sup> February 2018. The key principle captured is that all communications planning should start from Children & Young People and the key principles behind this, to drive the rest of the communications.

A robust timeline and plan for the Communications workstream is required for implementation. This will give clarity to stakeholders over when they will receive information to avoid confusion or discontentment. A summary of internal and external stakeholders and planned communications can be found in section 7.3 of the Management Case.

### Programme governance and reporting

The proposed reporting structure and governance for the programme includes a number of governance and stakeholder groups which include the service staff, the Senior Leadership Team for

Children, Families and Communities, the DfE Commissioner and DfE intervention unit, key partners, WCC Chief Executive and Chief Finance officer, Elected Members, and corporate representatives. Please note that the selected DfE Commissioner may change during implementation, however a Commissioner will always be provided by the DfE. The ADM governance is depicted in the image below, subject to final changes once the proposed workstreams have been approved:



A description of each major governance group is found below. Detailed descriptions and membership of each group can be found in section 7.4 of the Management Case:

### ADM Programme Board

The Programme Board will provide strategic leadership and management in the identification, development, appraisal and implementation of the ADM for the delivery of Children's Social Care in Worcestershire. It will be the key decision-making group within the governance structure of the Programme, outside of formal democratic decision-making, and will sign-off major deliverables.

### ADM Steering Group

The ADM Steering Group will report to the ADM Programme Board. It will be responsible for the production and assurance of products, defined by the ADM Programme Board, to appropriate quality, standards and time. It will ensure that appropriate resource is provided to complete programme work-streams to appropriate quality and within timescales set, and monitor milestones and risks relating to the programme work-streams, escalating issues to the Programme Board.

### ADM Partnership Reference Group

The ADM Partnership Reference Group will ensure that the ADM Programme gives sufficient opportunity for the impacted partnership stakeholders to influence the development and consideration of options for service change.

## **Programme management and workstreams**

### **ADM Programme Management**

The Assistant Director: Families, Communities and Partnerships will continue as the ADM Programme Lead, managing the ADM Programme Team. There will also be approximately 7 dedicated ADM resources working across the Programme who will form the 'ADM Programme Team'. This excludes dedicated workstream resources.

### **ADM Programme Workstreams**

The ADM Programme will be made up of 10 proposed workstreams. The proposed implementation plan demonstrates the achievement of core activities, some of which may be split across workstreams, therefore it is not split out into the proposed workstream structure. A description of each proposed work stream can be found in section 7.5 of the Management Case.

## **Programme resource requirements**

There will be approximately 4 dedicated internal resources within the central ADM Programme Team. Furthermore, the majority of workstream leads will be existing WCC staff who will take on the workstream lead role alongside their existing job.

External resources have also been requested across legal, tax, pensions, project management and ADM advice, commercial, branding and recruitment activities. Costs associated with the external resources can be found in section 7.6 of the Management Case and within the Financial Case.

It is anticipated that if the above resources, both internal and external, are provided for the ADM Programme, that the Programme will be set up to succeed within the timescales.

## **Risk management**

A comprehensive risk register and issue log exists for the ADM Programme. This can be found in Background Paper 9.7. This will continue to be monitored and refreshed throughout implementation.

## **Management Case conclusions**

- The Management case provides a robust understanding of the critical activities and risks associated with the implementation phase. It has considered the timescales for delivery of other similar children's services' company implementation and mapped this against WCC capabilities and resources.
- It provides a description of a robust governance structure and process which is already in place and working well. It is anticipated that this will continue throughout implementation.
- It provides a considered resource profile required for implementation

Consequently, the ADM Programme, subject to funding has demonstrated it is able to aptly resource and plan the implementation phase to time and budget (subject to final funding agreements with the DfE). It is recognised that the plan will be iterative and dependencies must be revisited regularly, to understand the impact on the critical path timescales. If the implementation goes ahead during April 2018, further work is required to develop project documentation and plans, including:

- Detailed overall programme plan and workstream plans
- Detailed risk register and dependencies register



- Updated PID
- Regular workstream lead meetings and communications planned and diarised
- Confirmation of funding from WCC and the DfE

## 1.7 BUSINESS CASE CONCLUSIONS

The full business case demonstrates a comprehensive understanding of the proposed WOCC model, activities required, technical and financial considerations, and risks associated with implementing this option. Conclusions against each case have been summarised below:

- The **strategic case** sets out the case for change against the local context, including the DfE intervention and WCC children's service and wider Council strategies; it clearly states the proposed scope of services and rationale to reach an agreement in principle; and describes the key risks associated with the ADM Programme which must be mitigated to ensure success. This case provides a strong strategic case for change and foundation for this business case.
- The **economic case** demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service, within the constraints of the DfE intervention. It has considered a wide range of financial and qualitative benefits, recognising that there are limited financial benefits associated with the Company and significant cost.
- The **commercial case** - this sets out the content of the proposed 'deal' between the Company and the Council. It has provided appropriate consideration to the Council's costs, to avoid unnecessary stranded costs whilst maximising value and service quality for the Company. Based on the current positions contained within this case, particularly regarding support services and existing contracts, the Company is commercially feasible for WCC to implement. However, this case in particular, is founded on a number of key assumptions and starting positions that must be investigated fully during implementation.
- The **financial case** provides a detailed review of the recurrent budget, income and expenditure of the Company over a 5-year period; 5-year staffing projections; and transitional costs. The financial case does not comment on the affordability of implementing the Company, as this is heavily dependent on funding arrangements agreed between WCC and the DfE.
- The **management case** specifies the plans for the successful delivery of the programme of work to cost, time and quality. The ADM Programme has already been well resourced and governed, with robust mechanisms for monitoring risks and milestones in place. Providing the requested internal and external resources are provided, and the Programme continues to be governed effectively, the ADM Programme will be well-placed to successfully deliver the implementation of the Wholly Owned Council Company.

## 2. INTRODUCTION

### 2.1 PURPOSE OF THIS DOCUMENT

This Full Business Case (FBC) is for the development of an Alternative Delivery Model (ADM) for Worcestershire County Council's (WCC) Children's Social Care Services. The original intention of this FBC was to conduct a 'twin-track' analysis across two options, in the form of a Wholly Owned Council Company and a Strategic Partnership.

The Strategic Partnership model is one where WCC's Children's Social Care Services would be managed and delivered by another local authority's children's services, via a Strategic Partnership arrangement. In order to take this option through the Full Business Case, it was required that a partner be identified and terms agreed upon which a partnership would be developed. During December 2017 and January 2018, the Council approached potential local authority partners (including neighbouring authorities) to assess the viability of the Strategic Partnership option. There was a willingness from an Ofsted-rated 'good' Council to explore partnership arrangements with WCC, however the content of these proposals did not satisfy the DfE's requirements for operational independence. Therefore, only the Wholly Owned Council Company is explored in this document.

This FBC has been created using the 'Five Case Model': an approach contained within HM Treasury's guidance and standard methodology, which is both scalable and proportionate. Therefore, it has been tailored to the timescale and resource available in WCC.

The Five Case Model comprises the following key components:

- The **strategic case** - this sets out the case for change, together with the supporting investment objectives for the arrangement;
- The **economic case** - this demonstrates that the organisation has selected the most economically advantageous offer, which best meets the existing and future needs of the service and optimises value for money;
- The **commercial case** - this sets out the content of the proposed 'deal', i.e. that the ADM is commercially feasible for WCC to implement;
- The **financial case** – this describes funding arrangements, the required budget, and key considerations for the affordability of the ADM;
- The **management case**– this specifies the plans for the successful delivery of the programme of work to cost, time and quality.

### 2.2 LOCAL CONTEXT

#### 2.2.1 Service performance and statutory direction

The future of Worcestershire's Children's Social Care Services requires a form of ADM, and a decision must be made on the specifics of this by 31<sup>st</sup> March 2018, informed by the Full Business Case. This has been driven by the performance of the service as judged by Ofsted, an independent assessment by the Department for Education (DfE) appointed Commissioner, and the Statutory direction issued by the Secretary of State.



The Ofsted inspection published on the 24<sup>th</sup> January 2017 of Worcestershire County Council's services for children in need of help and protection, looked after children and care leavers found its services to be "inadequate." Following consideration of the report, the Secretary of State judged that the Council is failing to perform to an adequate standard, some or all of the functions to which section 497A of the Education Act 1996 is applied by section 50 of the Children Act 2004 (children's social care functions).

An independent report by the Commissioner for Children's Social Care Services in Worcestershire (Trevor Doughty) recommended that the Council should work with the Commissioner and Department for Education to develop an alternative way to provide children's social care services.

On the 19<sup>th</sup> September 2017, the Secretary of State issued a revised statutory direction, which replaces an earlier statutory direction, issued to the Council in March 2017. Part of the revised direction requires that the Council develop and draft the following, in consultation and agreement with the Children's Services Commissioner:

- i) An options analysis for an alternative delivery model, with an outline recommended model, by 31<sup>st</sup> December 2017;
- ii) A full business case for the proposed alternative delivery model by 31<sup>st</sup> March 2018; and
- iii) To provide regular reports on its progress, the first of which by no later than 30<sup>th</sup> November 2017.

Worcestershire County Council, in compliance with the statutory direction, has initiated a programme to appraise, design and implement an alternative delivery model for Children's Social Care services. The programme has been developed in partnership with Mutual Ventures and supported by C.Co and Bevan Brittan and consists of a number of phases. Phase 1 was the completion of an Options Analysis to decide the highest-scoring ADM option (this was completed in December 2017). Phase 2 is the completion of a Detailed Business Case on the final option(s) chosen following the Options Analysis (to be completed by 31<sup>st</sup> March 2018).

Subject to Cabinet and Secretary of State approval, implementation is likely to begin in April 2018, with a target go-live date of April 2019.

### **2.2.1 Options Analysis outcome**

During the 14<sup>th</sup> December 2017 Cabinet, it was decided that two options were to be taken through to Full Business Case stage in the form of a WOCC and a Strategic Partnership. This decision took into account the Options Analysis as well as local considerations regarding Worcestershire's political context and reputation (beyond the mechanisms of the Options Analysis). As stated in section 2.1, the Strategic Partnership option has not been assessed as viable, therefore only the WOCC is explored in this FBC.

The details of the Options Analysis results are found in the Economic Case section, where the long-list and the short-list are also described.

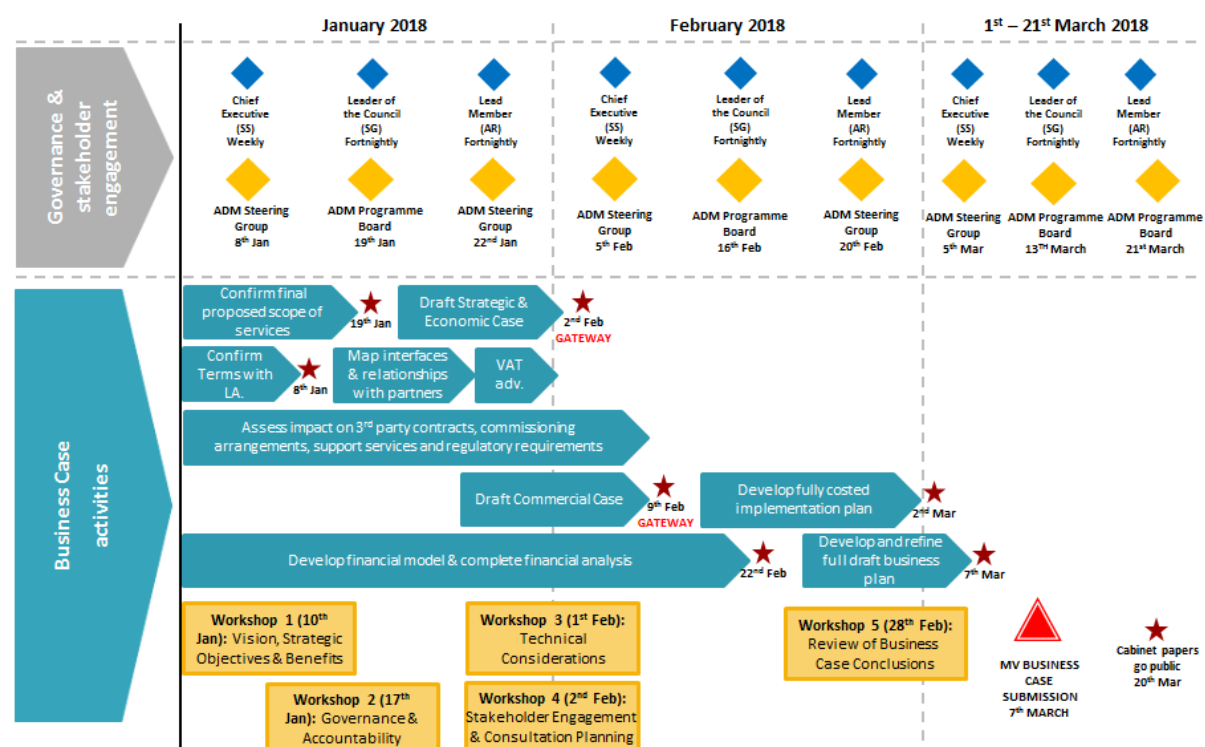
### **2.3 The Business Case process**

Building upon the information gathered within the Options Analysis, the development of the Full Business Case has been conducted from the 18<sup>th</sup> December 2017 – 7<sup>th</sup> March 2018, to form the

submission to Cabinet on the 29<sup>th</sup> March 2018. This process was managed by the ADM Programme Team under the direction of WCC's Interim Chief Executive and Director of Children's Services. During this time, numerous workshops, meetings and briefings have been completed with the following key stakeholders:

- ▼ Cabinet Members (including the Leader of the Council and the Cabinet Member for Children and Families)
- ▼ Non-Executive Members (Overview & Scrutiny Panel)
- ▼ The Children, Families and Communities Senior Leadership Team
- ▼ CYPF staff representatives and liaisons
- ▼ Senior social workers
- ▼ Corporate representatives (Legal, Finance, HR, Commercial, Procurement)
- ▼ The Chief Executive and Worcestershire Leadership Team
- ▼ The DfE Commissioner
- ▼ The DfE Intervention Unit

Governance has been provided by the ADM Programme Team, ADM Steering Group and ADM Programme Board, which are proposed to continue to operate during the implementation phase. The stakeholder engagement plan for this phase of the Programme is represented in the visual timeline below, alongside key activities undertaken during the Business Case process:



### 3. THE STRATEGIC CASE

This section of the FBC tests whether the ADM option under consideration is supported by a compelling case for change that provides a holistic fit with other parts of the organisation and the public sector, including strategic drivers and objectives.

#### 3.1 STRATEGIC DRIVERS FOR CHANGE

The requirement to consider an ADM for Children's Social Care Services in Worcestershire has been formalised in a Statutory direction issued by the DfE, which is a key driver for this change. However, the ADM has been recognised by WCC as a vehicle for positive change and an opportunity to support and enhance the ongoing improvement activity. The aim of the ADM is to provide the service with the platform and further opportunities to improve outcomes for children and young people. The local context surrounding the DfE's intervention can be found in section 2.2. A number of further considerations and drivers, including the Essex Improvement Partnership, are listed in this section.

##### 3.1.1 Areas of concern for Worcestershire's children

The [Children and Young People's Plan](#) (CYPP) Companion document (published September 2017) highlights a number of potential factors which the ADM design and WCC's Children's Social Care Services strategies and plans will need to take into account and/or address. These include:

- The number of children and young people aged 19 or under in Worcestershire is projected to be 131,800 by 2025. This is an increase of 3,600 (2.7%) from 2015.
- The overall birth rate in Worcestershire is declining but has increased among the most disadvantaged families, which could lead to additional demand challenges on public services.
- Over 15,800 (16%) children aged under 16 across Worcestershire live in low income households.
- Identified inequalities in health outcomes during pregnancy & birth and the early years such as teenage pregnancies, smoking in pregnancy, low birth weight, breastfeeding, dental health and hospital admissions.
- The proportion of children with free school meal status achieving a good level of development at the end of Reception is significantly lower than elsewhere.
- The number of pupils reaching expected standards for reading, writing and maths at Key Stage 1 and 2 are still below the regional and national level.
- Growing prevalence of children identified with special education needs and disabilities and understanding what support may be needed to meet their needs including an above average proportion of SEN school aged pupils<sup>1</sup>.
- Education attainment of vulnerable pupils including those eligible for free school meals, looked after children and children with special education needs and disabilities. The gap is still too big, and the progression rate too slow, between these vulnerable groups and their peers.
- Progress of Care Leavers into suitable accommodation and education, employment and/or training: 48% of care leavers are currently not in education, employment or training.

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<sup>1</sup> <https://www.gov.uk/government/statistics/special-educational-needs-in-england-january-2017>

- Concern regarding the emotional wellbeing and mental health needs of children and young people and an above average number of school children with social, emotional and mental health needs.
- Demand on social care at every level (Children in Need, Child Protection and Looked After Children) and the capacity, capability and quality of social care practice.

The ADM, as the vehicle for sustaining improvement, will have the opportunity to be designed in such a way that supports the needs of children and young people within the county. The ADM will be solely focused on improving children's social care services for Worcestershire's CYPF, with fewer competing strategic priorities. Tailoring the service will be primarily addressed through the improvement activity, which involves service and practice redesign and identifying specific priorities which will address Worcestershire's core needs, taking advantage of new flexibilities provided by the ADM. The current improvement priorities are summarised below.

### **3.1.2 Improvement priorities**

On 24 January 2017, Ofsted published their report entitled 'Inspection of services for children in need of help and protection, children looked after and care leavers; and Review of the effectiveness of the Local Safeguarding Children Board' for Worcestershire County Council. The overall judgement for Worcestershire was 'inadequate'.

Following publication of the report, the Cabinet Member with Responsibility (CMR) for Children and Families, the Director of Children, Families and Communities (DCS) and the Assistant Director: Safeguarding Services outlined to various stakeholders including the local media, scrutiny panels, partners and our workforce that plans were already in place to deliver service improvement prior to the inspection, and that this work has continued and been further strengthened to form a Service Improvement Plan (SIP) to cover all recommendations outlined by Ofsted.

The SIP was noted and endorsed by Cabinet in April 2017, before being submitted and approved by Ofsted in May 2017. The SIP outlined 8 improved outcomes that we were seeking to achieve along with eight work-streams and associated projects to deliver them.

The SIP was also developed with other key strategic documents in mind, e.g. the Council's Corporate Plan, the Strategic Economic Plan and the Worcestershire Safeguarding Children Board (WSCB) Business Plan. It has also evolved since its inception to reflect latest intelligence gleaned from engagement with key stakeholders i.e. Children and Young People Plan development and launch in September 2017.

Just over 12 months on from the publication of the Ofsted report, WCC have undertaken a review of the SIP, to review the progress made and to ensure it continues to remain focused on the key priorities in light of the feedback provided from Ofsted following three monitoring visits which have taken place since the SIP was launched, in May 2017, September 2017 and January 2018.

As a result of the review, and the positive progress made on a number of key areas, WCC have refreshed the SIP, which will continue to focus on delivering 8 improved outcomes for children, young people and families for the next 12 months, along with a programme of work to support successful delivery of these outcomes. The eight outcomes are:

- Outcome 1 – Be the Social Work 'employer of choice'
- Outcome 2 – Children's needs are assessed and met in a timely and purposeful manner

- Outcome 3 – Children and families benefit from services that have been quality assured
- Outcome 4 – Children and families views drive service improvement
- Outcome 5 – Children and families benefit from early help and avoid unnecessary interventions
- Outcome 6 – Children and families receive the right service at the right time
- Outcome 7 – Children and young people achieve permanency without delay
- Outcome 8 – Our Looked after Children are fully prepared for adulthood

The Children's Families and Communities Leadership Team will continue to lead delivery of the SIP and ensure positive momentum is maintained whilst the implementation phase of the ADM is underway. The SIP will continue to be reviewed regularly, with progress reports provided to key stakeholders and partners including the Local Safeguarding Children Board (LSCB), Elected Members and Scrutiny Panels, whilst continuing to work in partnership with WCC's improvement partner, Essex County Council.

It is crucial that the development of the ADM add value to, and does not distract from, the improvement work taking place across Children's Social Care. Conversely, the ADM provides the opportunity for new ways of working; it is important for the improvement journey and improvement partner to be involved in the design of the ADM's operating model during implementation to ensure the positive progress that has been evidenced so far is sustained.

### **3.1.3 Essex County Council improvement partnership**

WCC'S Children's Services proactively commissioned Essex County Council as an improvement partner, with experts working alongside WCC to improve the lives of children and young people in Worcestershire from 24 Aug 2017 – 31 March 2019. The Essex County Council Children Services team was Worcestershire's preferred choice of partner after being recognised nationally as a best-in-class improvement partner due to their track record of improving their own services and working with other local authorities to deliver sustained improvements for children.

Essex's improvement team, have worked proactively with WCC's social work teams and managers, Targeted Family Support, quality assurance, HR and other children's specific support services, to encourage self-assessment, reflection and learning, so that teams and team members improve social work practice with children and families, and improve team focus and organisation. This work will also seek to follow-up on the areas of development identified in Ofsted improvement visits.

In February 2018, Essex County Council submitted a report to summarise the findings from their improvement work in Worcestershire so far. The report concluded that colleagues in Worcestershire are clear that they are on an improvement journey and have worked to enhance and promote the pace of change that is required.

It also stated that the new operating model that was launched on 1 February 2018 is forward looking, innovative and addresses many of the issues identified by both Essex and by Ofsted in their monitoring visits. Essex have found Worcestershire to be very proactive and positive, and diagnostic visits and deep dives have been well received by both senior managers and teams. Furthermore, there is positive news that marked improvements in pace and change have been noted in the last two monitoring visits from Ofsted in October 2017 and January 2018.

Having worked in collaboration with Essex County Council managers during the diagnostic and deep dive visits, Worcestershire managers are now in a good position to adopt the team diagnostic model as part of their routine quality assurance and improvement processes in the future.

### **3.2 WORCESTERSHIRE CHILDREN'S SERVICE STRATEGIES**

The main WCC Children's Service strategy document is Worcestershire's Children & Young People's Plan (CYPP). The CYPP is the Worcestershire partnership framework for improving outcomes for all CYPP. The SIP is the response strategy and action plan to improvements required for children in need of help and protection

Building upon the whole service strategies and information included within the CYPP and improvement plan priorities (detailed in section 3.1.3), a 'visioning' workshop was held with service and support service staff on the 10<sup>th</sup> January 2018. Subsequently, these outputs were refined with the Directorate Leadership Team to develop the Vision, Mission, Values, Behaviours and Strategic Objectives of the services transferring to the ADM. These were accepted at the ADM Programme Board on the 26<sup>th</sup> January 2018 as suitable for the duration of the Business Case, with the understanding that these statements may be developed further during the implementation phase.

Vision, mission, values, behaviours and strategic objectives define the reason for existence of a service or organisation. They are indicators of the direction of travel, to guide services and staff. This is particularly important for the ADM as it represents positive change and new opportunities for the service.

#### **3.2.1 Vision of the ADM**

The Vision communicates what the organisation aims to achieve in the future. The current Vision for Company is as follows:

*Our vision is for Worcestershire to be a wonderful place for all children and young people to grow up. We will create supportive communities where children and young people are safe, secure and nurtured to become independent.*

#### **3.2.2 Mission of the ADM**

The Mission communicates how the organisation will achieve its vision. The current Mission for the Company is as follows:

*Our mission is to create the conditions where social care practice and practitioners can flourish so we deliver outstanding services for children, young people and families.*

#### **3.2.3 Values and Behaviours of the ADM**

Values and Behaviours sit at the core of an organisations activities and help to distinguish one organisation from another. Service or organisational values are the behaviours and skills that are valued in fellow employees and the way in which work is carried out. They underpin policies, procedures and behaviours, because they act as an anchor for all activity. The Values and Behaviours for the Company are as follows:



- We believe that all children and young people should be at heart of everything we do.
- We will make a positive difference to every child we work with.
- We will keep families together where it is in the best interest of the child.
- We will understand and value the role, responsibilities and contribution of our partners.
- We will inspire confidence and create capability in our staff so they practice to the best of their ability.
- We will act with integrity and respect.
- We will continually recognise and reinforce that achieving positive outcomes for children and young people is the most important thing we do and the reason we do what we do.
- We will be open to new ideas and feedback and use these to continuously learn and improve.

### 3.2.4 Strategic Objectives & Outcomes

The table below displays the Outcomes and respective Objectives within Worcestershire's CYPP. The associated Success Measures were drafted during the visioning workshop. At the workshop on the 10<sup>th</sup> January, these were tailored specifically to the scope of services of the ADM. *Please note there are other out-of-scope service plans which these measures will need to align to, e.g. Education Strategy.*

The table provides the potential framework to focus the activity and performance monitoring of Worcestershire's Children's Social Care Services ADM. It will be complemented by a more detailed business plan for the ADM as well as service plans for the wider Directorate/Council/partner agencies. A summary of the Outcomes, Objectives and an example of the type and range of success Measures are found in the table below. The detailed list of success measures and their targets are found in Background Paper 9.1.

| Ultimate Outcome                  | Objective  | Success Measures   |  |
|-----------------------------------|--|--|--|
|                                   |  | Activity and quality measures  | Impact measures  |
| <b>Are safe from harm</b>         | 1. Help children live in safe and supportive families and communities (homes and places) | <ul style="list-style-type: none"> <li>• Timeliness measures (e.g. % of all referrals with a decision within 24 hours)</li> <li>• Volume measures (e.g. Number of children without an allocated worker)</li> <li>• Destination measures (e.g. % of initial child protection conferences resulting in a child protection plan)</li> <li>• Quality measures (e.g. Number of compliments received)</li> </ul> | <ul style="list-style-type: none"> <li>• Rates of Children in Need/Child Protection/Looked After Children</li> <li>• Placement stability measures (e.g. % of looked after children with 3 or more placements in the last 12 months)</li> <li>• Previous involvement of Children's Services (e.g. % of repeat assessments)</li> </ul> |
|                                   | 2. Promote safe, healthy and positive relationships                                      |  |  |
| <b>Reach their full potential</b> | 3. Support children to have the best start in life and be ready for learning             | <ul style="list-style-type: none"> <li>• Planning measures (e.g. % of looked after children with an up to date Personal Education Plan)</li> <li>• Early Help measures (e.g. Number of children open to targeted family support for x months)</li> </ul>   | <ul style="list-style-type: none"> <li>• Attainment and destination measures (e.g. % of care leavers who are in employment, education and training)</li> </ul>   |
|                                   | 4. Prepare young people for adult life   |  |  |
|                                   | 5. Improve outcomes for vulnerable children and young people                             |  |  |

| Ultimate Outcome   | Objective   | Success Measures  |  |
|--|---|---|--|
|  |   | Activity and quality measures   | Impact measures  |
| <b>Make a positive contribution in their communities</b> | 6. Increase young people's voice in community life, participation and engagement in developing services   | <ul style="list-style-type: none"> <li>Participation measures (e.g. % of children who attend/actively contribute to their child protection conference)</li> </ul> | <ul style="list-style-type: none"> <li>Collated evidence of how practice has changed as a result of feedback (You said, we've done)</li> </ul> |
| <b>Live healthy, happy and fun-filled lives</b>          | 7. Improve social, emotional, mental health and well-being outcomes<br>8. Support young people, parents and carers to overcome the barriers to sustained employment | <ul style="list-style-type: none"> <li>Assessment measures (e.g. % of looked after children with an up-to-date Health Assessment)</li> </ul>                      | <ul style="list-style-type: none"> <li>Health measures (e.g. % of Looked after children with up-to-date immunisation)</li> </ul>               |

### 3.3 WORCESTERSHIRE COUNTY COUNCIL STRATEGIES

The wider Council strategy is summarised within the '[Shaping Worcestershire's Future: Our Plan for Worcestershire 2017-2022](#)' document. This strategy communicates that keeping children and young people safe is a key priority for the Council and its partners. WCC aims to focus efforts on providing a positive care experience in order for them to thrive and achieve their maximum potential.

Furthermore, WCC has a number of overarching aims in the way it delivers services to residents, within which the ADM strategically aligns:

- WCC is constantly looking to improve the way it achieves better outcomes and positively shape Worcestershire's future whilst at the same time delivering **better value for money**.
- WCC will continue to shape our decisions around those areas that our **residents and businesses** tell us are most important to them.
- WCC will seek to innovate further and look for **new and more efficient and effective ways of doing things**. WCC are keen to create an environment within the Council and with partners, to push boundaries and try out new concepts, ideas and different ways of working.
- We need to effectively manage change, innovate, and become **more flexible and responsive in our approach to change**. We need to be more agile in our decision-making and accelerate implementation.
- A key focus of the Council, will be to proactively **develop successful strategies to better manage demand for services**.

The sole purpose of the ADM is to improve services and outcomes for children and young people in Worcestershire, which includes enabling staff to perform to the best of their ability. The ADM has the opportunity to empower staff regarding decision-making and to deliver services in different ways, and therefore has the potential to create greater staff satisfaction and fulfilment. Additionally, the ADM will support better management of demand and more informed commissioning decisions, leading to increased value for money. Furthermore, the reputation of the Council in meeting the



needs and promoting the wellbeing of vulnerable children and young people will be further enhanced, if the ADM is designed and implemented successfully.

### 3.4 NATIONAL CONTEXT

Nationally, the DfE is examining the use of a range of ADMs in Children's Services – both in local authority areas with a history of underperformance, and in areas where Children's Services are performing well. A number of councils with 'good' ratings are now also considering fundamental changes to delivery structures<sup>2</sup> (e.g. Cornwall Council, Lincolnshire County Council) to further improve outcomes and/or use an ADM as a vehicle for integration of services.

The Government's ambition is that by 2020 over a third of all current local authorities will be either delivering their Children's Services through a new model, or actively working towards a different model. This policy direction is outlined in the *Putting Children First* White Paper (2016)<sup>3</sup> which sets out the Government's vision for achieving excellent children's social care. It is important to note that an alternative delivery model does not automatically lead to improvement: an ADM is a vehicle for improvement. As such, the improvement journey must not be lost during the ADM process.

A number of Councils have created, or are in the process of creating, ADMs for their children's services as the best means of controlling costs and improving performance. These include:

- *Achieving for Children* which is a wholly-owned Joint Venture between **Richmond, Kingston** and now **Windsor and Maidenhead** Councils.
- **Sunderland** has established a wholly-owned organisation (*Together for Children*) which delivers all the Council's children's services.
- **Doncaster** and **Slough** have both established *independent* Trusts which focus on children's social care rather than children's services more widely.
- **Birmingham, Sandwell**, and **Reading** are all progressing their own programmes for establishing new Wholly Owned Council Companies.
- In addition to these, **Newcastle, Newham** and **Cornwall** were also successful in their bids to the DfE Innovation Programme to develop ADMs for their children's services.

Due to the recent development of ADMs in Children's Services, there is emerging evidence regarding its success across England. Individual children's services now operating within ADMs have reported improvements. For example, Doncaster Children's Services Trust (the first children's services department in England to be taken out of council control in 2014) has progressed remarkably from 'inadequate' to 'good' across all aspects of their work during their latest Ofsted inspection<sup>4</sup>. Furthermore, Together for Children (Sunderland) has recently been praised for making particular progress for children in need of help and protection, during its 5<sup>th</sup> monitoring visit<sup>5</sup>. However, improvements in Slough, an independent Children's Trust, have been present but slow<sup>6</sup>. This

<sup>2</sup> Children & Young People Now (June 2016). <https://www.cypnow.co.uk/cyp/news/1157877/high-performing-councils-explore-alternative-delivery-models-for-children%E2%80%99s-services>

<sup>3</sup> Department for Education (July 2016). *Putting Children First: Delivering our vision for excellent children's social care*. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/554573/Putting\\_children\\_first\\_delivering\\_vision\\_excellent\\_childrens\\_social\\_care.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/554573/Putting_children_first_delivering_vision_excellent_childrens_social_care.pdf)

<sup>4</sup> <https://www.cypnow.co.uk/cyp/news/2004775/ofsted-upgrades-doncaster-from-inadequate-to-good>

<sup>5</sup> <https://www.cypnow.co.uk/cyp/news/2004511/ofsted-praises-improvements-at-childrens-services-mutual>

<sup>6</sup> <http://www.communitycare.co.uk/2018/02/06/social-work-practice-improving-inadequate-childrens-trust-ofsted-says/>

reinforces that the ADM itself is only a vehicle for improvement, and the design and delivery of its services must be considered carefully in order to improve outcomes as quickly as possible.

### **3.5 POTENTIAL SCOPE AND SERVICE REQUIREMENTS**

#### **3.5.1 Scope categorisation**

The final scope of services will inform the design of the Company and the financial viability and WCC's ability to implement the Company. The final scope of services will also have a significant impact on the staff who are to TUPE transfer across to the Company. The scope of services must also be agreed with sufficient time to conduct a (best practice) 90-day TUPE consultation period.

In September 2017, the Cabinet Member with Responsibility for Children and Families recommended to Cabinet that at this early stage of development, any consideration that is given to the scope of the ADM should be refined as part of the development of Options Analysis and the Full Business Case.

The initial categorisation and agreement of scope involved grouping services into the three main categories outlined below. The assumption during the Options Analysis was that only those services categorised as 1 are in-scope. Categories 2 or 3 would be retained by WCC (or in their current form):

#### **1. Services under the DfE statutory direction**

- Social services functions, as defined in the Local Authority Social Services Act 1970, so far as those functions relate to children;
- The functions conferred on the Council under sections 23C to 24D of the Children Act 1989 (so far as not falling within paragraph a. above);
- The functions conferred on the Council under sections 10, 12, 12C, 12D and 17A of the Children Act 2004

#### **2. Services closely linked to (1) and/or essential to improvement**

#### **3. Other services that will add value to those in (1) and (2) by contributing towards the wider improvement of outcomes for children and young people**

This work did not specify in detail the impact on corporate support services. However, it was assumed, that intrinsic to the development of the ADM will be a range of corporate support services, such as HR, Finance, Legal, Property and ICT. These services will be provided either directly by the ADM; through service level agreements ('buy-back from the Council'); procured externally by the ADM; and/or a combination of the options. A working position regarding the relationship between the ADM and corporate support services is outlined in the Commercial Case. Building on this work, in January 2018 the ADM Programme Board agreed changes to the categorisation of services. It firstly agreed to change the naming convention of categories 1 and 2 to the following:

**Category 1 = under direction and/or in scope due to improvement work or day to day business**

**Category 2 = under direction but different delivery model in place and/or essential to improvement**

Using these new categories, the ADM Programme Board also agreed a number of changes in relation to a working position on scope. These changes are outlined below.

- Adoption – in scope of Adoption Central England (move from Category 1 to Category 2)

- Targeted Family Support – (move from Category 2 to Category 1)
- Young adults Team - (move from Category 1 to Category 2)
- Placements Team – (move from Category 2 to Category 1)
- Workforce Development – (move from Category 2 to Category 1)

As a result of these proposed changes and some refinement of staff numbers and budgets, the current working position (subject to changes during implementation) regarding scope is below.

### 3.5.2 Summary of ADM transferring services

The list below summarises the high-level services in-scope, as well as associated staff expected to transfer to the ADM (as of 20<sup>th</sup> February 2018). This is based on the current 2017/2018 budget of approximately £50m, which increases in following years.

- Total – 629 FTE
- Children's Social Care - 311 FTE
- Children's Social Care Provider Services - 282 FTE
- Targeted Family Support - (21 FTE) (due to increase following the insourcing of other provision)
- Placement Team, Assistant Director, PA and Service Co-ordinators – 16 FTE

*Note: The Financial Case (section 6) describes cost and staffing figures in further detail, including the significant increase in budget and FTE from 2019/20 onwards.*

### 3.5.3 Detailed list of services in-scope

The detailed list of services included in-scope (not including business support services) is found in the table below:

|  |   |
|--|---|
| Independent Review and Quality Assurance   | Supported Living – Children with disabilities (CWD) |
| Children with Disabilities   | Equipment for CWD                                   |
| Principal Social Worker  | Domiciliary Care for CWD                            |
| Locality Teams   | Targeted Family Support                             |
| Specialist Services (incl. Child Sexual Exploitation, Homeless Intervention Team, Emergency Duty Team) | In House Residential & Short Breaks - Non CWD       |
| Contact & Referral   | Fostering & Kinship                                 |
| Community Function   | Outreach Service                                    |
| Safeguarding Teams & Group Manager   | Health & Well-being                                 |
| Worcestershire Safeguarding Children Board   | Contact Service                                     |
| Workforce development* (budget – not team)   | External Placements & Placements Team               |
| Supported Living - Non CWD   | Care Leavers  |
| In House Residential & Short Breaks - CWD  | Section 17 & Section 20 Support                     |
| Special Guardianship, Direct Financial Support & Residence Orders                                      | Adoption Services (those not in ACE)                |

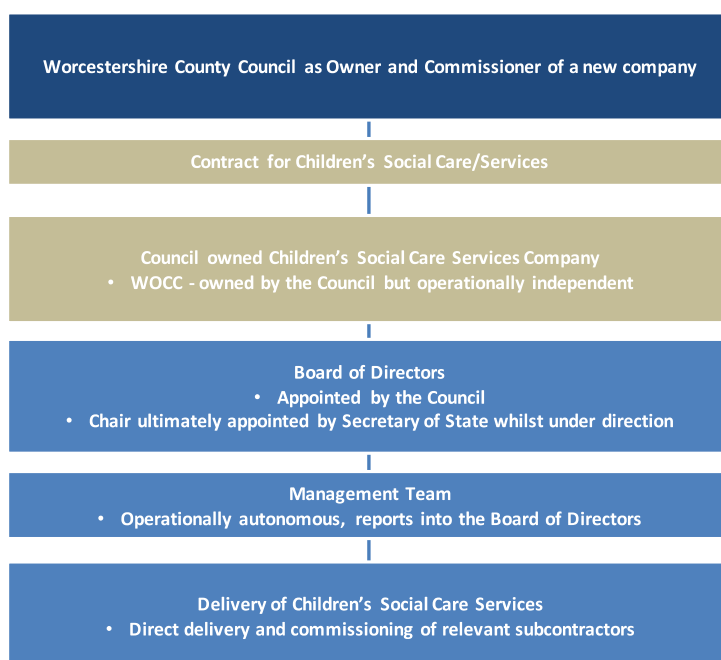
*\*Please note, the budget for workforce development is currently for the whole directorate, not the services transferring to the ADM. Therefore, this budget needs to be disaggregated in the next phase.*

The Central Adoption Team and the Young Adults Team, which currently sit within Children's Social Care, have been omitted from the ADM, due to the nature of their current delivery arrangements.

It is recommended throughout the implementation phase that the working relationship between the ADM and other WCC Children's Services (for example, Special Educational Needs and Disabilities (SEND) and Public Health) are fully mapped and understood.

### 3.6 OVERVIEW OF THE WHOLLY OWNED COUNCIL COMPANY MODEL

The WOCC model high level structure is depicted in the image below:



The term 'operationally autonomous' needs to be understood within the context of the procurement route (section 5.3) which will assign requirements for control. For example, the proposed procurement route requires that the controlling authority exercises a control similar to that which it exercises over its own departments and exercises a decisive influence over both the strategic objectives and significant decisions of the Company. Therefore, whilst as a separate company the WOCC will be operationally independent, the strategic objectives and significant decisions (dictated by agreed 'reserved matters') will remain with the Council.

### 3.7 GOVERNANCE AND ACCOUNTABILITY ARRANGEMENTS

A workshop was conducted on the 15<sup>th</sup> January 2018 with service and support staff, to draft (where possible at this stage) the governance and accountability arrangements of the WOCC. These positions were presented at the ADM Programme Board on the 26<sup>th</sup> January 2018, where feedback and approval were gained regarding the starting positions described below.

#### 3.7.1 Board composition

##### Size

It was agreed in the workshop that 9 Board members is preferable. This is based on Worcestershire's needs, but also reflects best practice for children's services companies. Ideally, to avoid any one Board member having a casting vote, the Company would prefer an odd number. However, even an odd number can often result in a tie due to absences or individual conflicts of interests. Therefore, the designation of Board member decision-making powers (i.e. a casting vote) will need to be considered during the implementation phase.

#### **Draft composition (9 members)**

- *1x Chair (Non-Executive Director)*
- *1 x Chief Executive OR Managing Director (Executive Director)*
- *2 x Company Executive Directors (e.g. Director of Finance/Resources, Director of Operations)*
- *1 x WCC Non-Executive Director – WCC officer (possibly a Director within the retained Council services)*
- *1 x WCC Non-Executive Director – elected member (due to conflicts of interest in holding the company to account, this role cannot be taken by the Lead Member for Children's).*
- *3 x Independent Non-Executive Directors (to represent expertise across commercial, financial and social care practice & improvement, and possibly partnerships).*

The above is a draft view of the needs of the Board for the Company, and subject to change depending on the detailed design, and areas of expertise provided by the Chair and Chief Executive. Please note that the Secretary of State ultimately appoints of the Chair, through a collaborative process with WCC.

The number and skillset of the Executive and Non-Executive Directors (NEDs) presents a range of choice during the development of the Company, in that it can be tailored so that expertise believed to be important for the Board has been captured. If the newly recruited Chair or Chief Executive has significant expertise in these areas, then this expertise may not be required in the NED positions. The composition of the Board may change over time, as the services and the needs of the WOCC change.

### **3.7.2 Democratic Scrutiny**

The development of the WOCC is an opportunity to continue improving scrutiny and democratic reporting arrangements, including ensuring the right information is provided to the right people, without duplicating effort (e.g. multiple documents/reports for similar purposes). Whilst this area will be designed in detail during the implementation phase, a number of key principles were captured during the workshop and through the Corporate Business Board on the 6<sup>th</sup> February 2018.

#### **Key principles:**

- Cabinet have expressed that existing Council and Cabinet frameworks regarding decision-making are sufficient, and that this is to be maintained during implementation of the ADM and beyond.
- Ofsted have previously criticised the scrutiny arrangements within the service. Consequently, a lot of work has already been completed to improve in this area. Therefore, the ADM must continue to strengthen these arrangements and utilise the improvement plans already in place.

### **3.7.3 Reserved matters**

WCC (as sole shareholder/owner of the Company) will have "Reserved Matters", i.e. certain matters which will require WCC's prior consent/approval before the Board can act. This will be designed in

detail during the implementation phase and will be impacted to some extent by design restrictions (e.g. property arrangements and the legal form). Reserved matters will be confirmed during the contract negotiations in the implementation phase, but an indication of what may be included is provided below (based on the reserved matters observed across similar companies):

- Amendment of the Company's Business Plan;
- Approval of any third-party contracts, arrangements or transactions over [£];
- Director removals or appointments, and appointment terms;
- The Company entering into any contractual arrangement with the Council following go-live;
- Approval if the Company wishes to form or procure the formation of any company or merge;
- Winding-up of the Company;
- New proposals to borrow money, mortgage etc.;
- Changes in the name, trading name and/or registered office of the Company;
- Changes to the principal locations of business of the Company;
- Changes in the terms and conditions of employment of any of the Company's employees;
- Sell or dispose any part of the business of the Company or any asset (e.g. property);
- Carry out any business other than relating to the Business Plan;
- Make any press or other public statements or announcements which refer to the Council; and
- Enter into any formalised partnership arrangement, e.g. a strategic partnership with another Council.

#### **3.7.4 DfE Reserved matters**

***During the period of intervention only***, the DfE/Secretary of State will have consultation OR consent rights (as applicable) in respect of each of the DfE Reserved Matters. This will be confirmed during the implementation. An indication of what may be included is provided below. These have been observed across similar companies, however the latest DfE position will be reflected in the MoU.

Reserved Matters requiring ***DfE consultation*** may include:

- Amendment of the Company's Business Plan;
- Approval of any third-party contracts over a *de minimis* value threshold;
- Director removals or appointments (other than in respect of the Chair, which will be a consent right) or any change to the member of the Company;
- Approval of any "Key Strategic Decisions" (tailored to WCC)
- Making changes to its Articles of Association;
- The Company entering into any other contractual arrangement with WCC for the provision of other services to WCC following the Services Contract go-live date; and
- Approval if the Company wishes to form or procure the formation of any company or merger.

Reserved Matters requiring ***DfE consent*** may include:

- Removal or appointment of the Chair;
- Removal or appointment of the Chief Executive / Managing Director; and
- Voluntary winding-up of the Company. Please note that this would not apply where the Company is actually insolvent, or where any action is necessary for the directors of the Company to comply with their statutory duties or to avoid potential civil or criminal liability.



Whilst the DfE's intervention period is for a prescribed time period, it is important that the DfE's Reserved Matters do not infringe on the proposed procurement exemption's requirements for control (stated in section 5.3). This will be mitigated, in part, by the constitutional documents between the Company and the Council. Furthermore, as is as is common with other children's services companies, it may be possible to draw up a Governance Side Agreement between the Council and the Secretary of State to regulate how the Council retains control during the period when the Secretary of State is involved, requiring Council agreement or consultation with the Secretary of State before the council exercise its powers.

### **3.7.5 Commissioning / Intelligent Client Function (ICF)**

WCC would exercise control over Children's Social Care Services through its contract with the company. The contract would include robust performance measures and would be managed by WCC. It will be very important for the Council to develop a commissioning/client function to manage its relationship and its contract with the new Company (e.g. a strategic commissioning board). With a strong ICF in place, evidence suggests that organisations are much more likely to drive innovation in service delivery, save money, reduce wastage and achieve their proposed outcomes. Without the appropriate resources set aside for an effective ICF team, relationships can rapidly turn problematic. Accordingly, the Council will need to retain or hire appropriately experienced and skilled staff to perform this function. The DCS and Lead Member and other WCC officers may form part of this function.

#### **Key considerations**

- Currently, there are no WCC commissioners purely dedicated to Children's Social Care, and commissioning is often not the primary activity or expertise of these staff. There is also learning to be had from previous commissioning arrangements, where very little training has been provided to the team managing these arrangements. There is a large gap in specific skills and capacity in this area. This must be addressed to ensure the effective monitoring and management of the Company.
- Therefore, the assumption is that additional resources will be required to manage and deliver the Intelligent Client Function / Commissioning Unit. Further work is required during the implementation phase to design this and determine roles; however, it is estimated that at least 1 x Lead Commissioner and 1 x Commissioning Manager will be required.
- Consideration may also be given to a quality assurance role outside of the Company, who can assure social work practices and delivery, as well as overall performance.

### **3.7.6 DCS role**

#### **Two main options for the DCS function**

- The DCS function is retained in the Council, whilst the Company recruits its own Chief Officer (e.g. Managing Director).
- The DCS seconds (no TUPE) to the Company and takes on Chief Officer role.

In general, for companies which are responsible for children's social care services only, the position has been that the DCS has remained in the Council, with a separate Chief Executive recruited for the

Company, e.g. Doncaster. For those companies which serve the entirety of children's services (i.e. including education), the DCS has seconded over to the company and taken the Chief Executive role.

WCC are retaining a significant proportion of Children's Services, however WCC would like to consider the placement of the DCS in further detail during the implementation phase. At this stage, it is too early for the Council to provide a position on this. For the purposes of the financial model, a cost has been included in a 'worst case scenario' where the DCS placement results in additional resource being required by WCC.

### **Key considerations**

- If the DCS remains within the local authority, this function will not sit on the Board of the Company due to the conflict in interest, however the DCS may observe if this is desired.
- If the DCS seconds to the Company and takes on the Chief Executive role, the Chief Executive of the Council is typically the key Council representative holding the Company to account, alongside the Lead Member.
- Consideration should be given to the relationship between the DCS and the Chief Executive of other similar companies, as this can be structured in such a way to enable more effective working between the two Post Holders. If this is not designed properly, this relationship can be difficult, as both roles are responsible for ensuring the successful delivery of services.

### **3.7.6 Voice of Children, Young People and Families (CYPF)**

There are multiple ways to engage with CYPF in the new company, formally and informally. The new entity may consider offering CYPF to form part of formal decision-making bodies.

### **Key considerations**

- There are currently three key CYPF engagement groups: two groups for children in care, and one group for care leavers.
- Improvement is required regarding how CYPF are engaged and feed into the service design and improvements, as the current engagement is judged as insufficient by service staff.
- The ADM Programme will research what has worked so far and elsewhere, and build this into the new design, e.g. in other companies, CYPF groups have directly contributed to the CYPF.
- There is currently no intention to create a Board position for CYPF members, however, this will be considered further during the implementation phase. It is also important for there to be CYPF engagement and communication expertise within the Board or Senior Management Team of the Company.

### **3.7.8 Service Delivery Contract**

The Service Delivery Contract (SDC) is the mechanism through which WCC will commission the Company to deliver services on its behalf. Whilst this will be drafted at a later stage during implementation, there are a few key considerations to take into account:

- WCC remains statutorily responsible and accountable for the exercise of its children's social care functions.



- WCC contracts the Company to deliver the services that underpin WCC's social care functions on its behalf. WCC is an independent "Customer" and the Company is an independent "Supplier".
- The Services Contract may be based on existing contracts for similar organisations (e.g. Doncaster).
- WCC passes risk and responsibility for delivery of such services to the Company and the Company is accountable to WCC for the performance of the services that underpins its children's social care functions.
- The Company has to deliver to pre-agreed performance standards and must meet pre-agreed key performance levels. Ultimately, the Company is contracted to substantially improve service levels and standards on behalf of WCC.
- The parties manage costs of delivery of the services through the finance mechanism.
- Staff and relevant assets required for the delivery of the services transfer to the Company.
- The Services Contract is in place for the duration of the Statutory Direction. At the end of the intervention, WCC has the option to take on the delivery of the services itself, continue to contract with the Company, or indeed procure another third-party supplier.

### 3.7.9 Ofsted

The Ofsted inspection regime, i.e. Inspections of Local Authority Children's Services (ILACS) would be managed by the WOCC, as it will have operational responsibility over service delivery. WCC will retain statutory responsibility for the service, and any inspections will be reported to WCC. Ofsted will inspect and rate services delivered in Worcestershire, in a similar fashion to the current inspection regime.

The WOCC will be directly responsible for managing the process of Ofsted inspections. The WOCC will also be directly registered with Ofsted for Worcestershire's Children's Homes. Children's Homes (include secure homes) will be subject to the Social Care Common Inspection Framework (SCCIF).

## 3.8 KEY RISKS AND CONSTRAINTS

The ADM Programme is subject to following risks and constraints that will be carefully monitored and managed throughout the lifespan of the Programme. These are detailed in the table below:

| Ref | Risk  | Probability | Impact   | RAG |
|-----|---|-------------|----------|-----|
| 1   | There is a risk that due to the short timescales and complex nature of the programme information is not able to be provided. This may impact on the time, quality and cost of the programme | High        | Critical |     |
| 2   | There is a risk that the move to a Company and the perception of 'privatisation' will make it more difficult to recruit and retain staff to the Company than to WCC.                        | High        | Critical |     |
| 3   | There is a risk, that due to the Company's inability to recruit and retain staff the additional costs associated with agency and interim staff will increase                                | High        | Critical |     |
| 4   | There is a risk that additional resources currently not planned for will be required through implementation phase, therefore increase cost to the programme.                                | High        | Critical |     |

| Ref | Risk  | Probability | Impact      | RAG |
|-----|---|-------------|-------------|-----|
| 5   | There is a risk that throughout the implementation phase of the ADM the improvement plan activity will be disrupted and/or delayed  | High        | Critical    |     |
| 6   | There is a risk that the recruitment campaigns for new Board members and Executive Directors are unsuccessful or take longer and this impacts on the implementation timescales  | High        | Critical    |     |
| 7   | There is a risk that key stakeholders will not be available who are essential to the Implementation Phase   | Medium      | Critical    |     |
| 8   | There is a risk that the DfE will not fund the programme fully and this will make the implementation unaffordable   | Medium      | Critical    |     |
| 9   | There is a risk that Social Care is currently (and for the past few years) significantly over spending – any additional over spend is not accounted for in the ADM budget transfer  | Medium      | Critical    |     |
| 10  | There is a risk that HMRC could make changes or issue differing advice that may change the VAT treatment. This could mean that the council may have to pay higher VAT contributions.  | Medium      | Critical    |     |
| 11  | There is a risk that the implementation of the ADM creates greater fragmentation between Council corporate support services and wider Children's Services both within WCC and across partners   | Medium      | Critical    |     |
| 12  | There is a risk that throughout the implementation of the ADM there is increased service user dissatisfaction given the increased level of change and staff anxiety.  | Medium      | Critical    |     |
| 13  | There is a risk, that following implementation there is insufficient corporate support service provision due to council restrictions including that from major contracts which may restrict the ADM accessing fit for purpose services                  | Medium      | Critical    |     |
| 14  | There is a risk that the timeline for final decision on implementation of an ADM, as set by the DfE, could be delayed by processes such as a Call in by Scrutiny.   | Medium      | Substantial |     |
| 15  | There is a risk around mind-set of officers in corporate support services believing/behaving in a manner that considers the ADM as 'another company' and therefore ADM potentially receives an inferior / less timely service                           | Medium      | Substantial |     |
| 16  | There is a risk around poor staff and wider stakeholder engagement in the ADM programme Which may lead to a lack of contribution from these parties in the design of the ADM, which in turn may have a negative effect on the implementation of an ADM. | Medium      | Substantial |     |
| 17  | There is a risk of increased confusion of the brand and identity of the ADM and the council, given will be a new autonomous organisation.   | Medium      | Substantial |     |
| 18  | There is a risk that costs will increase following a more detailed analysis of corporate support services   | Medium      | Substantial |     |
| 19  | There is a risk of reduced control and governance by the Council if appropriate contractual documentation and mechanisms are not in place.  | Low         | Critical    |     |
| 20  | There is a risk that following implementation of the ADM improvement is not sustained   | Low         | Critical    |     |
| 21  | There is a risk that suppliers may be unwilling to agree to novate contracts  | Low         | Substantial |     |
| 22  | There is a risk that due to TUPE there is an increased risk of industrial action that may lead to service disruption and costs being incurred to ensure service cover and dispute resolution  | Low         | Substantial |     |

### 3.9 STRATEGIC CASE CONCLUSIONS

The case for change for Children's Social Care Services is supported by several key drivers:

- The requirement to improve as outlined in the improvement plan, and the desire to continue improving based on recent progress;
- The local context regarding the statutory direction / DfE intervention; and
- The emerging supportive evidence nationally of several local authorities (both 'inadequate' and 'good') transferring services to a children's services ADM. However, as noted in the case of Slough, progress can be inhibited depending on the design and delivery of the ADM.

The direction of the ADM, described by the Vision, Mission, Values, Behaviours and Objectives, have been clearly demonstrated in this section. Furthermore, significant consideration has already been given to the scope of services and the potential design of the ADM, particularly regarding how it is governed.

The scope and high-level design of the WOCC has been discussed and agreed in principle with a wide range of stakeholders within WCC, with an aim to communicate this more widely to partners and CYPF during the next phase, if approved. Consequently, the Strategic Case provides a sound basis to proceed with the Full Business Case.

#### **Recommendations for the implementation phase**

- Finalise and/or confirm the Vision, Mission, Values & Behaviours and Strategic Objectives.
- Fully investigate and confirm the final scope of services transferring to the ADM, including the impact on remaining services and a gap analysis across services.
- Remain aligned to the improvement journey through ADM Programme governance.
- Determine the legal form of the WOCC early on during implementation.
- Conduct detailed design of the governance and accountability arrangements, develop the performance framework and monitoring measures, design the Company and the contractual matters and documentation. Specific workstreams during the implementation will be dedicated to these matters, which have been detailed in the Management Case section.
- Further investigate the requirements of the Board, including considerations of CYPF representation.
- Update the Project Initiation Document and risk register at the start of the implementation phase and update it regularly as the Programme progresses.
- Properly map and understand how in-scope services' working relationships with remaining children's services within the Council are managed, e.g. SEND (Special Educational Needs and Disabilities) and Health.

## 4 THE ECONOMIC CASE

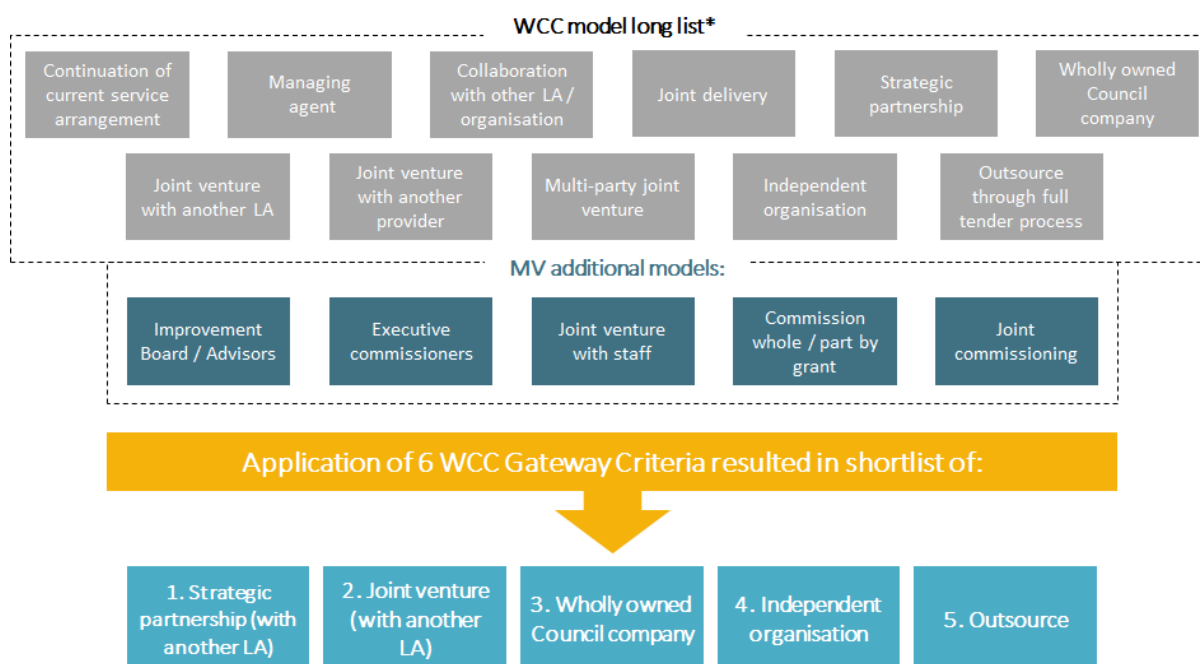
This section of the Full Business Case tests whether WCC has selected the most economically advantageous offer, which best meets service needs and optimises value for money.

### 4.1 THE LONG-LISTED OPTIONS

Prior to Mutual Ventures' joining the ADM programme Team in October 2017, WCC had identified a long-list of options (confirmed during the September 2017 Cabinet). Based on previous experience of children's services ADMs, Mutual Ventures (MV), in collaboration with WCC, subsequently conducted a review of these options with MV's comprehensive list of known delivery models for children's services (previously discussed with DfE) and identified further models that had not yet been fully considered by WCC. This created a long-list of 16 options.

To produce a manageable shortlist of model options suitable to Worcestershire, a 'gateway' process was applied to the long-list of models. The gateway criteria comprised a set of pass/fail questions.

The gateway process resulted in a set of 5 short-listed options to take into a more detailed Options Analysis process. The revised long-list and short-list was discussed and agreed with the ADM Programme Board on 25<sup>th</sup> October 2017. The total longlist of options and resulting shortlist of options is shown in the diagram below:



### 4.2 THE SHORT-LISTED OPTIONS

The short-listed options shown within the Options Analysis were as follows:

- Strategic Partnership (with another local authority)
- Joint Venture (with another local authority)
- Wholly Owned Council Company (WOCC)
- Independent organisation (multiple variants)
- Outsource

The Options Analysis results of the 5 short-listed options have been published in the December 2017 [Cabinet Report](#), which identified the WOCC as the highest scoring option.

### Option(s) to take through to Full Business Case

It was decided at Cabinet on the 14<sup>th</sup> December 2017, that the WOCC and the Strategic Partnership option were to be taken through the Full Business Case, taking into account the local political context and other considerations beyond the mechanisms of the Options Analysis. However, as a viable partner was not found during the Options Analysis and early Business Case stages, the WOCC is the sole ADM considered in this Business Case.

### 4.3 BENEFITS AND DIS-BENEFITS

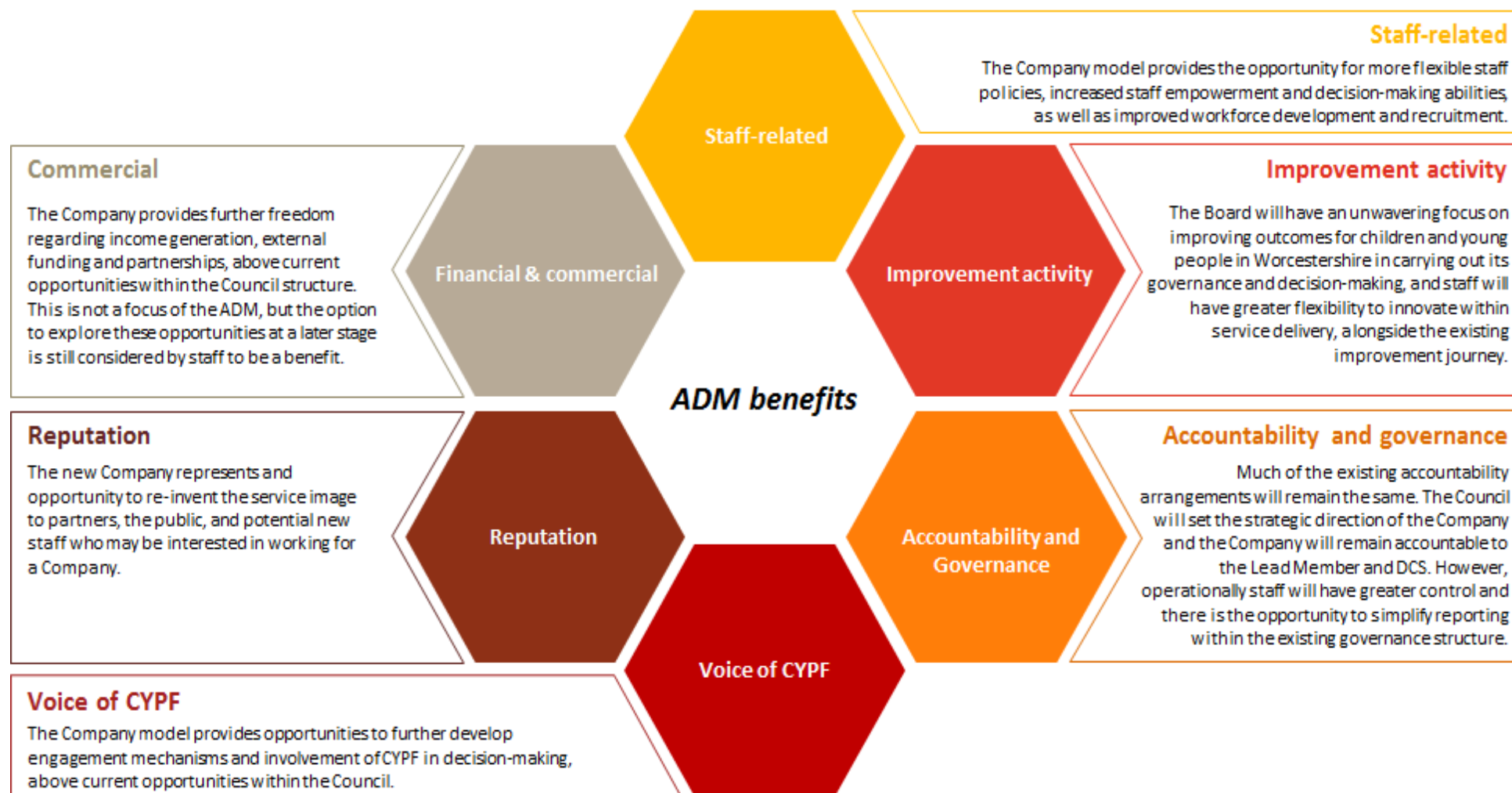
This section provides a detailed overview of the potential benefits and disadvantages associated with the WOCC option.

The benefits and dis-benefits described within this section have been identified through research of similar children's services organisations, and a workshop with service leadership and support staff on the 10<sup>th</sup> January 2018. The main focus was given to the Company / service and its users (CYPF) as the recipient of these benefits, however benefits to WCC and the wider system have also been captured. This section is split into 'Financial' and 'Qualitative' benefits and dis-benefits, in order to capture the additional costs associated with the ADM.

A number of different types of benefits have been considered, described in the table below:

| Type                              | Direct to Organisation (WCC and Company)   |
|-----------------------------------|--|
| Quantitative (or quantifiable)    | An outcome which is measurable and verifiable, defined by numbers. For example, £s, %s, or numbers of transactions.  |
| Qualitative (or non-quantifiable) | A non-measurable outcome that may be more subjective but is still a valid indicator. For example, quality improvements such as CYPF well-being, improved staff morale. |
| Direct                            | An outcome directly attributable to the ADM. For example, a sole focus on improving outcomes for children.   |
| Indirect                          | An outcome as a result of another activity, enabled by the ADM. For example, a reduction in paperwork for WCC due to less manual process within the ADM.               |

There are six major areas of benefit which have been identified and captured within this FBC based on feedback from staff, namely: staff-related; improvement activity; accountability and governance; voice of CYPF; reputation and financial & commercial benefits. A summary of these areas are depicted in the image below:



The remainder of this section describes the above areas of benefit in further detail, breaking down specific benefits and dis-benefits.

### 4.3.1 Financial benefits

It is important to note that whilst the financial benefits are vital to take into account within the business case, the key driver for the ADM is improvement of outcomes for children, not cost reduction or income generation. Limited measurable financial benefits have been attributed to the ADM. However, a number of key opportunities and possibilities have been described in the table below.

#### Financial benefits

| Benefit title                                    | Benefit description  | How it can be measured   | Estimated value (if applicable)   |
|--|--|--|---|
| <b>Single focus and informed decision-making</b> | <p>Competing organisational priorities can lead to delayed decision-making and decisions being made in isolation within silos. This can have negative effect on other services and therefore the overall Council budget. The WOCC will enable single leadership across social care services working with children, young people and families, operating under a single set of strategic priorities, which will help to ensure a holistic view of how best to meet increasing need.</p> <p>There will be dedicated resources in WCC who monitor the activities of the Company through the Intelligent Client Function, and therefore have awareness and provide a link back to other Council services. Currently, this specific oversight does not exist, therefore decision-making is not joined up across services.</p> <p>The connectivity of services and effective holistic decision-making will lead to earlier identification of issues across CYPF.</p> | <ul style="list-style-type: none"> <li>• A more joined-up approach can prevent escalation of needs and risks. Reducing admissions to residential care through preventative activity will be a key objective for the new service.</li> <li>• Reduced spend by the ADM / service on mitigating issues caused by services not understanding their impact on other parts of the system.</li> </ul> | <p>The Early Intervention Foundation estimates that in 2016 the cost of 'late intervention' (acute or statutory services that are needed when children and young people experience significant difficulties in life) in Worcestershire was £138m; £238 per person.<sup>7</sup> While it will not be possible to entirely eliminate late intervention, an increase in children and families accessing Targeted Family Support would deliver a significant financial benefit.</p> |
| <b>Income generation (trading opportunities)</b> | <p>In the short-term, the focus of the Company will be on improvement, with no immediate consideration for income generation opportunities. However, the WOCC will permit some trading activity (the extent to which depends on the legal form and exemption used) if this is desired long-term. Examples include:</p> <ul style="list-style-type: none"> <li>• Doncaster Children's Trust provide ADM consultancy services with any surpluses used to reduce budget gaps or re-invest in the Trust</li> <li>• Essex County Council provide social care improvement consultancy services (as evidenced in Worcestershire).</li> <li>• Many ADMs provide private room hire or conference hire</li> <li>• Delivering children's services for other councils or VCSEs</li> </ul>  | <p>This can be measured by reflecting at specific points in time on increased trading income and the success of the new organisation in winning additional contracts within and outside of Worcestershire.</p>   | <p>It is not possible to identify a financial value for these opportunities at this time, as there are no current plans to pursue these opportunities in the first 2 years of the Company's existence.</p>  |

<sup>7</sup> <http://www.eif.org.uk/publication/the-cost-of-late-intervention-eif-analysis-2016/>



| Benefit title                | Benefit description   | How it can be measured  | Estimated value (if applicable)  |
|------------------------------|---|---|--|
| <b>Commercial mind-set</b>   | Operating as a Company will provide new freedoms and allow for a more commercial mind-set as it will deliver services through a contract. WCC will manage the contract through a strategic commissioning / client function, holding the Company to account as an arms-length organisation. As such, staff within the ADM will be able to deliver services in a different way, as well being driven to perform to specific KPIs and outcomes in accordance to the contract. This may increase efficiencies and productivity in the service, which would deliver a financial benefit. | Contract and performance monitoring both within the Company and by WCC periodically, will provide insight into the efficiencies made and productivity levels. | It is not possible to identify a financial value for this potential benefit.                       |
| <b>Funding opportunities</b> | The Company is likely to have the ability to apply for grants for specific projects to meet the changing needs of children in Worcestershire. Further research is required to identify the funding available for similar companies elsewhere.   | This can be measured by reflecting at specific points in time on increased grant funding.   | It is not possible to identify a significant financial value for these opportunities at this time. |
| <b>Reducing failure</b>      | The on-going effective improvement work will be supported and enhanced by the ADM. Therefore, it is likely that the WOCC will continue to improve outcomes and reduce the risk of failure for children and young people. Reducing the risk of failure will reduce the demand on services.   | Monitoring the number of service users, their status and which services they use (e.g. residential placements)  | It is not possible to identify a financial value for this potential benefit.                       |

#### 4.3.2 Costs and financial dis-benefits

| Dis-benefit title                     | Dis-benefit description   | How it can be measured  | Estimated cost (if applicable)   |
|---------------------------------------|---|---|--|
| <b>Client function cost (WCC)</b>     | It will be very important for the Council to develop a Commissioning/Client Function to manage its relationship and its contract with the new Company. This will incur a cost as further resources are likely to be required within WCC. However, with a strong Intelligent Client Function in place, evidence suggests that organisations are clearly much more likely to drive innovation in service delivery, save money, reduce wastage and achieve their proposed outcomes. Therefore, this investment is likely to be beneficial to both WCC and the Company. | During implementation this function will be designed in detail. Resources will be confirmed as well as the associated cost. Once the WOCC is live, the effectiveness of this function will be monitored by WCC. | Up to £400K recurrent cost within WCC based on the establishment of the Client Function. This may be significantly less if the number of roles deemed necessary is reduced during the detailed design. |
| <b>Potential stranded costs (WCC)</b> | As the Company may have some of its own corporate functions, there is a risk of stranded costs within the Council (current provider). The two main options considered for corporate support services are a) to buy-back WCC services, b) to transfer services to the ADM, together with any staff subject to TUPE. This approach was based on ensuring the ADM has sufficient support to deliver services which meet the needs of children and families, whilst minimising  | The number of FTE remaining within the Council which are deemed unnecessary or without specific functions due to the design of the ADM corporate support  | It is not possible to identify a cost against this item at this stage.   |

| Dis-benefit title                           | Dis-benefit description  | How it can be measured  | Estimated cost (if applicable)   |
|---|--|---|--|
|   | stranded costs for WCC. However, during implementation, further investigation and options analyses against each support service is required to mitigate any potential stranded costs or understand how this is to be dealt with.   | service provision.  |  |
| <b>Set up costs (Company)</b>               | Setting up the WOCC will require significant investment. This to fund advice, resources and materials across the following areas:<br>Legal, tax, pensions and independent due diligence advice; project management branding and communications; recruitment; ICT; refurbishment; scrutiny support; and some smaller items such as bank account set up and Ofsted registration.   | This will be estimated through the financial model and be based on learning from the implementation of similar projects.          | The estimated set up costs for pre-business case and post-business case stage are estimated at £4.6M.                        |
| <b>Additional recurring costs (Company)</b> | The Company will incur a significant increase in recurrent cost, compared to the current service, mainly to fund additional posts, such as finance resources, communications resources, HR resources and Board members.  | This will be estimated through the financial model (in the Financial Case section) and confirmed during the implementation phase. | The estimated additional recurrent cost is £2.2M (assuming DfE VAT funding).   |
| <b>VAT and corporation tax</b>              | It is expected that the VAT incurred by the Company on the children's services listed will be broadly similar to those incurred by the Council. It is possible the Company will have to pay further VAT if the corporate support services' buy-back are arranged in such a way that VAT will apply. As the Council benefits from full VAT recovery and, based on the assumptions outlined earlier, the Company will not be able to recover any VAT, the VAT incurred will represent an additional cost to the service. | A full VAT assessment based on the latest guidance will be provided by October 2018.  | The current 'worst case scenario' cost is approximately £1.3M (£400k service specific, and £900k corporate support service). |

Approximately £4.6M will be required to implement the Company, and approximately £2.2M (assuming DfE VAT funding) has been identified in additional recurrent cost. Further details of these estimated costs can be found in the Financial Case section.

### Financial appraisal conclusions

The key findings are as follows:

- There are limited quantifiable financial benefits associated with the WOCC at this stage, as it does not have an intention in the short-term to generate further income outside of the Council's contract. However, a number of key opportunities and system-wide benefits have been identified.
- The implementation and running of the WOCC will incur significant further cost. However, it is likely that a high proportion of this will be mitigated through DfE funding. Further work is required to understand the impact of WCC's finances during March and April 2018.

### 4.3.3 Qualitative benefits

The qualitative benefits associated with the WOCC have been identified through research of similar organisations and through the workshop with service and support staff on the 10<sup>th</sup> January 2018. These are found in the tables below and are based on the categories stated at the beginning of section 4.5:

#### Staff

| Benefit title                                     | Benefit description   | How it can be measured   |
|---|---|--|
| <b>Staff terms &amp; conditions</b>               | There is flexibility in the design of terms and conditions for staff, providing the opportunity to move away from generic policies. However, it is expected that all existing terms and conditions will be protected, and new terms and conditions will only be considered if this is beneficial to existing staff as well as new staff (subject to WCC reserved matters).  | <ul style="list-style-type: none"> <li>• Staff satisfaction surveys</li> <li>• Recruitment and retention rates</li> </ul>            |
| <b>Formal staff decision-making opportunities</b> | The way in which the Company is governed internally will be very different from current arrangements, given that there will be a Board of Directors as well as a Senior Management Team. The model allows for staff to become Board members, and formal advisory groups which staff may be able to join. As well as the overall management of the Company, day-to-day staff will have higher control over the delivery of services. | <ul style="list-style-type: none"> <li>• The resulting design of the Company and mechanisms put in place to empower staff</li> </ul> |
| <b>TUPE</b>                                       | As TUPE will apply for in-scope staff, no interviews will be required in the transfer to the new Company.   | N/A  |
| <b>Recruitment</b>                                | The Company will have the opportunity to recruit staff in different ways and to tackle specific weaknesses. As the Company is likely to have some internal HR capacity, it will have dedicated resources to measure the performance of existing staff and identify gaps and needs to make more informed recruitment decisions.  | <ul style="list-style-type: none"> <li>• Recruitment rates and quality of candidates</li> </ul>                                      |

#### Improvement activity

| Benefit title                  | Benefit description  | How it can be measured  |
|--------------------------------|--|---|
| <b>Single unwavering focus</b> | The Company, led by the Board, will have an unwavering focus on the wellbeing of children and young people in Worcestershire, without competing priorities from wider Council strategies or services. The Board of Directors and all staff within the Company will be solely dedicated to these services and service users. As such, this is likely to improve service delivery agility and therefore outcomes for CYPF. | <ul style="list-style-type: none"> <li>• Staff satisfaction</li> <li>• CYPF surveys and feedback</li> </ul> |

| Benefit title                              | Benefit description  | How it can be measured  |
|--|--|---|
| <b>Regulation</b>                          | Services may have to explore more ambitious and innovative ways of improving services and children's outcomes with a limited budget to achieve the standard required for a 'good' Ofsted rating. This new way of working will enable innovation and a more agile response to changing needs. The Company will be better placed to meet the tougher test within financial constraints and mitigate the risk of failure. | <ul style="list-style-type: none"> <li>• Ofsted ratings and inspections</li> </ul>                                  |
| <b>Innovative practices</b>                | There is greater flexibility to deliver services differently, to improve outcomes as well as support all staff to have the tools and knowledge they need to perform well. Staff may learn from other Councils, VCSE organisations or private organisations and apply new ways of working with less constraints.  | <ul style="list-style-type: none"> <li>• Staff satisfaction</li> <li>• Overall performance</li> </ul>               |
| <b>Continuation of improvement journey</b> | The way in which the Company will be designed will positively enhance the current improvement journey. It will provide further opportunity for the improvement journey to be delivered successfully.   | <ul style="list-style-type: none"> <li>• Ofsted ratings and inspections</li> <li>• Improvement plan KPIs</li> </ul> |

#### Accountability and governance

| Benefit title                            | Benefit description  | How it can be measured   |
|--|--|--|
| <b>WCC strategic direction</b>           | The Council is able to set the strategic direction of the Company, as the sole shareholder/member. It retains statutory responsibility for the transferring services. The Council will sign-off the business plan for the Company and retain a number of reserved matters for which the Council must consent.  | <ul style="list-style-type: none"> <li>• Assessment of the business planning process</li> <li>• Exercising reserved matters</li> </ul> |
| <b>Political accountability</b>          | The Lead Member will remain the same, and still hold responsibility for the service. The Council will still run its own scrutiny process of the service. Therefore, existing mechanisms will not be lost.  | <ul style="list-style-type: none"> <li>• Lead Member and Scrutiny feedback and performance</li> </ul>                                  |
| <b>Greater control for service staff</b> | Day-to-day accountability and management will lie in the hands of service management staff. Service managers and the Company Board will have greater control in their day-to-day service delivery practices and processes, including internal reporting.   | <ul style="list-style-type: none"> <li>• Staff satisfaction</li> <li>• Overall performance</li> </ul>                                  |
| <b>CYPF involvement</b>                  | The Company represents an opportunity to build the voice of CYPF into Company governance. This could be gained through CYPF staff representatives on the Board or Senior Leadership Team, or through formalised advisory groups to the Board. During the implementation phase further work is to be completed regarding this opportunity and engaging with CYPF to understand their needs and preferences. | <ul style="list-style-type: none"> <li>• CYPF formal governance</li> </ul>   |

### Voice of CYPF

| Benefit title               | Benefit description   | How it can be measured   |
|-----------------------------|---|--|
| <b>Customers defined</b>    | The Company will continue to serve the same geography of children, young people and families that are currently being served by the Council, therefore there will be less disruption for staff and open cases. It is important that existing relationships are maintained and strengthened.   | <ul style="list-style-type: none"> <li>• N/A</li> </ul>  |
| <b>CYPF decision-making</b> | The Company represents an opportunity to engage with CYPF differently, both formally and informally. Whilst there is no current intention to have a CYPF representative on the Board (to be explored in the next phase), it may be that this representative is manifested within the Senior Management Team or an advisory group. For example, Together for Children (Sunderland) developed their CYP Plan with their main CYPF advisory group/network who are named as contributors. | <ul style="list-style-type: none"> <li>• CYPF feedback</li> <li>• CYPF staff representative within management structure</li> </ul> |
| <b>CYPF engagement</b>      | It has been identified through the workshop on the 10 <sup>th</sup> January, that the current engagement with CYPF is not sufficient. Some of these issues are being addressed through the improvement activity. The Company will focus purely on improving outcomes for CYPF and provide the opportunity for rebranding/reinventing the service in the eyes of CYPF, which provides an opportunity to reengage with them as a new organisation.                                      | <ul style="list-style-type: none"> <li>• CYPF feedback</li> </ul>  |

### Reputation

| Benefit title                    | Benefit description  | How it can be measured   |
|----------------------------------|--|--|
| <b>Re-invent image and brand</b> | The Company will have a new name, logo and branding, which gives the service the opportunity to reinvent itself in the public eye and with staff. The Company may be seen as a pioneer of new ways of working, particularly in conjunction with the improvement journey. | <ul style="list-style-type: none"> <li>• CYPF feedback</li> <li>• Press</li> </ul> |

#### 4.3.4 Qualitative dis-benefits and risks

A number of key dis-benefits and risks to realising benefits have been identified below:

| Dis-benefit / risk title                            | Dis-benefit / risk description   | Mitigation   |
|---|--|--|
| <b>Impact on partners</b>                           | It is difficult to ascertain at this stage whether partners will react positively or negatively to this change, however there is a risk that existing partners and potential partners will feel differently about engaging with a Company as opposed to the Council. Furthermore, processes may change which impact how the service engages with partners.   | <ul style="list-style-type: none"> <li>• The Partnership Reference Group is to be informed of the development of the Company at each stage and will provide feedback.</li> <li>• Partners are proactively engaged, and pathways and relationships are improved, evidenced by partner feedback and outcomes</li> <li>• Regular communication to all partners is key throughout implementation.</li> </ul> |
| <b>Fragmentation with other services</b>            | As the services transferring will no longer be delivered directly within the Council, and will operate autonomously, there is risk that the transferring services will lose the current communication and collaboration it has with other Council services, particularly Adults and partner organisations such as schools and health. There is a risk of services falling between the gaps or s less cohesive provision to families. | <ul style="list-style-type: none"> <li>• There is an opportunity to design the Company in such a way that there are clear lines of reporting, accountability and collaboration across the Company and WCC services. The Client function within WCC will support this. A detailed mapping exercise across services will also be conducted during implementation.</li> </ul>                               |
| <b>DCS relationship</b>                             | The status of the DCS has yet to be determined and will be considered fully early on during the implementation. If the DCS remains in the Council, there is a risk that the relationship between the DCS and the Chief Executive of the Company is not stable or effective, due to having two leadership positions responsible for the delivery of the transferring services.  | <ul style="list-style-type: none"> <li>• The formalised accountability structure, including the intelligent client function, must be designed to create clearly demarcated responsibilities and effective communication between these roles.</li> </ul>  |
| <b>Public and staff perception of privatisation</b> | There is some misinterpretation within the public eye, within the Council, as well as press of 'privatisation' regarding alternative delivery models. There is a risk that residents, staff and partners will view the Company as privatisation with no Council control, or outsourcing.   | <ul style="list-style-type: none"> <li>• A communications workstream has been created for the implementation phase which will specifically tackle public and staff perception and the press, pushing out accurate information regarding the WOCC.</li> </ul>   |

### ***Qualitative benefits appraisal conclusions***

The key findings are as follows:

- There are a wide range of benefits that may be realised through the design of the Company. The WOCC itself does not improve outcomes, however the design of the Company's framework and processes provide opportunities to achieve the benefits identified above. In particular, the flexibility and freedoms the Company provides regarding new ways of working and workforce development / recruitment have been identified as attractive by WCC staff as attractive benefits.
- There are a number of risks associated with the WOCC. Similarly, the mitigation of these risks is dependent on the design of the Company and involving key stakeholders throughout each stage of the process.

### **4.4 ECONOMIC CASE CONCLUSIONS**

The Economic Case has demonstrated that the ADM option (WOCC) has been selected through a thorough shortlisting process using appropriate governance across WCC. Furthermore, it has specified a number of key quantitative and qualitative benefits, dis-benefits and risks associated with this model.

The WOCC presents a large range of opportunities for staff and social work practices which, if executed successfully, will enable the service to enhance its improvement journey to 'good' or 'outstanding'. It does not present significant financial benefit, however this is not the main purpose of the investment.

The WOCC presents some risk, though none of these risks have been identified as insurmountable or putting the Council in jeopardy. It has been recognised that in order to achieve these benefits and mitigate the risks associated with the Company model, careful attention must be given to specific aspects of the design which may impact staff, service delivery and partnerships.

Providing attention is brought to these areas through the design, the ADM will bring significant value to the users, public and to WCC.

#### **Recommendations for the implementation phase**

- The legal form and detailed design of the Company will be determined during the implementation phase, and will drive the financial and qualitative benefits of the ADM.
- The key benefits of the ADM must be refined as the design of the Company is finalised and communicated out to all staff and CYPF.
- The final estimated costs of the implementation will be submitted in a bid to the DfE during March 2018 and refined further during April 2018.



## 5 THE COMMERCIAL CASE

### 5.1 INTRODUCTION

This section of the FBC tests whether the proposed option is attractive to the market place, can be procured and is commercially viable, including a high-level analysis of existing contracts and suppliers of services.

### 5.2 REQUIRED SERVICES

The Service Delivery Contract (SDC) is the mechanism through which WCC will commission the Company to deliver services on its behalf from April 2019. This will be drafted during implementation. The children's services proposed to be under contract (under an approximate value of £60m-£70m during the next few years) are as follows:

|  |   |
|--|---|
| Independent Review and Quality Assurance   | Supported Living – Children with disabilities (CWD) |
| Children with Disabilities   | Equipment for CWD                                   |
| Principal Social Worker  | Domiciliary Care for CWD                            |
| Locality Teams   | Targeted Family Support                             |
| Specialist Services (incl. Child Sexual Exploitation, Homeless Intervention Team, Emergency Duty Team) | In House Residential & Short Breaks - Non CWD       |
| Contact & Referral   | Fostering & Kinship                                 |
| Community Function   | Outreach Service                                    |
| Safeguarding Teams & Group Manager   | Health & Well-being                                 |
| Worcestershire Safeguarding Children Board   | Contact Service                                     |
| Workforce development* (budget – not team)   | External Placements & Placements Team               |
| Supported Living - Non CWD   | Care Leavers  |
| In House Residential & Short Breaks - CWD  | Section 17 & Section 20 Support                     |
| Special Guardianship, Direct Financial Support & Residence Orders                                      | Adoption Services (not those in ACE)                |

The successful delivery and contracting of the above services must be supported by a number of technical considerations and corporate support services, detailed in the sections below.

### 5.3 PROCUREMENT APPROACH

It is proposed that WCC provide the opportunity for the Company to be developed as a Teckal body to allow it to provide services back to the Council, for an initial agreed period. The assumption is that the direct award will be achieved through a solution which achieves the preferred outcome but which is compliant with procurement law, i.e. the Teckal Exemption, which has been used for similar children's services companies. For the Council to decide to implement this scheme it would need to be satisfied that the new organisation demonstrates value for money as well as the required capabilities to meet the statutory duties and improve outcomes for all children and young people living in Worcestershire.

#### Teckal Exemption

Under the Public Contracts Regulations 2015 (as amended) ("PCR"), contracting authorities must, as a general principle, use one of the competitive processes specified in the PCR when they wish to award a public contract which falls within the scope of the PCR to a separate legal entity.

WCC is a contracting authority for the purposes of those rules. The proposed arrangement is of a type and value which means that the PCR will apply unless the arrangement falls outside the definition of a public contract and/or an exemption or exception to the PCR is available.

The Teckal exception covers activities performed by a separate legal entity which is part of the structure of the contracting authority. Where the conditions applying to the exception are satisfied, then WCC can award a contract to a separate legal entity without the need for a competitive procurement process.

It is important to understand that when a contracting authority decides to establish its own company for carrying out specific activities this does not automatically lead to the conclusion that the in-house exception applies. This is because the company needs to be set up and to operate in a manner that complies with the conditions in the PCR.

### **Control**

The control condition, established in the Teckal case and now set out in PCR 12(1)(a), requires WCC to exercise over the WOCC a control "which is similar to that which it exercises over its own departments". In assessing whether the control condition is satisfied it is necessary to take account of all relevant legislative provisions, the documents which govern the relationship between the parties and the practical circumstances. The following pointers below are helpful:

- There must be a strong organisational relationship between WCC and the WOCC, similar to the relationship between departments within a public authority.
- 100% WCC ownership indicates a certain control, but this is not sufficient to assert that the control condition is automatically met. The fact that WCC holds all of the share capital in the WOCC tends to indicate, without being decisive, that that WCC exercises over that company a control similar to that which it exercises over its own departments.
- The control condition is likely to be fulfilled where the board of the WOCC has limited autonomy and the decisions that can be adopted without prior approval of WCC are matters related to the everyday work/operations.
- The WOCC will not fulfil the control condition if it has a board with considerable managerial powers, which may be exercised independently of WCC.
- WCC must exercise a "power of decisive influence over both strategic objectives and significant decisions" of the WOCC. There will be sufficient control where WCC exercises decisive influence over both strategic objectives and significant decisions of the WOCC. The assessment of whether there is decisive influence satisfying these requirements is a question of fact.
- Factors which support this test are as follows: The Council will be the sole member of the WOCC. The Council will also retain final decision making in respect of certain reserved matters which will be set out in the Articles of Association which will ensure the Council has the power to give direction on strategic matters and important issues of policy. The Council will also make appointments to the Board of Directors and will approve the WOCC's annual Business Plan. In addition, there will be a contract between the Council and the WOCC for the delivery of services, which will include performance indicators to enable performance to be measured and any areas of concern to be managed.

## Activities

- The activity condition, established in the Teckal case and now set out and clarified in PCR 12(1)(b), requires that more than 80% of the activities of the WOCC are carried out in the performance of tasks entrusted to it by the controlling contracting authority.
- The activity condition aims to limit the participation of the WOCC on the commercial market and to ensure that public procurement law remains applicable if the WOCC is in competition with other undertakings on the market.
- The following pointers below should be observed:
  - In order to assess whether the activity condition is satisfied, all of the activities that the WOCC carries out must be taken into account, regardless of who the beneficiary is and whether those activities are paid for by WCC itself or by the user of the services.<sup>8</sup>
  - Market orientation is an important factor. If the WOCC is, or becomes, “market-oriented” or its objects of activity are too broad, it may not fulfil the activity condition. Market orientation may also be an indication that its degree of independence is too extended and, under these circumstances, the company will fail to meet the control condition as well. Market orientation of the WOCC is a factor that can erode the control test being satisfied.<sup>9</sup>
  - A lack of market orientation could be deduced where the range of the WOCC's activities is limited to the performance of tasks for WCC and the geographical scope of the WOCC's activities is restricted to the territory of WCC<sup>10</sup>.
  - Teckal arrangements should not be a purely formal affiliation<sup>11</sup> and WCC should have a role in participating in overseeing the management of the WOCC.

Factors that support the activities test are that the focus of the new Company will be on delivering services back to the Council and will not be profit driven. Note that this represents a restriction on the Company's trading abilities, however, there is currently very little ambition to develop and trade new services.

## Ownership

- There can be no direct private capital participation in the WOCC: This test is satisfied as the Company will be 100% owned by the Council.
- In procurement terms, the WOCC will be treated as though it is an in-house department/directorate of the Council and if the Teckal test is satisfied, it will be able to perform services for the Council without the services being exposed to any form of external competition. The proposed model, which is 100% owned by the Council should meet this criterion if the Teckal requirements outlined above are observed. Any services supplied by the WOCC would need to demonstrate value for money and appropriate capability and capacity. This will also need to be continually managed to ensure that the exemption applies and the Council is not in breach of the Public Contracts Regulations 2015 (as amended).
- If the Council permits the new organisation to take on/bid for other services, there are two possible options with regard to services currently commissioned by others:

<sup>8</sup> C-340/04 Carbotermo paras 65-67.

<sup>9</sup> C-458/03 Parking Brixen paras.67-70.

Note: Commercial Orientation and Teckal Test: In *Brent London Borough Council and others (Harrow London Borough Council) (Appellant) v Risk Management Partners Limited (Respondent) Judgment 9 February 2011* (para. 52) the UK Supreme Court considered that Teckal arrangements ought to be carried out in accord with public interest considerations and therefore should not be market orientated.

<sup>10</sup> C-340/04 Carbotermo paras 65-67.

<sup>11</sup> C-182/11 Econord Spa para.31.

- The WOCC would be able to bid in an open tender process; or
- There is potential in the future for additional WCC children's services to be directly awarded to the WOCC via a section 75 arrangement with the Council.

A direct award via a section 75 agreement with the Council would save on the cost of a procurement exercise and in addition these directly awarded services would be classed as core services delivered back to the Council (the parent organisation) and will not contribute towards the new organisation's 20% traded services cap.

#### **5.4 MARKET ASSESSMENT**

Whilst there are independent organisations (including for-profit organisations and other local authority owned organisations) that deliver elements of the in-scope services for this ADM, there are no organisations currently in existence in England that deliver the whole set of services it is envisaged the ADM will provide apart from other local authorities. However, research shows that there is growing interest among charitable and commercial enterprises in the profitability of providing public services (e.g. Barnados in partnership with Norfolk). Whilst there may be short-term efficiency reasons to explore separate contracts delivered by various providers, there is no desire to split core services over a number of contracts to different organisations; this would negate the strategic aim of a solely focused children's social care services company.

#### **5.4 STAFF TRANSFER ARRANGEMENTS**

All staff who, at the point of transfer, are caught by TUPE regulations within the transferred services, are potentially in scope to transfer to the new organisation and would be directly employed by the new company. In accordance with the regulations, staff will transfer to new organisation on their current terms and conditions, including access to their current pension or a broadly comparable scheme. There will be a TUPE consultation period (typically 90 days) during the implementation phase.

It may be desirable for a small number of staff who provide key support functions such as finance, legal, HR and IT to transfer over to the new organisation to ensure capacity and capability. This is discussed in section 5.7. below. The alternative would be to second these key staff, although this option risks a potential conflict of interest.

Sufficient time and legal advice will be required during the implementation phase to ascertain the exact make-up of the staff group transferring and also to ensure compliance with the required timescales for staff and trades union consultation for a change of this scale. This has been allowed for within the proposed project plan and timescales contained within the Management Case.

#### **5.5 PENSIONS**

This section has been supported by research and advice provided by WCC's ADM legal partner, Bevan Brittan. The detailed paper can be found in Background Paper 9.2.

As part of a smooth transition of children's social care services (from Worcestershire County Council (the "Council") to an alternative delivery model, most likely to be a wholly-owned company ("WOCC") or wholly-owned corporate structure, all transferring staff must retain access to the Local Government Pension Scheme ("LGPS") in which they are currently participating (including retaining an entitlement, current or future, to join). In this case the relevant LGPS section is of course the

Worcestershire County Council Pension Fund ("Fund"), of which the Council is also the administering authority.

The obligation to provide appropriate pension scheme access is a statutory obligation set out in the Best Value Authorities Staff Transfers (Pensions) Direction 2007. This requires that following a transfer from any local authority to another organisation, including the WOCC, the transferred staff have the right to acquire pension rights which are the same as, better than or broadly comparable to the pension rights they had as directly employed local authority staff. 1.3 Discussions in relation to the WOCC's own pension status are at an early stage. The paper sets out the key options available to the Council and the WOCC

#### **Admitted Body Status (ABS) route**

- This is often seen as the 'standard' route, as indeed it is when services are being outsourced to the private sector. Bevan Brittan discuss below the alternative route that is available, which is recommended, but also include a discussion of how ABS works so it can be easily compared with the alternative.
- Under the ABS route the WOCC would be treated by the Fund for accounting purposes as an isolated entity, dealt with separately by the Fund and treated as any other non-local authority service provider. This means that before the Fund agreed to admit the WOCC it would require:
  - A bond/Indemnity or guarantee in place to protect the Fund in the event the WOCC went into liquidation or bankruptcy. In practice any guarantee likely to be acceptable to the Fund would need to come from the Council, which therefore effectively underwrites the WOCC's pension liabilities in the event of its default. When a public body provides the guarantee, the costlier bond is less likely to be needed;
  - a tri-partite admission agreement between the Fund, the Council and the WOCC setting out the obligations that the WOCC would adhere to in order to be allowed to participate in the LGPS scheme; and
  - an actuarial valuation setting out the level of any pension contribution rate (this will usually be higher than the contribution rate currently paid by the Council, as set out in the paper), the level of any Bond/Indemnity and the level of any existing pension deficit which would arise at the point at which Council staff transfer to the WOCC and be payable to the Fund.
  - Open and closed schemes are to be considered during the implementation phase, however the current position is that this is likely to be an open scheme. This is to avoid the creation of a two-tier workforce with different benefits, to support the ongoing recruitment of staff.

#### **Designated Body Status route (scheme employer)**

- Given that whatever its eventual corporate structure the WOCC is likely to be a Teckal company (that is a wholly owned subsidiary of the Council) it is allowed under the statutory LGPS Regulations to participate within the LGPS scheme by virtue of being a "designated body". This is also known as being a scheme employer.
- This means that the WOCC is allowed to "designate" which classes of employees can participate in the Fund. For pension purposes it is effectively grouped together with the Council's employees so any pension liabilities are pooled with the Council's own liabilities from the start of this arrangement. This means that the rate the WOCC pays in relation to its employer

pension contribution rate will be the same as the Council's pension contribution rate and there is greater stability as regards the level of rate changes that might occur following any triennial valuation.

- There is also the option of using the scheme employer route but still agreeing, via actuarial valuation, a different employer contribution rate for the WOCC. This reduces some of the cost benefits of the 'pure' DBS approach, but still reduces risks for the Council compared with ABS.
- The process of designation is straightforward in that it would simply be a matter for the WOCC executive and Board to decide upon by way of formal resolution, in conjunction with the Fund. Whilst the WOCC has wide discretion over which class of employees it would wish to designate as being able to participate in the Fund, most DBS or scheme employer access arrangements are open. to ensure that there are no staff concerns around a two-tier workforce, or additional administrative costs for the WOCC in providing another pension scheme for auto-enrolment purposes. As with the ABS route, all staff transferring and being recruited by the WOCC are likely to be allowed to participate in the Fund by being designated accordingly.
- The access can be open or closed, as with ABS. 4.6 New employees transferring in from the Council can be designated in the same way as the original group. 4.7 At the end of any contract period, there is no risk of an exit debt because the Fund has accounted for the transferred employees as being part of the Council's 'pool', rather than via a separate admission.
- Even though all employees will be accounted for as one group, the Fund is still exposed to two employers, and it will expect the Council to stand as the ultimate guarantor of the WOCC. The guarantee will be in a similar format to ABS, but the Council is guaranteeing a lower-risk access.

### **Proposed option**

Given the potential cost and administrative savings, and the possible reduction in risk to the Council, which is set out in more detail in Background Paper 9.2, it is recommended that designation body status route is explored, particularly if the Fund will agree that the WOCC can retain the same employer contribution rate as the Council. The key issue will be to understand whether the Fund itself (as distinct from the Council) and indeed the DfE will agree to its use.

## **5.6 REDUNDANCY LIABILITIES**

- TUPE provides that a change in your employer does not constitute a break in continuous employment. The Company could be liable for future redundancy payments based on many years of employment with WCC.
- Staff not wishing to transfer under TUPE are not entitled to redundancy, as long as their role still exists in the WOCC.
- If it is required, any organisational restructure should occur prior to establishment, however this is purely in line with improvement plans (not ADM development) and will begin pre-TUPE consultation.
- WCC will quantify the level of redundancy liability associated with the staff group transferring once the TUPE list is confirmed and identify any reserved matters regarding high value redundancies (threshold TBC).
- The proposal is that WCC will retain redundancy liabilities.



## 5.7 SUPPORT SERVICES

### Approach

The options for delivering corporate support services to the WOCC are being considered. C.Co were commissioned by WCC to support this activity during the Business Case phase. Please note that all support service decisions will be made during the implementation phase, and the positions included in this paper are options being considered. A dedicated support service workstream will be created as part of the ADM Programme to manage this work.

A series of workshops have been held to assess service delivery options against the following principles:

- Supports the Company in meeting its long- term objectives and immediate priorities of service improvement. As such, this may include transition arrangements for some service areas to support the overall financial position or improvement plan.
- The Company shall still be seen as a 'Corporate Partner' and as such will be part of any project team created to shape and source future strategic contracts managed by the Council.
- The Company shall not have high implementation and procurement costs. The lowest cost support model shall be used except where this does not support service improvement.
- Where additional costs are forecast, these need to be accounted for in the business case to inform the final decision on the delivery model.
- Where/if Services may transfer, TUPE considerations will apply.
- The Company may change how it spends its central support costs budget over time. This will be influenced by the strategic plans for the Company.
- The Company shall retain the policies and procedures of the Council, providing that these support service improvements and don't add avoidable complexity.

The corporate support services that have been reviewed are:

- Commercial, procurement and market management
- Human Resources and Organisational Development
- Finance
- Legal
- Content and Communications
- HR Finance Transactional
- Property (incl. facilities management)
- IT
- Performance

A summary of the estimated support service costs is found in section 6.3 of the Financial Case.

### Options: buy-back, transfer or external provider

- Under a **buy-back** model the Council would continue to be the provider of the support service, with the WOCC buying the service back. Funding will be transferred to the Company and a service level agreement (SLA) put in place to buy this service back from the Council. The buy-back agreement would include the cost details. The cost of this service will be accounted for in the ADM financial model.
- Under a **transfer** model, the support function and associated staff are transferred to the Company and become part of the organisation. The WOCC will require operational



independence in some processes and this can be more effectively achieved through transfer. Other factors including TUPE, systems and resilience are considered when determining which model is the most appropriate.

- An **external provider** can be considered as a service delivery model. This may be the only feasible approach where the new organisation requires additional skill sets or sector experience that the Council cannot provide. This is not a common approach outside of this scenario during the initial period as it is likely to leave the Council with additional costs to fund.

Please note that the choices available to the WOCC regarding corporate support services, must be confirmed during implementation. It is important for the transferring services to be adequately supported, whilst minimising the risk of stranded cost to the Council where possible.

A detailed paper found in Background Paper 9.3 contains more detail regarding each service, and the benefits and risks associated with each proposed option.

### 5.7.1 Commercial, procurement and market management services

#### Summary of ADM service requirements

- Commercial, procurement and market management support for commissioning of new and existing services.
- Procurement options, market intelligence, market engagement, extension options and other considerations.
- Tender management, all ensuring compliance with contract procedures and EU regulations, representation and participation in regional procurement activity. Contract management support to resolve contract disputes and performance issues.
- Provide a research function to enable commissioners to seek views of service users and other stakeholders to establish a picture of service need / support for the writing of needs assessments.
- Support for the CFC Quality group including bespoke research and analysis.
- Compliance with all reporting requirements. This includes maintaining and publishing contracts register and spend data in line with the Transparency code.

In-scope services for the ADM commission circa 17 core services and have contracts in place with over 100 providers through framework agreements that are in place. The service accesses several corporate contracts that are contract managed by the commercial team and the service area leads. There are 19 FTE in the commercial, procurement and research team providing services across the Council.

#### Proposed option(s)

A full buy-back option is being considered. This is to take advantage of economies of scale that exist within the current Council arrangements. The management of contracts in particular is difficult to disaggregate. If the WOCC required its own resources, this would require additional staff costs and replication of systems.

### 5.7.2 Human Resources (HR) and Organisational Development (OD)

#### Summary of ADM service requirements

- HR & Organisational Design (OD) Management
- HR & OD Business Partnering

- HR Operations - Case & Change
- Learning & Development Delivery Team
- HR & OD Service Commissioning

#### **Proposed option(s)**

A part buy back, part transfer model is being proposed. Under this model, the current HR&OD Business Partner post would transfer to the Company to ensure there is both a strategic HR lead in the Company but to also act as the link back to WCC. HR operations (advice, case and change) and recruitment co-ordination would transfer to the Company. This approach provides the WOCC with direct support to manage the workforce and recruit new staff, both of which are fundamental to service improvement. Learning & Development would be bought back from WCC, primarily to enable the Social Work Academy to remain as a shared service with adults. Within this team, the Company would continue to have dedicated resources. HR & OD Service Commissioning and HR & OD Management would be bought back as these are services delivered corporately across the Council and it would be inefficient for the Company to deliver these directly.

### **5.7.3 Finance**

#### **Summary of ADM service requirements**

- Budget preparation, monitoring and reporting
- Strategic Financial Advice
- Statistical returns
- Directorate financial support
- Corporate Finance Support – Financial Planning and Accountancy

#### **Proposed option(s)**

A part buy-back, part transfer option is being considered as well as an additional 'Director of Finance role' and 'Finance Officer' recruited for the Company. A finance team would transfer to provide budget preparation, management and reporting. This provides the WOCC with the operational financial independence required. This team would manage petty cash and procurement card payments to ensure that the Company can operate effectively. All other areas of finance would be bought back where there are no dedicated children's staff and this approach allows the economies of centralising finance support and processes to be realised by both the Council and the Company. The Company will also procure external support to audit the Company's accounts, which is a legal requirement.

### **5.7.4 Legal**

#### **Summary of ADM service requirements**

- **Delivered by Legal Child Care team:** Legal Advice and Representation in relation to children's social care functions including: Care proceedings, other specified proceedings (Placement, Adoption Contact, Discharge of CO, Revocation etc.), pre-proceedings, legal planning meetings, external use of Counsel, policy advice, advice on legality of actions and defending Judicial Reviews, supporting Local Family Justice Board (Principal Solicitor is Chair at present) quarterly and monthly Local Family Justice Board performance Meetings, Case Tracking care/pre-proceedings on key milestones: Pre-LPM through pre-proceedings to finishing case in court,

legal Advice to various panels: Adoption, Adoption Decision-Maker (ADM), Fostering, legal Advice to Key Legal Meetings: Care Planning meetings; Mid-way Kinship Meetings, private proceedings support, training of social work force on legal issues

- **Delivered by Legal Commercial team:** Occasional employment/contractual/ information (disclosure) support

#### **Proposed option(s)**

A full buy-back option is being considered. The current team is managed in such a way that it is beneficial to maintain the holistic team, and ensures all legal resources have access to the materials and knowledge which is currently provided. To mitigate risks from this arrangement, that have materialised in children's services companies elsewhere, this option will be discussed and designed in detail with the DfE during implementation to provide assurance that problems will not arise between the Council and the ADM.

External legal advice may be required by the Company with regard to Company-specific legislation, or if the Company has a dispute with the Council. The contract between the Council and the Company must allow for the procurement of this advice.

### **5.7.5 Content and Communications**

#### **Summary of ADM service requirements**

- Reputation management – including preparing for and handling crises (e.g. Serious Case Reviews, court cases, Ofsted inspections) crisis planning and media training.
- Media relations – proactive and reactive media relations activities including press releases and officer/CMR statements.
- Communications counsel and advice to officers and CMRs.
- Internal staff communications – support for newsletters, weekly updates, posters and plasmas in offices, Our Space & Yammer updates.
- External stakeholder communications – updates to partners and stakeholders, support for engagement events and meetings.
- Marketing – promoting services such as fostering and adoption, design and production of marketing materials (including video, posters and graphics) management of advertising spend.
- Social media community management – establishing and managing regular conversations with online audiences.
- Website – ensuring the WCC website and other digital channels continue to inform residents and stakeholders about service activity, performance and changes to the services provided.
- Media and social media monitoring – daily updates on media and online coverage and comments.
- Event management and support, creative campaign development and recruitment marketing.

#### **Proposed option(s)**

A buy-back option is being considered for Communications services, in addition to the new posts created in the Company, which would likely lead on brand development and manage the buy-back of the wider communications services (1 x Communications Manager and 1 x Communications officer).

Within the Content and Communications various team members support the Children's directorate work depending on demand. This enables all the skills within Content and Communications to be available to the directorate (for example social media experts, ex journalists, designers, video producers, internal communications experts). This approach and range of services would be applied to the Company.

#### **5.7.6 Transactional Finance & HR**

##### **Summary of ADM service requirements**

HR and Finance Transactional Services are provided through a contract with Liberata. The contract is in place until 2024. Through the contract the Council's HR and Finance systems are provided, in addition to the following services; payroll, recruitment, accounts payable and receivable.

##### **Proposed option(s)**

A full buy-back option is being considered for the WOCC which is to use Liberata in the same way the service currently does. If the Company were to move away from Liberata, significant additional budget would be required to fund the implementation and ongoing provision of the systems and services from an alternative provider. The third-party contract is currently under performance review, and improvements need to be made to the quality of service provided.

#### **5.7.7 Property (incl. facilities management)**

##### **Summary of ADM service requirements**

- A space or building for the service to operate in
- Corporate property contract management: PPL Contract management and monitoring, compliance monitoring, training, accident reporting, property maintenance programmes
- Delivery services: Management of leases /issuing of service charges, condition surveys, maintenance, compliance and condition survey projects, FM services (caretaking, cleaning, grounds maintenance, security), asset reviews

##### **Proposed option(s) – space / building**

The working assumption is that the WOCC will operate from an existing building, i.e. Wildwood, as this building may be fit for purpose subject to refurbishment and rebranding. However, a full property options appraisal has yet to be completed, therefore all options must be considered in full.

The property option requires significant investigation during the implementation phase, including the proposals for future locality-based working. At this stage £1.3m has been costed into the financial model, which is a mid-point in the typical range of the property cost for new children's services companies.

##### **Proposed option(s) – property contract management and delivery services**

A full buy-back option is being considered for the WOCC to continue to use corporate property contract management and delivery services. The Council will retain the maintenance responsibilities and properties will be maintained to the same standard as across the WCC estate and the maintenance prioritised through technical recommendations and WCC budget management. The

Company will access the FM/repair and maintenance contact centre provided by Place Partnership Ltd for reporting retained WCC responsible repair issues.

The Company will finance and commission any property related projects (e.g. internal redesign) independently (with Landlords consent) and won't necessarily use WCC's Property Contracted Service delivery partners, Place Partnership Ltd (PPL). A provision for property-related costs is included in the business case.

The Company will lease WCC freehold assets. A rental cost should be calculated and incorporated within the lease even if the initial agreement is not to charge (assume initial position). The ADM will enter into Sublease where WCC lease the building (subject to Landlord approval. This would be the position for Wildwood).

The Company will be responsible for the payment of the utility costs, rates and any local agreements that aren't picked up through the PPL Facilities management services. WCC will retain the external and structural repair and maintenance of the building, the maintenance of main plant, e.g. lifts, boilers etc. WCC will retain responsibility for internal maintenance for normal wear and tear.

### **5.7.8 IT**

#### **Summary of ADM service requirements**

- Supply, Support and Maintenance of end user devices and mobile phones, core productivity hardware, casework software, network connectivity, remote access solution
- Re-procurement of Care Management System
- User administration (for all services)
- Systems Integration with 3<sup>rd</sup> party partners/contractors/commissioned organisations
- Capacity and Performance management
- Delivery of Digital programme

#### **Proposed option(s)**

A full buy-back is being considered for this service. This is the most cost-efficient model based on current contracts and service provision of IT. It would be expensive for the WOCC to procure its own IT solution. This option means there would be no staff transfer and all services would be provided through an SLA. The IT business partner in the Company would manage the service and any requirements for change.

### **5.7.9 Performance**

#### **Summary of ADM service requirements**

- Statutory reporting
- Provision of management information
- Management of Corporate complaints

#### **Proposed option(s)**

A part buy-back and part-transfer option is being considered for this service: a transfer of the Children's social care performance team and buy-back of the corporate team which manage customer complaints. The performance team are a critical part of service improvement and the service is delivered primarily from a dedicated team that will be identified through TUPE.

## 5.6 USE OF NON-PROPERTY ASSETS/SYSTEMS

- The new organisation will need continued access to assets and equipment currently utilised in service delivery. The Company needs to ensure that liabilities are equitable and affordable. This excludes property / buildings.
- The use of assets is driven by the following principle: the simplest arrangement, that meets operational needs and is tax efficient.
- The current assumption is that the majority of current assets/equipment utilised in service delivery will be transferred to the Company. Tax advice was sought regarding the implications of licensing/leasing office space and assets (found in Background Paper 9.4) which concluded that generally, rent is exempt from VAT unless the landlord has opted to tax. It would be necessary to establish whether the Council has opted any of the premises that the WOCC will lease from the Council. Relevant Residential Premises, such as care homes, cannot be opted and the rental will always be exempt.
- It is proposed that WCC is to transfer Intellectual Property and data to the Company, with the terms and conditions of the use of these assets to be detailed within the transfer agreement between the two parties. It is also proposed that the Company will have operational access to WCC information systems/databases which are relevant to the companies' services.
- Based on the type and volume of assets likely to transfer to the Company, it is not expected that State Aid will be an issue. During implementation, once the asset list is finalised advice will be sought from the Council's chosen legal partner to confirm this position.

## 5.7 CASHFLOW AND PAYMENT MECHANISMS

- The Company, like any new business, may have short term working capital requirements. Modelling will be conducted during the implementation phase regarding capital requirements.
- It is proposed that the commissioned contract is to be paid advance by WCC, either monthly or quarterly. The preference is quarterly, to provide the company with more flexibility, with access to float at the value of 1 month. There are also options that may be modelled and considered regarding 2-4 months up front, followed by a monthly arrangement for the remainder of the year.
- It may be that Revenue In Advance (RIA) is required from WCC during/prior to Year 1. If required, WCC may be asked to provide a working capital loan to the Company - interest rate to be agreed and affordability to be discussed with WCC during implementation.

## 5.8 NOVATION OF 3<sup>RD</sup> PARTY CONTRACTS

### The novation process

The novation process will apply to service-specific contracts only (i.e. Children's Social Care Services), and does not apply to shared corporate contracts which cut across the Council. The Commercial workstream will be required to find and read third-party contracts, liaise with legal to create the novation and make contact with the supplier to advise them of the background to the request and the need to novate the contract. Following this, the novation documentation needs to

be created and sent through to the supplier for both parties to execute, return and archive. Finally, the systems of record need to be updated.

There is a small market risk that some suppliers may be reluctant to agree to the change. Typically, suppliers run a credit check on their customers, and the lack of trading history of the Company may raise concerns. This can be mitigated with suppliers being provided with some form of guarantee from the Council as the parent organisation. In discussions with Achieving for Children, a Teckal-compliant organisation that has already gone through this process, they reported that this market risk did not materialise during their novation exercise. Access to wider corporate contracts (e.g. Liberata) will be managed through the Service-Level Agreements (SLA).

### **Contract review to date**

There are currently 17 core contracts that would transfer to the WOCC, as identified by C. Co and the Commercial workstream. A number of these are frameworks contracts, and contain several suppliers and services, therefore the number of providers will be significantly higher than 17. It is anticipated that these contracts will novate in line with contract terms, or by agreement where there is no novation provision set out. At this stage, there is no intention to terminate any contract arrangements. The annual value of these contracts equates to approximately £17million. The total non-pay spend will be higher as this figure only represents the children's contracts (i.e. no foster payments, corporate spend or low value spend), and will be calculated during the implementation phase.

Children's Social Care Services are a key user of a number of corporate contracts covering including agency staff, Transactional HR & Finance, Insurance and Internal Audit. The detailed Company operating model will determine where services will continue to be provided through a buy-back agreement with the Council and where services will be procured directly by the Company. Requirements will be determined during the implementation period.

Children's Social Care source small value contracts directly. Whilst it is not envisaged that these contracts will be for ongoing services, a review of non-core contract spend will be undertaken during the implementation phase to identify other potential novation or re-procurement requirements.

A full list of the third-party contracts being considered for novation can be found in Background Paper 9.5.

## **5.9 REGULATORY REQUIREMENTS**

The new organisation will also be subject to regular and extensive national oversight of its performance and effectiveness by the Department for Education and Ofsted. The new Ofsted framework for the inspection of local authority children's services<sup>12</sup> makes explicit reference to arrangements for the inspection of children's services delivered via an WOCC. Furthermore, the WOCC will register directly with Ofsted for its Children's Homes and be subject to the Inspections of Local Authority Children's Services (ILACS) framework. The Company may also have to contribute to other WCC inspections, such as Special Educational Needs. The Council will continue to be inspected and held to account for the delivery of all children's services in Worcestershire. The Company will be acting as an agent for the Council via the services contract and therefore the Company will be

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<sup>12</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/680379/ILACS\\_framework\\_and\\_evaluation\\_criteria.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/680379/ILACS_framework_and_evaluation_criteria.pdf)



required to demonstrate that it meets the standards set by the Council. The Council's contract monitoring arrangements will be inspected by Ofsted with a specific focus on:

- How the Council ensures children receive services that meet their needs and how these arrangements are reviewed to ensure they remain effective.
- Whether proportionate scrutiny arrangements are in place.
- How the WOCC engages with partners.
- How the Council is holding the WOCC to account and whether these arrangements are proportionate to the nature and extent of delegation.

### **5.10 EXIT STRATEGY**

A contingency plan and detailed exit strategy will be developed to enable the Council to exit the arrangements if necessary in the future, subject to detailed discussion and agreement between all relevant parties, whilst still ensuring service delivery. The requirements for a formal exit clause will be established during implementation, with a full exit strategy being put in place prior to the transfer of staff.

The articles of association and governing documents of the WOCC will contain provisions that will allow the Council, as the sole shareholder, to wind up the new organisation. The exit provisions will cover voluntary exit (e.g. where the Council wishes to voluntarily wind up the new organisation) and compulsory exit (e.g. unresolved failure such as insolvency, loss of Teckal status).

Under the articles of association, shareholder/member decisions can be set at different levels of the majority required to make the most critical decisions as a way of ensuring stability and sustainability of service provision.

The Contract will include an exit/termination clause. This exit strategy would apply to all services the Council commissions from the WOCC.

### **5.12 VAT LIABILITY**

High-level VAT advice was sought during the Business Case phase of the ADM Programme from PS TAX, who are experienced children's services company tax advisers. The report can be found in Background Paper 9.4. A thorough VAT assessment will be conducted during the implementation phase, with the aim of fully quantifying the amount and identifying an approach to mitigate any irrecoverable VAT by October 2018. A summary of current findings is below:

The VAT implications of outsourcing children's social services is a much debated and extremely contentious issue. HMRC's current position is that there is a single supply of welfare services by the provider back to the outsourcing local authority. Where the provider is a 'state regulated welfare institution' (or a public body or charity) the supply is exempt from VAT. On the assumption that the WOCC will be Ofsted regulated, it will be a state regulated welfare institution so its supply of welfare services will be exempt from VAT. The alternative argument is that the package of services being delivered to the local authority is not a supply of welfare services but a service of assisting the local authority to discharge a statutory function which, in the absence of legislation to the contrary, is a standard-rated supply. The key issue is that were the supply to be standard-rated, the local authority would be able to recover the VAT charged by the provider and, in turn, the provider would be entitled to recover VAT on its costs. This means that, as with in-house provision, there are no

irrecoverable VAT costs. Where the supply is exempt from VAT the provider is not entitled to recover VAT, it incurs so the VAT becomes an additional cost.

It is understood that the issue is being 'considered' by HMRC and there may be some changes afoot but, for the time being, we can only proceed on the basis of HMRC's current views – i.e. that the provider is making a single supply of exempt services and that VAT on its associated costs is irrecoverable.

### **Conclusion**

The WOCC is likely to incur a similar amount of VAT on the in-scope services as WCC does currently (approximately £365k). However, under current rules, the VAT incurred by the WOCC will be irrecoverable.

Where WCC currently uses 'in-house' services, such as legal, there will be an additional irrecoverable VAT charge if such services are supplied to the WOCC.

Generally, all in-house corporate support services supplied to the WOCC will be subject to VAT. It may be possible to exclude services from the contract and retain responsibility within the Council, thereby removing the VAT cost. However, such separation could be difficult both legally and practically and will not be without its risks.

The rental of commercial property will be exempt unless the landlord has opted to tax, in which case it will be standard-rated. The rental of Relevant Residential Purpose property will be exempt or, in exceptional circumstances, zero-rated.

In summary, under current rules, VAT will represent a significant cost to the supply of children's social services under the WOCC model. As a result, this has been included as a cost in the financial model.

### **DfE funding - VAT**

The position in respect of VAT liabilities for local authorities implementing alternative delivery models is currently under discussion between Department officials and Her Majesty's Revenue and Customs and the Treasury. The Department is hopeful of reaching agreement on a long-term solution. Irrespective of the outcome of this discussion, in delegating children's social care functions to a new Company, the DfE's view is that local authorities should not incur greater costs through the value added tax (VAT) regime than would be the case were it to continue providing services in-house, and the Department would seek to provide funding accordingly. As such, within the financial case, it is assumed that the irrecoverable VAT is funded.

## **5.13 COMMERCIAL CASE CONCLUSIONS**

The Commercial Case currently includes the starting positions put forward by the ADM Programme (developed in conjunction with service and support staff) to investigate further and confirm during the implementation phase.

A number of key principles have driven these positions, including:

- It is imperative that staff retain their current terms and conditions, including pensions.

- The Company shall seek a corporate support model that allows it to meet its long- term objectives and priorities of service improvement, however great consideration must be given to WCC's remaining services and impact on costs.

#### **Recommendations for the implementation phase**

- The procurement route is to be confirmed by legal partners and WCC.
- The TUPE list is to be created based on scope of services, following which pensions and redundancy liabilities will be quantified.
- All support service options must be investigated regarding service, staff and cost impact during the implementation phase. Significant work has already been conducted which has informed this Business Case.
- Detailed cashflow modelling will be conducted during the implementation phase and following this the payment schedule and mechanisms with the Council will be agreed.
- Detailed analysis of the 3<sup>rd</sup> party contracts will be conducted to confirmed the novation list, and contracts to be renewed and terminated.
- A full VAT assessment will be conducted by October 2018, following the finalisation of the scope of services and buy-back arrangements.
- The ADM Programme Board has given permission to further develop and investigate these items during the implementation phase using the positions within the Commercial Case as a starting point.

## 6. THE FINANCIAL CASE

This section describes the estimated budget to implement and run the ADM over the next 5 years, proposed funding arrangements, and key considerations for the ADM's affordability.

### 6.1 INTRODUCTION

This chapter presents the projected financial impact of establishing the WOCC. The key driver for the ADM is improvement of outcomes for children, not cost reduction or income generation. The financial projected budget thus shows an ongoing increased cost of delivering the service in a WOCC.

- It is estimated that an investment of approximately £4.6M will be required to establish a WOCC. This is based on financially prudent assumptions and may change during implementation as key decisions are taken, in particular on where the WOCC will be located.
- The recurrent cost of the service is estimated at £77M in 2019-20, rising to £82M in 2022-23. This includes service-specific costs, as well as additional ADM recurrent costs.
- The recurrent deficit of costs against income, before any funding from the DfE is included, is £7.5M in 2019-20, rising to £11.1m in 2022-23
- Based on assumed funding from the DfE for irrecoverable VAT, the deficit is reduced to £6.2m in 2019-20, and £9.7m in 2022-23. This may change (decrease) during implementation as key decisions are taken around organisational design of the Company.

#### Summary of Recurrent Income and Costs

Table 3 shows the income and costs of children's social care services in scope of an ADM. This is based on there being no additional cost for property services, corporation tax, additional pensions contributions or future redundancy liabilities, and these are highlighted in the key considerations section of this financial case, and in the commercial case.

Table 3: Recurrent costs and income in scope of an ADM (£'000)

|   | Budgeted Income and Costs of ADM                                     | 2018-19<br>(£'000) | 2019-20<br>(£'000) | 2020-21<br>(£'000) | 2021-22<br>(£'000) | 2022-23<br>(£'000) |
|---|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| A | Total income budget excluding support services                       | 64,049             | 64,093             | 64,877             | 65,171             | 65,467             |
| B | Support Services / Corporate Recharges                               | 5,254              | 5,350              | 5,379              | 5,408              | 5,437              |
| C | <b>Total Income and Recharges</b>                                    | <b>69,303</b>      | <b>69,443</b>      | <b>70,256</b>      | <b>70,579</b>      | <b>70,904</b>      |
| D | <b>Total cost of service in the WOCC</b>                             | <b>69,303</b>      | <b>76,955</b>      | <b>81,331</b>      | <b>81,677</b>      | <b>82,027</b>      |
| E | <b>Total Budget surplus/(deficit) before DfE funding assumptions</b> | <b>0</b>           | <b>(7,512)</b>     | <b>(11,075)</b>    | <b>(11,098)</b>    | <b>(11,122)</b>    |
| F | Assumed funding for VAT (from DfE)                                   | 0                  | 1,353              | 1,394              | 1,398              | 1,403              |
| G | <b>Total ADM Budget surplus / (deficit)</b>                          | <b>0</b>           | <b>(6,158)</b>     | <b>(9,681)</b>     | <b>(9,700)</b>     | <b>(9,720)</b>     |

- **Total income budget for the service (A):** This is the baseline projected budget of WCC children's services in scope. These projections are purely for the service and irrespective of the ADM. Figures were projected from the 2017-18 budget to include staff salary inflation and increases in activity resulting from the improvement plan.

- **Support Services / Corporate Recharges (B):** These are the corporate recharges for services in WCC which support children's social care and provider services in scope of an ADM. These recharges were calculated in February 2018 by the Company finance manager, as part of a council-wide exercise to ensure that corporate recharges accurately reflect the services provided to each directorate. The support services are shown in more detail in sections 6.3 and 6.7.2.
- **Cost of Service in the WOCC (D):** This is the cost of delivering the service in a WOCC, including the costs of in-scope children's social care and provider services, additional staff posts required in the WOCC, corporate support services transferring to the WOCC, corporate support services bought-back from WCC any increase in non-staff costs and potentially irrecoverable VAT. Any additional costs incurred before go-live (for example, early recruitment of directors and board) have been included in the transitional costs, not in 2018-19 recurrent costs.
- **Total Budget (Surplus)/ Deficit before DfE & additional funding assumptions (E):** This is the surplus or deficit of existing operational income against costs of running the service in the ADM. It thus represents the total additional recurring costs of delivering the service in a WOCC.
- **VAT funding (F):** The WOCC may incur irrecoverable VAT. This is the expected funding from the DfE (statement of intent in section 6.2) to cover this cost while the service is in intervention.
- **Total Budget (Surplus) / Deficit (G):** This is the budget deficit after irrecoverable VAT is funded.

### Summary of Transition Costs

The transition costs are shown in Table 2. £366K is expected to be incurred by 31<sup>st</sup> March 2018 in carrying out the options analysis, business case and preparing for implementation. An additional £4,261K is expected to be required for implementation, based on financially prudent, worst-case scenario assumptions. A breakdown of all these transition costs is shown in Section 6.4.

Table 4: Transition Costs of ADM

| Transitional Costs (£'000)       |               |
|----------------------------------|---------------|
| Pre-business case costs incurred | 366           |
| Costs of Implementation          | 4,261         |
| <b>Total set-up costs</b>        | <b>£4,627</b> |

The remainder of this chapter shows:

**Section 6.2:** Recurrent Income

**Section 6.3:** Recurrent Expenditure

**Section 6.4:** Transitional Costs

**Section 6.5:** 5-year Staffing

**Section 6.6:** Financial Case Summary

**Section 6.7:** Key Considerations and Risks

## 6.2 RECURRENT INCOME

The recurrent income of the WOCC is shown below. This is based on the expected income from WCC to deliver the service (including improvement activity).

Table 5: Breakdown of budget in scope of an ADM

| ADM Income | 2018-19<br>(£'000) | 2019-20<br>(£'000) | 2020-21<br>(£'000) | 2021-22<br>(£'000) | 2022-23<br>(£'000) |
|------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|------------|--------------------|--------------------|--------------------|--------------------|--------------------|

***Income from WCC for Children's Social Care***

|   |  |               |               |               |               |               |
|---|--|---------------|---------------|---------------|---------------|---------------|
| A | Existing controllable base budget                  | 49,775        | 49,775        | 49,775        | 49,775        | 49,775        |
| B | Staff inflationary increases                       | 497           | 1,041         | 1,326         | 1,619         | 1,916         |
| C | Improvement Plan: Placements budgets               | 9,300         | 9,300         | 9,300         | 9,300         | 9,300         |
| D | Improvement Plan: Safeguarding                     | 578           | 578           | 578           | 578           | 578           |
| E | Improvement Plan: Other                            | 140           | 140           | 140           | 140           | 140           |
| F | Increases in MTFP for temporary funding            | 226           | 726           | 1,226         | 1,226         | 1,226         |
| G | <b>WCC Contribution for Children's Social Care</b> | <b>60,516</b> | <b>61,560</b> | <b>62,344</b> | <b>62,638</b> | <b>62,934</b> |

***Other Existing Income***

|   |  |               |               |               |               |               |
|---|--|---------------|---------------|---------------|---------------|---------------|
| H | DSG  | 566           | 566           | 566           | 566           | 566           |
| I | PHRG                                       | 650           | 650           | 650           | 650           | 650           |
| J | Other Grants                               | 813           | 813           | 813           | 813           | 813           |
| K | Temporary Funding                          | 1,000         | -             | -             | -             | -             |
| L | Other Income                               | 504           | 504           | 504           | 504           | 504           |
| M | <b>Total other income</b>                  | <b>3,533</b>  | <b>2,533</b>  | <b>2,533</b>  | <b>2,533</b>  | <b>2,533</b>  |
| N | New Income generation                      | 0             | 0             | 0             | 0             | 0             |
| O | <b>Total income budget for the service</b> | <b>64,049</b> | <b>64,093</b> | <b>64,877</b> | <b>65,171</b> | <b>65,467</b> |

***Projected corporate recharges for support services to children's social care***

|   |  |               |               |               |               |               |
|---|--|---------------|---------------|---------------|---------------|---------------|
| P | Support services / corporate recharges | 5,254         | 5,350         | 5,379         | 5,408         | 5,437         |
| Q | <b>Total income and recharges</b>      | <b>69,303</b> | <b>69,443</b> | <b>70,256</b> | <b>70,579</b> | <b>70,904</b> |

***Additional Income related to ADM***

|   |   |               |               |               |               |               |
|---|---|---------------|---------------|---------------|---------------|---------------|
| R | Assumed funding for VAT (from DfE)        |               | 1,353         | 1,394         | 1,398         | 1,403         |
| S | <b>Additional budgeted income for ADM</b> |               | <b>1,353</b>  | <b>1,394</b>  | <b>1,398</b>  | <b>1,403</b>  |
| T | <b>Total ADM projected income budget</b>  | <b>69,303</b> | <b>70,797</b> | <b>71,650</b> | <b>71,977</b> | <b>72,307</b> |

- **A - G: WCC contribution for Children's Social Care:** The WCC contribution to the direct costs of children social care and provider services was calculated by taking the existing budget for children's social care and provider services in scope of the ADM as of 2017-18 (£49,775) and adjusting specific budget lines year-on-year as per the service plans.
- **H - M:** In the absence of other information, income streams outside of WCC are expected to continue as they are currently. For the purposes of this analysis it is assumed that any loss in this income will be matched by a corresponding reduction in activity and therefore costs, so that the bottom line is not affected. Other income includes:
  - £566K direct schools grant (DSG) income,
  - £650K public health ring-fenced grant (PHRG) income for targeted family support
  - £813K grants for 1) external placements and 2) targeted family support.

- Temporary funding of £1,226K as of 2017-18 is projected to decrease to £1000 in 2018-19 and zero in the following years. This is an overall budget movement, not a reduction, as this budget will be taken on by children's social care budget (see line F in previous table)
- There is also £504K other income, including big lottery funding, staff charged to health and income from partners.
- **N:** WCC will always seek more income in search of efficiency and continuous improvement. However, the initial focus of the WOCC will be service improvement, not income generation. Therefore, the most prudent assumption is to include no projection for additional income in future years. The potential for future income generation is addressed in the economic case.
- **O:** This is total income for in-scope services, excluding income to purchase corporate support services, or any additional budget for the ADM.
- **P: Support Services / Corporate Recharges:** This represents the total amount to be recharged to in-scope children's social care services for finance, HR, performance, IT, property, commercial, legal, communications and HR/finance transactional. It was recalculated in February 2018 so that it is an accurate reflection of the services provided to children's social care. Projected increases in costs are based on demand pressures and salary inflation.
- **Q:** Total income budget for the service plus recharge budget for corporate support services.
- **R: VAT funding:** The WOCC may be considered by HMRC to be a 'state regulated welfare institution.' This would mean its supply is exempt from VAT and that it is not able to recover the VAT it incurs. VAT would be an additional cost for the WOCC which is not presently incurred. If this occurs, the DfE is likely to fund the irrecoverable VAT while the service is in intervention. The estimated amount has been based on the worst-case scenario (see sections 6.3 and 6.7).
- **S: Additional budgeted income for the ADM:** An additional £1.353M IN 2019/20 has been included to meet the costs of an WOCC – this is assumed DfE VAT funding.
- **T: Total ADM projected income budget:** This is the total projected income for the WOCC including income budget for the service, income to purchase support services, additional amount budgeted for the WOCC, and funding for VAT.

### 6.3 RECURRENT EXPENDITURE

The two tables below show the recurrent annual costs of operating the WOCC at different levels of detail. Table 4 shows the aggregated costs of the WOCC. The staff line includes all staff, including those identified as "in-scope" who will TUPE from WCC, those corporate support services staff likely to transfer across, and the new managerial and administrative staff required in the WOCC. Similarly, the other cost lines include the full costs of the ADM.

Table 6: Recurrent operating costs of Children's WOCC

|   | Recurring Operating Costs        | 2018-19<br>(£'000) | 2019-20<br>(£'000) | 2020-21<br>(£'000) | 2021-22<br>(£'000) | 2022-23<br>(£'000) |
|---|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| A | Staff                            | 27,209             | 30,892             | 31,840             | 32,158             | 32,480             |
| B | Training and Service Improvement | 553                | 673                | 673                | 673                | 673                |
| C | Travel                           | 750                | 750                | 750                | 750                | 750                |
| D | Premises                         | 455                | 469                | 487                | 487                | 487                |



|   |                              |               |               |               |               |               |
|---|------------------------------|---------------|---------------|---------------|---------------|---------------|
| E | Suppliers and Services       | 3,182         | 3,336         | 3,453         | 3,453         | 3,453         |
| F | Third Party Payments         | 31,737        | 34,583        | 37,818        | 37,818        | 37,819        |
| G | Other                        | 163           | 160           | 156           | 156           | 156           |
| H | Support Service buy-back     | 5,254         | 4,738         | 4,761         | 4,784         | 4,807         |
| I | VAT                          |               | 1,353         | 1,394         | 1,398         | 1,403         |
| J | <b>Total Operating Costs</b> | <b>69,303</b> | <b>76,955</b> | <b>81,331</b> | <b>81,677</b> | <b>82,027</b> |

So that Table 4 can be easily reconciled to the increased costs resulting from an ADM, Table 5 (overleaf) shows the recurrent costs broken down by:

- 1) Recurring costs associated with delivering the current services and the improvement plan;
- 2) Corporate support services costs (both existing costs, and new costs associated with a move to the ADM);
- 3) Additional recurring costs associated with the move to an ADM incurred by the WOCC; and
- 4) Additional recurring costs associated with the move to an ADM incurred by WCC.

Table 7: Recurrent operating costs of Children's WOCC, breakdown by reason for cost

|    | Recurring operational costs of delivering service and improvement plan                | 2018-19 (£'000) | 2019-20 (£'000) | 2020-21 (£'000) | 2021-22 (£'000) | 2022-23 (£'000) |
|----|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| A  | Operational Staff Costs   | 27,209          | 28,432          | 29,356          | 29,649          | 29,946          |
| B  | Training and Service Improvement  | 553             | 653             | 653             | 653             | 653             |
| C  | Travel  | 750             | 750             | 750             | 750             | 750             |
| D  | Premises  | 455             | 469             | 487             | 487             | 487             |
| E  | Suppliers and Services  | 3,182           | 3,274           | 3,391           | 3,391           | 3,391           |
| F  | Third Party Payments  | 31,737          | 34,305          | 37,535          | 37,535          | 37,535          |
| G  | Other   | 163             | 160             | 156             | 156             | 156             |
| H  | <b>Total operating costs for current service</b>                                      | <b>64,049</b>   | <b>68,043</b>   | <b>72,327</b>   | <b>72,621</b>   | <b>72,917</b>   |
|    | <b>Corporate Support Services</b>   |                 |                 |                 |                 |                 |
| I  | Transfer  |                 | 612             | 618             | 624             | 630             |
| J  | Buyback   | 5,254           | 4,738           | 4,761           | 4,784           | 4,807           |
|    | <b>Subtotal: buyback and transfer</b>   | <b>5,254</b>    | <b>5,350</b>    | <b>5,379</b>    | <b>5,408</b>    | <b>5,437</b>    |
| K  | Additional (WOCC)   |                 | 1,043           | 1,055           | 1,063           | 1,071           |
| L  | Additional (WCC)  |                 | 118             | 119             | 120             | 121             |
| M  | <b>Total corporate support services costs</b>   | <b>5,254</b>    | <b>6,511</b>    | <b>6,553</b>    | <b>6,591</b>    | <b>6,629</b>    |
|    | <b>Additional recurring costs associated with move to ADM (WOCC)</b>                  |                 |                 |                 |                 |                 |
| N  | Directors and Senior Staff (not included above)                                       |                 | 511             | 516             | 521             | 526             |
| O  | Chair and Non-execs   |                 | 50              | 51              | 52              | 52              |
| P  | Additional Admin Staff (not included above)   |                 | 180             | 181             | 183             | 185             |
| Q  | VAT on existing services  |                 | 479             | 514             | 514             | 514             |
| R  | VAT on corporate support services bought back   |                 | 875             | 879             | 884             | 889             |
| S  | Board and senior staff training/conferences   |                 | 20              | 20              | 20              | 20              |
| T  | <b>Total Additional Recurring Costs (WOCC)</b>  | <b>-</b>        | <b>2,114</b>    | <b>2,162</b>    | <b>2,174</b>    | <b>2,186</b>    |
|    | <b>Additional recurring costs associated with move to ADM (WCC)</b>                   |                 |                 |                 |                 |                 |
| U  | Additional Team in WCC (not included above)   |                 | 255             | 257             | 260             | 262             |
| V  | External Quality Assurance  |                 | 32              | 32              | 32              | 32              |
| W  | <b>Total Additional Recurring Costs (WCC)</b>   | <b>-</b>        | <b>287</b>      | <b>289</b>      | <b>292</b>      | <b>294</b>      |
| X  | <b>Total Costs of delivering Service</b>  | <b>69,303</b>   | <b>76,955</b>   | <b>81,331</b>   | <b>81,677</b>   | <b>82,027</b>   |
| Y  | <b>Total Budget surplus/(deficit) before DfE &amp; additional funding assumptions</b> | <b>0</b>        | <b>(7,512)</b>  | <b>(11,075)</b> | <b>(11,098)</b> | <b>(11,122)</b> |
| Z  | Assumed funding for VAT (from DfE)  | 0               | 1,353           | 1,394           | 1,398           | 1,403           |
| AA | <b>Projected ADM budget surplus/(deficit)</b>   | <b>0</b>        | <b>(6,158)</b>  | <b>(9,681)</b>  | <b>(9,700)</b>  | <b>(9,720)</b>  |

- **A:H: Recurring costs of delivering service and improvement plan:** This shows the total costs of delivering the current service, plus the improvement plan over the next 5 years. The costs are based on:

- Staffing increases in safeguarding (including locality teams and social care workforce development); placements budgets (including CWD and non-CWD in-house residential and short breaks), fostering and kinship, as well as small savings from restructuring.
  - Training and Service improvement increases.
  - Third party payment increases in external placements, supported living (non CWD) and fostering and kinship.
  - Increase in premises budgets for supported living (non-CWD).
  - Suppliers and service increases in supported living (non-CWD) and in-house residential and short breaks.
- **I – M: Corporate Support Services:** The two main options considered for corporate support services were a) to buy-back services from WCC b) to transfer services to the WOCC, together with any staff subject to TUPE. This approach was based on ensuring the WOCC has sufficient support to deliver services which meet the needs of children and families, while minimising stranded costs for WCC.
    - *Transfer:* Transfer of 19 FTEs from finance, HR and performance teams to the WOCC
    - *Buyback:* Buyback of all other corporate support services
    - *Additional WOCC:* Senior staff in Finance, IT, HR, commercial, communications and performance, increased IT licence costs and private sector accounting requirements. The only additional IT non-staff costs which have been included are for increased licence costs. It is assumed that all other IT recurrent costs are included in the corporate recharge (buyback).
    - *Additional WCC:* Performance function in WCC.
  - **N – S:** Additional recurring costs associated with a move to the ADM, not included in corporate support services and incurred by the WOCC.
    - **N – P: Additional staff costs associated with a move to the ADM (WOCC):** Senior and administrative staff costs not included in support services.
    - **Q: VAT on existing services:** In 2017-18, the council incurred £365K of VAT on services in-scope of the ADM. As the council benefits from full VAT recovery and the WOCC may not be able to recover any of this VAT, this is an additional expense. Irrecoverable VAT on these services was projected forward based on the assumption that VAT charges will increase in proportion with budget increases for third party payments / suppliers and services.
    - **R: VAT on services bought back:** If WCC transfers the budget for corporate support services to the WOCC and the WOCC then buys back these support services, this will be subject to irrecoverable VAT. In theory, the Council could retain responsibility for the support services itself and this would not give rise to a VAT charge. However, in practice it may be difficult arrange the contract such that services outsourced to the WOCC exclude support services, and this could give rise to a challenge from HMRC. A worse-case scenario of 20% irrecoverable VAT on all bought back support services apart from administrative buildings has therefore been included.
    - **S: Board and senior staff training/conference:** This is an additional anticipated expenditure for the board and senior staff to disseminate and gather knowledge on best practice at training courses and conferences.
  - **U – V:** Additional recurring costs associated with a move to the ADM, not included in corporate support services and incurred by WCC.
    - **U: Additional client function:** commissioning, commercial and contracting staff in WCC.

- **V: External quality assurance:** Ten days per quarter at £800 per day.
- **X: Total cost of delivering service:** This is the total cost of delivering the service in a WOCC.
- **Y: Total Budget surplus/(deficit) before DfE & additional funding assumptions:** This is the surplus or deficit of existing operational income (before increases for the ADM, or VAT funding from the DfE) against costs of running the service in an WOCC. It thus represents the total additional recurring costs of delivering the service in a WOCC.
- **Z: Assumed funding for VAT (from DfE):** This is assumed DfE VAT funding.
- **AA: Projected ADM budget surplus / (deficit):** This is the surplus or deficit of budgeted costs against income for the 5 years.

## 6.4 TRANSITIONAL COSTS

Table 6 shows the expected transitional (set-up) costs of the WOCC. These exclude contributions from WCC, for example input from senior staff who are not back-filled. WCC have already incurred £366K in the period up to April 2018 during which they completed an options appraisal, full business case and made preparations for implementation. A further £5,756K will be required for implementation.

Table 8: Transitional Costs of the ADM

| Cost item |   | Pre-business case<br>cost incurred<br>(£'000) | Cost of<br>Implementation<br>(£'000) | Total<br>(£'000) |
|-----------|---|---|--------------------------------------|------------------|
| A         | Legal, Tax, Pensions and independent Due Diligence advice | 30  | 436                                  | 466              |
| B         | Project Management  | 280   | 894                                  | 1,174            |
| C         | Finance and Communications resources                      | 26  | 274                                  | 299              |
| D         | HR Resources  | 20  | 128                                  | 148              |
| E         | Branding and Communications                               | 0   | 30                                   | 30               |
| F         | Recruitment   | 0   | 150                                  | 150              |
| G         | Additional ICT costs (TBC)                                | 0   | 0                                    | 0                |
| H         | Property-related costs                                    | 0   | 1,335                                | 1,335            |
| I         | Board, CEO & client management team (pre go-live)         | 0   | 744                                  | 744              |
| J         | Scrutiny Support  | 0   | 27                                   | 27               |
| K         | Remaining items   | 11  | 103                                  | 113              |
| L         | <b>Total transition costs</b>                             | <b>366</b>                                    | <b>4,261</b>                         | <b>4,627</b>     |

The costs include the following:

- **A: Legal, Tax, Pensions and independent Due Diligence advice:** The £30K already incurred is for independent legal advice. The implementation costs of £425K include a further £160K for WCC (council-side) legal support; £250K WOCC (company-side) legal support; costs for a pensions co-ordinator for 3 months; and up to three pensions reports from Mercers.
- **B: Project management:** The project management costs include:
  - The programme director, 2-year role.
  - 1 x senior project manager, 1 project management officer, and 1 Admin/BSO role for 2 years.
  - Specialist project management and ADM / Company advice during the FBC and implementation.
  - Speciality commercial advice up until business case and throughout implementation.
- **C: Finance and communications resource:** The finance and communications costs include:
  - Finance: 1 x Project Manager and Financial Support operational manager role.
  - Communications: 3 Stakeholder Engagement Officers on a 2-year role.
- **D: HR resource:** Competency development training of £20K has already been incurred. This is a programme to be put in place within the existing HR team to ensure all HR Advisers are upskilled in readiness for ADM implementation. Resource for implementation includes a HR team of 3: 1 HR project team manager, 1 senior HR advisor and 1 seconded union rep.
- **E: Branding:** £30K for branding includes branding of the new company, development of logo, branding of company materials, banners or other branding within the company building. These costs are estimated, as they can be reduced depending on in-house provision available.
- **F: Recruitment:** £150K has been allowed for external recruitment using a Penna or a similar company. This could be reduced by using in-house recruitment capability.
- **G: Additional ICT costs:** The additional ICT costs have not been included in this business case, as further work is required to understand ICT requirements. This is partly dependent on the property solution.
- **H: Property-related costs:** The total of £1,355K has been based on taking the mid-point of a lower bound (£670K) and an upper bound (£2,000K).
  - The lower bound is based on purchase, removal and installation of furniture for 323 workstations, plus a basic fit-out (carpeting and painting) of office space for these workstations at 5 square metres per workstation. 323 workstations is sufficient space for all 560 ADM staff (which excludes those in residential units) at a headcount/FTE ratio of 1.16, and a desk occupancy of 0.5.
  - This lower bound assumes the only fit-out required is for carpeting and painting desk space and does not include potential additional costs if more building works were required. Without knowing the building option, it is difficult to estimate the upper bound. £2M has been included based on the upper bound of what the DfE has funded elsewhere. Taking the mid-point of these two costs allows an additional £685K over the lower bound. This has

yet to be broken down but will need to cover funding for a property management officer, in addition to extra building works.

- **I: Board, CEO & client management team (pre-go-live):** Costs of the board, management team and administration team pre-go-live are based on early start dates of between October 2018 and January 2019 for the directors and non-operational senior management staff; and start date of May 2018 for the WCC commissioning function.
- **J: Scrutiny Support:** £27 has been included for the Council's Children and Families Scrutiny Panels; a cross-party scrutiny body which holds to account the CMR and senior officers involved in arranging and providing children's services to support transformation and help improve outcomes for children.
- **K: Other items:** £11K has already been incurred for non-staffing budgets. An additional £103K has been identified for future non-staffing costs, new bank accounts (£20K), and registration with Ofsted (£15K).

## 6.5 5-YEAR STAFFING

The 5-year staffing profile is shown in Table 7. The base year (2017-2018) has been shown in this table, to illustrate the 629-staff agreed in scope during the Business Case phase. The transition year (2018-19) shows 678 staff in children's social care (planned increases as a result of the improvement plan). These are staff who are in scope for TUPE but will still be employed by the council in that year. From 2018-20, the admin and support staff likely to transfer under TUPE and the additional WOCC management staff are also shown. Children's social care staff numbers continue to rise under the period of the improvement plan until 2020-21.

Table 9: Projected FTE in the WOCC

| Staff Category   |   | 2017-18<br>(FTE)* | 2018-19<br>(FTE) | 2019-20<br>(FTE) | 2020-21<br>(FTE) | 2021-22<br>(FTE) | 2022-23<br>(FTE) |
|--|---|-------------------|------------------|------------------|------------------|------------------|------------------|
| New ADM<br>management<br>and admin                       | Executive and Directors                         |                   |                  | 4                | 4                | 4                | 4                |
|  | Senior Management                               |                   |                  | 8                | 8                | 8                | 8                |
|  | Administrative Support                          |                   |                  | 11               | 11               | 11               | 11               |
| Support Staff<br>TUPE from<br>WCC                        | Finance and Accounts                            |                   |                  | 5                | 5                | 5                | 5                |
|  | Human Resources                                 |                   |                  | 6                | 6                | 6                | 6                |
|  | Performance                                     |                   |                  | 9                | 9                | 9                | 9                |
| Children's<br>Social Care                                | Independent Review and QA                       | 32                | 32               | 32               | 32               | 32               | 32               |
|  | Children with Disabilities                      | 19                | 18               | 17               | 17               | 17               | 17               |
|  | Principal Social Worker                         | 9                 | 9                | 9                | 9                | 9                | 9                |
|  | Locality Teams                                  | 149               | 160              | 167              | 169              | 169              | 169              |
|  | Specialist Services (incl CSE, HIT, EDT)        | 16                | 16               | 16               | 16               | 16               | 16               |
|  | Contact & Referral                              | 24                | 24               | 24               | 24               | 24               | 24               |
|  | Community Function                              | 10                | 10               | 10               | 10               | 10               | 10               |
|  | Safeguarding Teams & Group Manager              | 48                | 48               | 48               | 48               | 48               | 48               |
|  | Worcestershire Safeguarding Children Board      | 5                 | 5                | 5                | 5                | 5                | 5                |
| Provider<br>Services                                     | In House Residential & Short Breaks - Non CWD   | 130               | 146              | 152              | 160              | 160              | 160              |
|  | Supported Living - Non CWD                      | 8                 | 8                | 8                | 8                | 8                | 8                |
|  | In House Residential & Short Breaks - CWD       | 40                | 52               | 56               | 61               | 61               | 61               |
|  | Fostering & Kinship                             | 45                | 51               | 53               | 55               | 55               | 55               |
|  | Outreach Service                                | 18                | 18               | 18               | 18               | 18               | 18               |
|  | Health & Well-being                             | 7                 | 7                | 7                | 7                | 7                | 7                |
|  | Contact Service                                 | 11                | 11               | 11               | 11               | 11               | 11               |
|  | Care Leavers                                    | 23                | 23               | 23               | 23               | 23               | 23               |
| Early Help   | Targeted Family Support                         | 21                | 21               | 21               | 21               | 21               | 21               |
| Finance Res<br>and<br>Dedicated<br>Support               | Placement Team                                  | 10                | 10               | 10               | 10               | 10               | 10               |
|  | Assistant Director, PA and service coordinators | 6                 | 6                | 6                | 6                | 6                | 6                |
|  | Social Care Workforce Development               | -                 | 3                | 3                | 3                | 3                | 3                |
| <b>Total WOCC Staff</b>                                  |   | <b>629</b>        | <b>678</b>       | <b>738</b>       | <b>755</b>       | <b>755</b>       | <b>755</b>       |
| <b>Commissioning and Performance Function in WCC</b>     |   |                   |                  | <b>6</b>         | <b>6</b>         | <b>6</b>         | <b>6</b>         |
| <b>Total Staff: WOCC plus WCC Commissioning Function</b> |   | <b>629</b>        | <b>678</b>       | <b>744</b>       | <b>761</b>       | <b>761</b>       | <b>761</b>       |

\*The 2017-2018 column in grey has been included to show the planned staffing increases for the 2018-2019 financial year, irrespective of the ADM which will go live in April 2019.



## 6.6 FINANCIAL CASE SUMMARY

- **Total Recurrent Cost:** The recurrent cost for the service is estimated at £77M in 2019-20, rising to £82M in 2022-23.
- **Total Recurrent Cost:** The recurrent income for the service is estimated at £70.8M in 2019-20, rising to £72.3M in 2022-23. Of this, approximately £1.35M is assumed funding to cover VAT.
- **Recurrent Deficit:** The recurrent deficit of costs against income is (£6.2M) in 2019-20, rising to £9.7M in the following year, 2020-21.
- **Transition Costs:** It is estimated that an investment of approximately £4.6M will be required to establish a WOCC. This may change during implementation as key decisions are finalised.
- **FTEs:** There are currently 629 FTEs in scope of the ADM (as of 2017-18). This will rise to 678 in 2018-20 and throughout the improvement plan. 20 Support staff FTEs are planned to TUPE to the ADM, 23 additional FTEs (excluding the board) will be employed by the WOCC, and 6 by WCC. By 2020-21 there will be 755 FTEs in the WOCC, and an additional 6 in WCC.

## 6.6 KEY CONSIDERATIONS AND RISKS

- **VAT:** The ADM may incur an irrecoverable VAT bill as a result of setting up a WOCC. HMRC's current position is that where the provider of welfare services is a 'state regulated welfare institution' (or a public body or charity) the supply is exempt from VAT (and therefore cannot charge or reclaim VAT on its services). This issue is currently under consideration by HMRC and changes to this guidance may occur in the future, which could potentially be more favourable to a children's social care WOCC. The assumptions in this business case are based on current guidance: i.e. that the provider is making a single supply of exempt services and that VAT on its associated costs is irrecoverable. The DfE is likely to cover the cost during intervention.
- **Cashflow:** the WOCC will require some working capital. A high-level assessment of the services in scope suggests that the cashflow is spread relatively evenly from month to month. A detailed cashflow forecast will need to be carried out during implementation. Working capital provision could include the provision of a 2-month cash float (approximately £13M in the first month of operation); or providing the first 3 months in advance, and monthly thereafter until year end.
- **Assets:** Current assets/equipment utilised in service delivery may be transferred to the WOCC, with freehold assets leased. Asset transfer and/or lease costs have not been included in the financial projections, apart from where these are included in support services recharges. During implementation, a plan for transfer and licensing/leasing space and assets will be developed.
- **Property Services and Administrative Buildings:** The working assumption is that the Company will remain in (and refurbish) existing buildings, however a full analysis has yet to be completed. The recurrent costs of property services / administrative buildings have been included based on the current recharge projected forwards without any headcount inflation. This assumes that transferring services will remain in existing buildings, with the additional staff included for the service/ADM being managed within existing space, and not resulting in an additional charge.
- **Pensions Liabilities:** Pension contributions are assumed to be the same in the absence of other information. No additional costs have been included above existing and projected staff on-costs.

- **Future Income:** As a prudent assumption, and to ensure the projections do not overestimate the affordability of the ADM, no future income has been included. There is, however, potential for income generation and this is described in the economic case, section 4.5.1.
- **Staff Productivity / Sickness absence savings:** Staff productivity, or sickness absence savings have not been included, as any savings would not necessarily release cash, but improve service quality.
- **Section 17 & 20 Spend:** Section 17 and 20 spend will transfer to the WOCC (£990K). These are high-volume, small value amounts most of which go out of the imprest account or the purchase wallet. The WOCC will ensure it has sufficient cash to deal with these regular payments (see cashflow) and capacity within the finance team.
- **Insurance:** The cost for insurance of the WOCC can be provided under the existing council programme, adding it as joint insured. It is not possible to estimate the likely premium of this before the structure and management of the company is designed, and risks to be transferred and retained are known. Therefore, no cost has been included for insurance. If the insurance premium is substantial, this may affect the additional costs associated with the WOCC.
- **Corporation Tax:** The WOCC will be liable to pay corporation tax. However, as it is not seeking to generate new income within the period of the financial projection, it is not anticipated that a profit will be made. Therefore, no cost for corporation tax has been included in the financial projections. The costs of a finance team to carry out statutory accounting, including for corporation tax, has been included in the corporate support services costs.
- **Third Party Payments:** No inflationary increases have been included for third party payments or suppliers and services. This assumption is based on any increase in contract prices being offset by contract demand management and efficiency strategies.

## 6.7 FINANCIAL CASE CONCLUSION

In order to formulate the Finance Case to estimate the costs and risks associated with the ADM and create a robust 5-year Financial Model, a number of informed assumptions have been made regarding the areas below. These have been based on detailed discussions across WCC and the finance team:

- Proposed scope of services and FTE transferring
- Proposed buy-back arrangements
- Proposed technical and financial considerations (e.g. pensions, insurance, contracts)
- Proposed property arrangements (to be confirmed) and use of non-building assets
- Anticipated set up costs and additional needs of the ADM and WCC
- DfE intent to mitigate VAT liability during intervention

The affordability of the ADM is heavily dependent on the agreement made between the Council and the DfE regarding funding. In the absence of this pending agreement, the Financial Case demonstrates the costs associated with the implementation and running of the WOCC, as opposed to ascertaining exactly how it will be funded. Once an agreement has been made, the Financial Model must be revisited to ensure WCC has the budget to be able to successfully deliver the service within the proposed ADM.

## 7. THE MANAGEMENT CASE

### 7.1 INTRODUCTION

This section of the FBC addresses in detail how the scheme will be delivered and the ‘achievability’ of the preferred option. Its purpose is to set out the actions that will be required to enable the successful delivery of the scheme, within specific timescales, in accordance with best practice. It takes into account the organisation’s ability to deliver a large-scale programme that cuts across a number of disciplines which will impact all children’s social care services staff, a significant proportion of the wider Council and Council partners and suppliers.

The timescale to achieve this change is estimated to be 1 year, starting in April 2018 for a go-live goal of 1<sup>st</sup> April 2019. Please note, that if Cabinet approve the commencement of implementation (on 29<sup>th</sup> March 2018), this must take place 5 working days following the approval. This is an achievable timescale, based on similar implementation timescales for other children’s social care services companies, provided the sufficient capabilities and resources are dedicated to implementation. A significant programme of work is required to create a Wholly Owned Council Company for approximately 678 transferring staff (est. in 2019/20 budget). The expected implementation timescales and detailed programme is described in the section below.

Management of the programme will adhere to the following key principles:

- **Focus on improving outcomes** – The purpose of the programme is to establish a sustainable ADM that has the capacity and capability to improve social care for the benefit of Worcestershire’s children, young people and their families.
- **Clear communication** – The effectiveness of the programme relies on effective communication and strong relationships. Regular formal and informal meetings are proposed to ensure all stakeholders are updated and are able to identify and resolve issues as early as possible.
- **Defined roles and responsibilities** – All members of the ADM Programme Team and governance bodies working on the programme will have a clear understanding of the nature of their involvement, their responsibilities, and to whom they are they accountable.
- **Risk management** – Risks and dependencies will be identified and addressed effectively. Actions to mitigate the risks will be monitored closely by the Programme Team and workstream leads.
- **Adaptability** – The management approach will be appropriate to the Council’s existing ways of working. Procedures and the approach will be adapted where needed to meet requirements.
- **Learning from experience** – Each ADM is unique, and a learning culture is required throughout the Programme in order to succeed. This includes reflecting on what went well or could be improved and incorporate these lessons into the ongoing approach. The Programme will also reflect on previous lessons learned in WCC and elsewhere from other children’s services ADMs.
- **Time commitment** – The programme team will coordinate activities and attend key meetings. Nominated council officers will commit time to attend programme meetings and carry out activities. Where possible, remote working provisions will be made.

- **Governance** – The project will be subject to robust governance through the Council's governance arrangements, and Programme governance, including the DCS, Worcestershire CC Strategic Leadership Team and close overview and scrutiny by Members.

## 7.2 IMPLEMENTATION TIMESCALES AND PLAN

There are a number of critical path activities that will enable the Company to go-live successfully and provide the foundation of the detailed implementation plan. These are listed in the table below:

| Category                     | Activity   | Target date    |
|------------------------------|--|----------------|
| <b>MoU</b>                   | Memorandum of Understanding agreed with the Secretary of State         | 1 May 2018     |
| <b>DfE Funding</b>           | Funding agreed with the DfE  | 1 May 2018     |
| <b>Companies House</b>       | Company registered   | May 2018       |
|                              | Final constitutional documents filed at Companies House                | 31 March 2019  |
| <b>Contracts</b>             | Council client function operational (i.e. commissioning arrangements)  | June 2018      |
|                              | Contract negotiations of schedules commence                            | September 2018 |
|                              | Third party contracts novated / assigned etc.                          | January 2019   |
|                              | Draft services contract ready for testing                              | October 2018   |
|                              | Services contract signed (including Cabinet and Commissioner approval) | March 2019     |
| <b>Accommodation</b>         | Property surveys and commencement of refurbishment (TBC)               | July 2018      |
|                              | Property ready for move-in   | March 2019     |
| <b>Staff transfer</b>        | Organisational structure / design completed                            | September 2018 |
|                              | Staff TUPE list ready  | October 2018   |
|                              | TUPE consultation commences  | November 2018  |
|                              | Staff TUPE transfer  | April 2019     |
| <b>Chair recruitment</b>     | Chair appointed  | September 2018 |
| <b>Board recruitment</b>     | Executive Directors & Non-Executive Directors appointed                | October 2018   |
|                              | Company Board fully operational in shadow form                         | December 2018  |
| <b>Business plan</b>         | Business plan completed (i.e. design of the company)                   | November 2018  |
| <b>Bank account</b>          | Bank account set up  | November 2018  |
| <b>Cabinet approval</b>      | Company budget 2018/19, business plan presented to Cabinet             | February 2019  |
| <b>Regulatory approval</b>   | Ofsted registration complete   | January 2019   |
| <b>Ministerial approvals</b> | Submissions for go-live; Chair recruitment; DfE funding (other TBC)    | On-going       |
| <b>Go live</b>               | Company go-live  | 1 April 2019   |

The target dates have been devised through an understanding of 'standard' lead times (gathered through similar programmes), WCC's capabilities and resources and the current state of services. These dates are indicative and subject to change following the detailed design. Please note that timescales aspire to a minimum of a 4-month shadow period, where the Board will be operational in shadow form. This provides the Board and transferring staff the opportunity to identify design issues and embed ways of working. The proposed detailed implementation plan which addresses the above critical activities is found below, which includes the key milestones to be achieved through the programme of work. The plan focuses on the achievement of core activities, some of which may be split across workstreams, therefore the plan is not currently split out a workstream structure:

| KEY MILESTONES AND INDICATIVE TIMELINE                                      |            |                 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | Comments       |
|---|------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|
| MILESTONE   | START DATE | COMPLETION DATE |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Programme Governance</b>   |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 1 ADM Programme Board   | Apr-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        | F              |
| 2 ADM Steering Group  | Apr-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        | F              |
| 3 CFC Overview & Scrutiny Panel   | Apr-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 5 Cabinet (updates and approvals)   | Apr-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| Full Council & Cabinet - final approval                                     | Feb-19     | Feb-19          |        |        |        |        |        |        |        |        |        |        |        |        |        | 2019 dates TBC |
| <b>Programme Management Office</b>  |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 6 Establish governance arrangements and dates                               | Mar-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 7 Establish workstream leads and activities (incl. mobilise suppliers)      | Mar-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 8 Prepare workstream plans and dependencies                                 | Mar-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 9 Prepare Programme risk register   | Mar-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 10 Update Project Initiation Document (PID) & Programme Plan                | Apr-18     | Feb-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Funding and Memorandum of Understanding (MoU)</b>                        |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 11 Business Case and funding bid submitted to DfE and negotiated            | Mar-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 12 Ministerial approval and formal funding notification                     | May-18     | May-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 13 Cabinet report agreed (incl. draft scope of services)                    | Apr-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 14 MoU signed between WCC and Secretary of State                            | May-18     | May-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Company Formation / Set Up</b>   |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 15 Incorporation of Company at Companies House (temporary name)             | May-18     | May-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 16 Register Directors with Companies House                                  | Jan-19     | Jan-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 17 Agree scope of reserved matters for members                              | May-18     | Jan-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 18 Company name, logo and branding activities                               | Oct-18     | Jan-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 19 Agree board delegation scheme (i.e DCS/Chief Executive responsibilities) | Feb-19     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 20 Assess effectiveness of Governance during shadow period and amend        | Dec-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 21 Constitutional documents of new company finalised (MoU & Articles)       | Mar-19     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 22 Company launch event   | Mar-19     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Ofsted registration</b>  |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 23 Ofsted inspector visits  | Apr-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 24 DBS checks and documentation updated                                     | Aug-18     | Aug-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 25 Ofsted registration application submitted                                | Sep-18     | Sep-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 26 Policies and procedures updated  | Jan-19     | Jan-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 27 Ofsted registration confirmation   | Jan-19     | Jan-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Organisational Design</b>  |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 28 Agree process for determining 'unconfirmed' scope items                  | Apr-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 29 Commissioner, Council and Cabinet to agree scope of services             | Jun-18     | Jun-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 30 Draft Company organisational charts and operating model                  | Jun-18     | Sep-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 31 Organisational design agreed by Company Chief Executive / Board          | Jan-18     | Jan-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 32 Draft Company business plan  | Dec-18     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 33 Company business plan signed-off by Cabinet, Company Board               | Mar-19     | Mar-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Commissioning / Intelligent Client Function</b>                          |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 34 Define client function and resources                                     | Mar-18     | May-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 35 Client function resources in place and operational                       | Jun-18     | Jun-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| <b>Contracts</b>  |            |                 |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 36 Establish novation process   | Apr-18     | Apr-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 37 Identify all service specific contracts and relevant corporate contracts | Apr-18     | May-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 38 Analysis of contracts and agree novation, extension, termination         | Jun-18     | Oct-18          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |
| 39 Address proc. issues and legal work to novate, amend or terminate        | Nov-18     | Feb-19          |        |        |        |        |        |        |        |        |        |        |        |        |        |                |

| KEY MILESTONES AND INDICATIVE TIMELINE  |  |        | Apr-18     | May-18          | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | Comments |
|---|--|--------|------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| MILESTONE                               |  |        | START DATE | COMPLETION DATE |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Finance</b>                          |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 40                                      | Confirm DfE funding  | May-18 | May-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 41                                      | Confirm core budget and assess viability                                     | Apr-18 | Jun-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 42                                      | Draft Company budget   | Jul-18 | Aug-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 43                                      | Agree Company budget with all parties (subject to final changes)             | Sep-18 | Sep-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 44                                      | VAT assessment and advice  | Dec-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 45                                      | Conduct Cashflow modelling & establish Financial Mechanisms for Company      | Oct-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 46                                      | Finalise Company finance systems and processes                               | Nov-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 47                                      | Set up company treasury management, banking and insurance                    | Jan-19 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Staff transfer &amp; recruitment</b> |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 48                                      | Identification of all staff to be transferred / contributing to Company      | May-18 | Oct-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 49                                      | Informal consultation with Unions and affected staff                         | May-18 | Oct-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 50                                      | Staff formal TUPE consultation   | Nov-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 51                                      | Staff transfer complete  | Apr-19 | Apr-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 52                                      | Confirm pensions and payroll arrangements                                    | Jun-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 54                                      | HR records and HR employee manual  | Sep-18 | Jan-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 55                                      | Agree Board make-up  | Apr-18 | Jun-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 56                                      | Recruit Chair (incl. advert, interviews, DfE approval)                       | May-18 | Aug-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 57                                      | Recruit Chief Executive (incl. advert, interviews) and remainder of Board    | Jul-18 | Nov-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 58                                      | Identify any interim staff required and recruit                              | Apr-18 | Dec-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 59                                      | Agree SMT and recruit remainder of management team                           | Aug-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Communications and engagement</b>    |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 61                                      | Agree communications protocol (ADM, TUPE, other key areas)                   | Apr-18 | May-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 62                                      | Complete stakeholder mapping workshops with various stakeholders             | Apr-18 | May-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 63                                      | Produce stakeholder strategy and plan (iterative)                            | Apr-18 | May-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 64                                      | Deliver trade union sessions, staff workshops, staff briefings, focus groups | May-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 65                                      | Develop Communications Plan for the new company                              | Sep-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Property &amp; assets</b>            |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 66                                      | Select property solution (i.e. existing building, new building)              | Apr-18 | Jun-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 67                                      | Finalise accommodation requirements and floor plans                          |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 68                                      | Building, mechanical, electrical, asbestos, IT surveys                       | Aug-18 | Aug-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 69                                      | Cabinet & DfE property paper discussion & approval                           | Sep-18 | Sep-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 70                                      | Works/refurbishment undertaken (or procurement if applicable)                | Sep-18 | Jan-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 71                                      | Building ready and staff move in: sign agreement (e.g. lease)                | Jan-19 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 72                                      | Prepare inventory of all assets required and transfer/lease as appropriate   | Nov-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>IT and Data</b>                      |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 73                                      | Document current services and map out IT requirements & options              | Apr-18 | Jun-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 74                                      | Agree requirements for the Company and identify license transfers            | Jul-18 | Dec-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 75                                      | Website development  | Nov-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 76                                      | Device, applications and systems access                                      | Nov-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 77                                      | Identify current information asset and sharing agreements                    | May-18 | Jun-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 78                                      | Build information governance requirements; draft sharing protocols           | Oct-18 | Dec-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Service Delivery Contract</b>        |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 79                                      | Identification of key outline contract terms (including from legal form)     | Sep-18 | Oct-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 80                                      | Agree approach to development of service spec., KPIs, finance mech, risk     | Sep-18 | Oct-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 81                                      | First draft services contract circulated                                     | Nov-18 | Nov-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 82                                      | Contract negotiations  | Dec-18 | Feb-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 83                                      | Final contract agreed and signed by Cabinet, Council and Board               | Mar-19 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| <b>Support Services</b>                 |  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 84                                      | Agree customer services needs and requirements and deliver in shadow         | Jun-18 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 85                                      | Understand the current delivery of support services and confirm options      | Apr-18 | Aug-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 86                                      | Draft SLAs with service heads and legal support                              | Sep-18 | Oct-18     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 87                                      | Contract negotiations and further drafting                                   | Oct-18 | Jan-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 88                                      | Establish support services systems and processes for new company             | Dec-19 | Mar-19     |                 |        |        |        |        |        |        |        |        |        |        |        |          |
| 89                                      | Go-Live  |        |            |                 |        |        |        |        |        |        |        |        |        |        |        |          |



### 7.3 COMMUNICATIONS AND ENGAGEMENT PLAN

The full ADM Communications Plan is a working progress. The plan was updated following a workshop with service and support staff on the 2<sup>nd</sup> February 2018.

A number of key overarching principles and questions were gathered during the workshop in addition to the exercises:

- All communications planning should start from Children & Young People and the key principles behind this, to drive the rest of the communications. If a child understands it, then everyone else should understand it.
- An ADM Communications Plan already exists, and this will act as the foundation for the Communications workstream going forward. It currently includes a long list of stakeholders, their current impact / attitude regarding the ADM Options Analysis, and Business Case and current channels of communication.
- The ADM Programme does not assume to have captured everything stakeholders want to know or how they should be communicated with. The ADM Programme need to speak to stakeholders directly as part of the Communications workstream for the Project, to gather their feedback on what is important to them and how they would prefer to be informed or contacted.
- What does improvement mean for each stakeholder? E.g. measurement for CYPF may be different to staff or partners. Therefore, there may be a different focus in each communication, even though the messages and values will be consistent.
- The amended vision, mission and values should feed into all ADM work throughout the process.
- The naming and branding of the company is a great opportunity to engage with CYPF and staff.
- The existing communication and engagement with Children and Young People is not sufficient. The ADM programme, alongside the improvement work, is an opportunity to improve this not just for the implementation but in the long-term.
- Avoid 'message fatigue' – use existing communications if they are effective, and do not create multiple communications to the same stakeholder.
- A robust timeline and plan for the Communications workstream is required for implementation. This will give clarity to stakeholders over when they will receive information to avoid confusion or discontentment.

The following suggested activities have been devised in order to ensure the ADM Programme has mechanisms in place to communicate with both internal and external stakeholders.

This is not an exhaustive list and activity will be reviewed and revised on a regular basis as the ADM programme progresses. A detailed communications plan with specific dates and activities will be created early during implementation.



**Internal:**

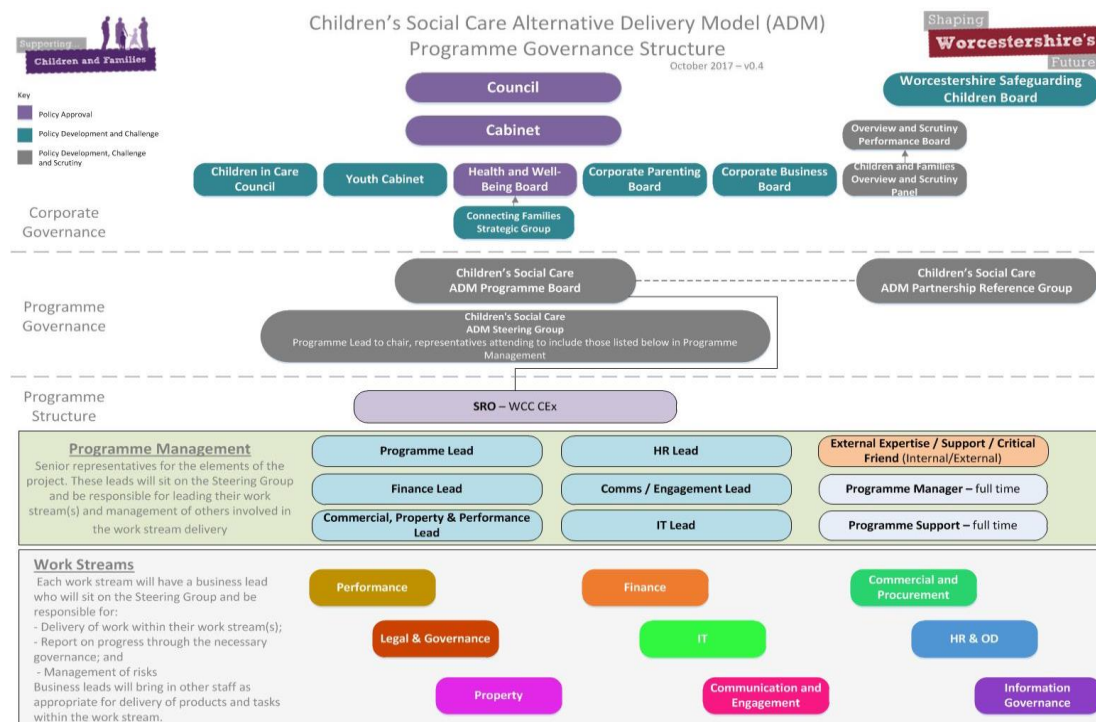
| Stakeholder               | Channel   | Frequency   | What  |
|---------------------------|---|-------------|---|
| All CFC Staff             | DCS Update  | Weekly      | ADM updates and key messages to be issued to all CFC staff from DCS each Friday via email   |
| All staff                 | Council Catch-up                                  | Fortnightly | ADM updates and key messages to be issued to all staff from CEX alternate Fridays via email   |
| Members                   | DCS Update  | weekly      | ADM updates and key messages included in DCS's weekly update to members on the improvement plan   |
| Members                   | Members' Top 5                                    | Monthly     | Include key messages tailored for members   |
| All staff                 | Drop-in sessions                                  | Weekly      | Weekly opportunities for staff to ask questions to members of the ADM project team  |
| All staff                 | OurSpace and Yammer                               | Weekly      | To compliment external website and promote key messages and events internally   |
| All staff                 | Digital Displays and Poster sites                 | As required | Use to promote key messages and events  |
| CFC staff                 | Staff briefings and social care staff conferences | Monthly     | Share key messages and themes to social care staff  |
| COaCH staff               | Staff briefings                                   | TBD         | Share key messages and updates for both in-scope and out-of-scope CoaCH staff   |
| CFC staff and CoaCH staff | Team Meetings                                     | Fortnightly | Regular messages are to be issued by Team Leaders at meetings and via email and Yammer to reinforce key messages  |
| CFC staff                 | Principal Social Worker Forums                    | Monthly     | Communications resources will be assigned to pre-publicise the events, deliver them with impact and to share content from them with all social care staff |
| ADM Programme Board       | Report to Board                                   | Monthly     | Provide monthly updates on progress against communications activities   |
| Cabinet & Scrutiny Panel  | Report to Cabinet                                 | Quarterly   | Formal update to Cabinet in October 18 and again before formal transfer   |
| CYP Partnerships          | As per meeting schedule                           | Monthly     | Provide tailored monthly updates to CYP Partnerships facilitated by WCC   |
| CYP Commissioned Services | Tailored email                                    | Monthly     | Provide tailored monthly updates to CYP Commissioned Services facilitated by WCC  |
| SLT                       | Meetings  | Weekly      | Share key messages and updates  |
| WLT                       | Leadership Exchange and WLT meetings              | Monthly     | Share key messages and updates to cascade to teams across the council   |
| Unions                    | Face to Face                                      | Monthly     | Engage with unions as business case is implemented  |

**External:**

| Stakeholder   | Channel  | Frequency                   | What   |
|---|--|-----------------------------|--|
| DfE and DfE Commissioner  | Highlight report for DfE                       | Weekly                      | Provide weekly updates on progress with ADM business case and improvements within ChS  |
| Partnership Reference Group and representative partner agencies | Partnership meetings                           | Monthly                     | Provide update for ADM programme progress at monthly PRG meetings  |
| Service users (foster carers, children, young people, families) | Cascade through principal social workers       | Monthly                     | Implications of implementation to be communicated with service users   |
| Children & Young People and Families                            | Website<br>CYPF forums<br>Social workers       | Ongoing                     | Provide update to date information and refreshed FAQ on website; Develop a pack of information for all staff who engage with CYP, so that all questions can be answered consistently; check how they would like to be informed; Youth Cabinet, Children in Care Council, CYPF engagement forums; facilitated workshop with CYPF including social workers and foster carers |
| Schools   | DCS's Update                                   | weekly                      | ADM updates and key messages included in DCS's weekly update to schools on the improvement plan  |
| Schools   | Black Bag and School Head Network              | Monthly                     | Key messages to be tailored for schools  |
| Strategic Partnerships  | Partnership meetings                           | Monthly                     | Provide tailored monthly updates to Strategic Partnerships as required   |
| Strategic Partnerships  | DCS's Update                                   | weekly                      | ADM updates and key messages included in DCS's weekly update to partners on the improvement plan   |
| VCS (Children's Services)                                       | Worcestershire Voices newsletter               | Monthly                     | Tailored key messages to be circulated through VCS network   |
| Regional Adoption Agency  | Email  | Monthly                     | Messages to be determined dependent on scope of ADM  |
| Media   | Media briefings, interviews and press releases | Ongoing                     | Provide information to press through proactive management of local media   |
| Districts   | Management Team Briefings & Leaders' Board     | As required                 | Provide key messages and to districts CEX, Leader and SLTs   |
| Residents   | Roadshows                                      | February 2018 & Summer 2018 | Raising awareness of our commitment to improve the lives of children and young people through Winter resident roadshows.   |
| Residents   | Website  | Ongoing                     | Regularly review content to provide residents with up to date information on ADM including frequently asked questions  |
| Residents   | Social media                                   | Ongoing                     | Through Facebook and Twitter issue key messages and programme updates in-line with website content   |

## 7.4 PROGRAMME REPORTING STRUCTURE AND GOVERNANCE

The proposed reporting structure and governance for the programme includes a number of governance and stakeholder groups which include the service staff, the Senior Leadership Team for Children, Families and Communities, the DfE Commissioner and DfE intervention unit, key partners, WCC Chief Executive and Chief Finance officer, Elected Members, and corporate representatives. This is depicted in the image below, subject to final changes once the proposed workstreams have been approved:



A description of each major governance group is found below:

### ADM Programme Board

The Programme Board will provide strategic leadership and management in the identification, development, appraisal and implementation of the ADM for the delivery of Children's Social Care in Worcestershire. It will be the key decision-making group within the governance structure of the Programme, outside of formal democratic decision-making, and will sign-off major deliverables.

The Programme Board will own the scope and direction of the ADM Programme, providing guidance and direction for the ADM Steering Group and ADM Programme Team, from whom it will receive progress reports. It will monitor progress against key milestones, risks and agree change requests.

The Programme Board will also ensure that interdependencies between other existing/planned change programmes and business as usual projects are aligned to the ADM programme, to ensure impacts and outcomes are fully understood and supported (e.g. improvement activity, Regional Adoption Agency). The Board will meet monthly with the following core members:

- DfE Commissioner and Chair of the Board
- Cabinet Member with Responsibility for Children and Families and Vice-Chair
- DfE Intervention Unit, responsible for programme assurance and DfE alignment

- Chief Executive, Senior Responsible Officer
- Cabinet Member with responsibility for Commissioning and Transformation.
- (Additional Cabinet Member to be confirmed)
- Chief Finance Officer
- Director of Children's, Families and Communities (DCS)
- Director of Commercial and Commissioning
- ADM Programme Director / Lead

Additional members may join during the early stages of implementation once resources are in place.

### **ADM Steering Group**

The ADM Steering Group will report to the ADM Programme Board. It will be responsible for the production and assurance of products, defined by the ADM Programme Board, to appropriate quality, standards and time. It will ensure that appropriate resource is provided to complete programme work-streams to appropriate quality and within timescales set, and monitor milestones and actions relating to the programme work-streams.

The Steering Group will accurately identify, communicate and plan mitigation for risks associated with the programme, so that they may be reported / raised to the Programme Board via the Programme Lead. It will also oversee and coordinate the communications and engagement strategy for the ADM programme and provide clarity on key messages for the workforce and wider stakeholders. The Steering Group will meet monthly with the following core members:

- ADM Programme Lead and Chair of the ADM Steering Group
- ADM Programme Manager (TBC)
- Assistant Director: Children's Social Care AD
- Assistant Director: Early Help and Commissioning AD
- Head of Human Resources
- Head of Finance (Children, Families and Communities)
- Head of Legal and Democratic Services
- Head of Commercial
- Head of Content and Communications
- Assistant Director: Adult's Social Care
- Assistant Director: Education & Skills

### **ADM Partnership Reference Group**

The ADM Partnership Reference Group will ensure that the ADM Programme gives sufficient opportunity for the impacted partnership stakeholders to influence the development and consideration of options for service change. It will facilitate awareness and understanding of the ADM Programme and encourage engagement from a wide range of key stakeholders. The Group will meet monthly and be chaired by WCC's Chief Executive. Key members will include schools, health, police, voluntary organisations and District Council representatives.

## **7.5 PROGRAMME MANAGEMENT AND WORKSTREAMS**

### **ADM Programme Management**

The Assistant Director: Families, Communities and Partnerships will continue as the ADM Programme Lead, managing the ADM Programme Team. There will also be approximately 7 dedicated ADM resources working across the Programme who will form the 'ADM Programme Team'. This excludes dedicated workstream resources.

### ADM Programme Workstreams

The ADM Programme will be made up of 10 proposed workstreams. The proposed implementation plan demonstrates the achievement of core activities, some of which may be split across workstreams, therefore it is not split out into the proposed workstream structure. However, a description of the 10 anticipated workstreams and their activities is detailed in the table below:

| Workstream                                | Responsibilities  |
|---|---|
| <b>WS1: Organisational Design</b>         | Service redesign and target operating model; operational model for residual services; business plan development   |
| <b>WS2: Commissioning</b>                 | Contract between the Company and the Council; intelligent client function; procurement of services by the Company; Council objectives and standards   |
| <b>WS3: Contracts</b>                     | Identification of all contracts to be novated, part novated to the Trust, contracts to be terminated or amended; legal work to novate amend or terminate; assess and address any procurement related issues   |
| <b>WS4: Finance</b>                       | Identification and disaggregation of budgets; identification and disaggregation of capital and revenue budgets; VAT implications; finalise set up costs and additional costs; set up of Finance systems and processes; set up of Company treasury management, banking and insurance   |
| <b>WS5: HR &amp; Staff Transfer</b>       | Identification of all staff to be transferred to the Trust; all TUPE issues and consultation; pensions advisory service and implications for transfer; pension deficit arrangements; payroll arrangements for Company; HR records for the Company/transfer; recruitment to Board posts and SMT  |
| <b>WS6: Communications and Engagement</b> | Communications strategy for Council and Company and day to day communications management during the Programme   |
| <b>WS7: Property and Assets</b>           | 'Lease' arrangements if necessary for council buildings being provided for the use of the Company or procurement of new building; provision of Facilities Management service; oversee refurbishment of buildings to be used by Company; disaggregation of building and capital assets; transfer or lease arrangements of equipment, vehicles and assets.                                  |
| <b>WS8: Data Assurance and ICT</b>        | Set up arrangements for Company to use ICT and telephony systems; set up new systems where necessary for the Company; arrangements relating to data and ICT; data audit; data input, quality, sharing and security compliance; lead data security and responsibility for SIRO; disaggregation of ICT Services including consideration of hosting arrangements with third party suppliers. |
| <b>WS9: ADM Support Services</b>          | Identify all corporate support services which could be provided to the Trust, and arrangements for transfer, recruitment or SLAs, e.g.- · Finance and Procurement · HR and Payroll and Comms · Legal · IT/Telecoms and customer services · Property and asset mgmt., cleaning, repairs etc · Vehicles · Other support services.   |
| <b>WS10: Company set up</b>               | Board design; Board recruitment; management and induction of board; companies house registration; OFSTED registration; Company governance; policies & procedures; company branding  |

The project and its workstreams will be managed in accordance with PRINCE 2 methodology.

## 7.6 IMPLEMENTATION RESOURCE REQUIREMENTS

### Internal resources

Internal WCC resources specifically dedicated to the ADM Programme Team are as follows:

- The ADM Programme Director
- 1 x Senior Project Manager
- 1 x Project Management Officer
- 1 x Admin/Business Support Officer

The majority of workstream leads will be existing WCC staff who will take on the workstream lead role alongside their existing job. Further internal WCC resources have been requested or allocated against specific workstreams (which have yet to be finalised), including:

- Communications workstream lead and resources
- Commissioning workstream lead / client function resources
- Finance workstream lead and resources
- HR resources

### External resources

- **Legal:** £30k has already been requested. Future costs include a further £160k for WCC legal support, and £250k for Company-side legal support.
- **Tax:** A full VAT assessment will be required during implementation, cost to be confirmed.
- **Pensions:** £11k for a pensions coordinator and one Mercers report has already been requested. A further £7.5k has been budgeted for a further actuarial report from Mercers, as two may be required.
- **Project management & ADM advice:** £400k has been budgeted for specialist project management and ADM advice.
- **Commercial advice:** £100k has been budgeted for commercial advice to support the novation of 3<sup>rd</sup> party contracts.
- **Branding:** £30k has been budgeted for external branding materials and logo design.
- **Recruitment:** £150k has been budgeted for an external recruitment agency to recruit Board members and senior management.

It is anticipated that if the above resources, both internal and external, are provided for the ADM Programme, that the Programme will be set up to succeed within the timescales.

## 7.7 ARRANGEMENTS FOR RISK MANAGEMENT

A comprehensive risk register and issue log are already in place and will continue to be used during the implementation stage. These capture the risks across each of the work streams, categorise each risk using a standard approach based on likelihood and impact and describe the mitigation activities.

All programme risks are subject to regular review and monitoring. Any deviations in progress will be monitored by the ADM Programme Board and escalated to the ADM Steering Group as required.

A copy of the detailed ADM programme risk register is attached at Background Paper 9.7. This sets out who is responsible for the management of risks and the required counter measures.

## **7.8 ARRANGEMENTS FOR POST-PROJECT EVALUATION**

The arrangements for post implementation review (PIR) have been established in accordance with best practice and are as follows:

This review ascertains whether the anticipated benefits have been delivered. The review is timed to take place during April-June 2019, following go-live. This will be comprised of:

- Lessons learned workshop with workstreams and project management
- Benefits analysis and learning
- 360 review interviews with Council, Trust, DfE, DfE Commissioner and project management
- Analysis of workshop output and production of a summary report

## **7.9 MANAGEMENT CASE CONCLUSIONS**

- The Management case provides a robust understanding of the critical activities and risks associated with the implementation phase. It has considered the timescales for delivery of other similar children's services' company implementation and mapped this against WCC capabilities and resources.
- It provides a description of a robust governance structure and process which is already in place and working well. It is anticipated that this will continue throughout implementation.
- It provides a considered resource profile required for implementation

Consequently, the ADM Programme, subject to funding has demonstrated it is able to aptly resource and plan the implementation phase to time and budget (subject to final funding agreements with the DfE). It is recognised that the plan will be iterative and dependencies must be revisited regularly, to understand the impact on the critical path timescales.

If the implementation goes ahead during April 2018, further work is required to develop project documentation and plans, including:

- Detailed overall programme plan and workstream plans
- Detailed risk register and dependencies register
- Updated PID
- Regular workstream lead meetings and communications planned and diarised
- Confirmation of funding from WCC and the DfE



## **8. BUSINESS CASE SIGN-OFF AND APPROVAL**

### **SIGN-OFF OF FULL BUSINESS CASE**

Signed: 

**Date: 20 March 2018**

**Senior Responsible Owner**

## 9. Background Papers

### 9.1 ADM service detailed success measures



9.1 ADM activity  
impact measures V2.c

### 9.2 Pensions advice



9.2 Summary Table -  
Admission Body statu

### 9.3 Support Services High-Level Options Paper

Commercially sensitive – not publically available

### 9.4 VAT advice

Commercially sensitive – not publically available

### 9.5 ADM Contracts Novation Register

Commercially sensitive – not publically available

### 9.6 ADM Financial Model

Commercially sensitive – not publically available

### 9.7 ADM Risk Register



9.7 ADM Risk  
Register V7.xlsx