

CABINET
5 SEPTEMBER 2019**DEVELOPMENT OF WORCESTERSHIRE CHILDREN FIRST**

Relevant Cabinet Members

Mr A C Roberts

Mr M J Hart

Relevant Officer

Chief Executive

Recommendation

1. **The Cabinet Member with Responsibility for Children and Families recommends that Cabinet:**
 - (a) **notes the progress made in developing Worcestershire Children First, and workstream update;**
 - (b) **approves the Company Board appointments and location of Worcestershire Children First;**
 - (c) **approves Worcestershire Children First's Interim Business Plan;**
 - (d) **authorises the Chief Executive, in consultation with the Department for Education appointed Children's Commissioner, Leader of the Council, Cabinet Member with Responsibility for Education and Skills and Cabinet Member with Responsibility for Children and Families, to take all appropriate steps on behalf of the Council in relation to the development of Worcestershire Children First and the commencement of its operation, including agreeing the Service Delivery Contract, Articles of Association Service Support Agreement, and Governance Side Agreement; and**
 - (e) **approves the proposed contract sum for 2019/20 to Worcestershire Children First as set out in paragraph 28 and authorises the Chief Finance Officer to make the budget transfer to Worcestershire Children First accordingly, and notes the indicative contract sum for 2020/21 and 2021/22.**

Background

2. In March 2018, Cabinet agreed to the development of a Wholly-Owned Council Company as the chosen model to deliver and improve children's social care on behalf of Worcestershire County Council (the Council). This decision was in direct response to the statutory direction published on the 19 September 2017, with the Council agreeing to work in partnership with the Department for Education (DfE) on developing a Wholly Owned Council Company. The aim being at the point of transferring services into the Company, Services would be performing well, and the Company will have a positive

platform in which to sustain the progress and continue to improve outcomes for children and young people. This decision was informed by a full business case which followed the 'Five Case Model' contained within HM Treasury's guidance.

3. From April 2018, the programme entered the implementation phase and a detailed programme plan was developed. Decisions since then include Cabinet agreeing the name and legal form of the Company in July 2018 (the Company has been registered as Worcestershire Children First and as a company limited by guarantee); the set of Reserved Matters within the Article of Association in November 2018 along with the Parliamentary Under-Secretary of State for Children and Families agreeing to extend the implementation programme and move the formal launch of Worcestershire Children First (WCF) to 1 October 2019.

4. As part of the implementation phase, thorough consideration was given to what is best for children and young people, with this work being carried out in context of the wider improvement agenda (e.g. special educational needs and/or disability (SEND) inspection and improvement plan) for Children's Services, the change in senior management structure of the Council and the current financial context of the Council.

5. This led to Cabinet, in March 2019, agreeing formally to voluntarily broaden the scope of services transferred to WCF to include wider aspects of Children's Services (e.g. education and early help services as well as social care). At this meeting, a refreshed Full Business Case was approved along with proposals to not extend the contract with Babcock Prime beyond October 2020 and transfer education services into WCF at the earliest opportunity.

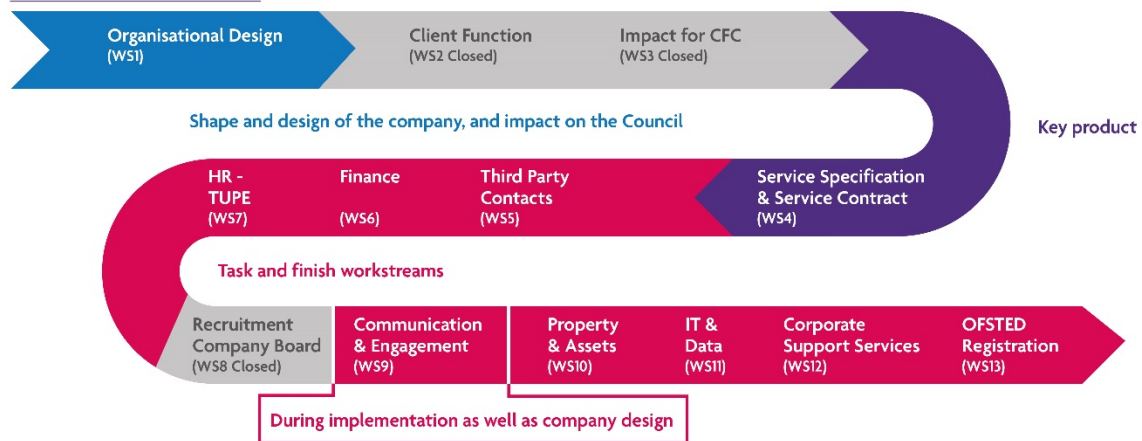
6. In June 2019, the Council's Children's Services were inspected by Ofsted. The judgement was published on the 29 July 2019 and were judged to be 'Requires Improvement to be Good'. Ofsted recognised that progress had been made in many areas of children's services in Worcestershire since the last inspection, when the local authority was judged to be inadequate in 2016. They stated that effective work by senior management and staff, together with commitment and investment by political leaders, has led to improved responses to the needs of children and families. As a result, outcomes for many children and their families are better, and there is evidence of a sustained trajectory of improvement.

7. This rate of improvement is a significant achievement for the Council and is testimony of the hard work and tenacity of the leadership team, managers and frontline staff, as well as the wider council and safeguarding partners. This now provides Worcestershire Children First with a positive platform to both sustain the progress and continue to deliver high quality services for children and young people in Worcestershire.

Programme update

8. Following confirmation of the increase to the scope of services that will transfer to WCF, work has been ongoing to ensure WCF is ready for go live from October 2019. The programme consists of 13 workstreams, of which 10 are still live. The diagram below lists the workstreams and key highlights of activity are outlined in the following paragraphs.

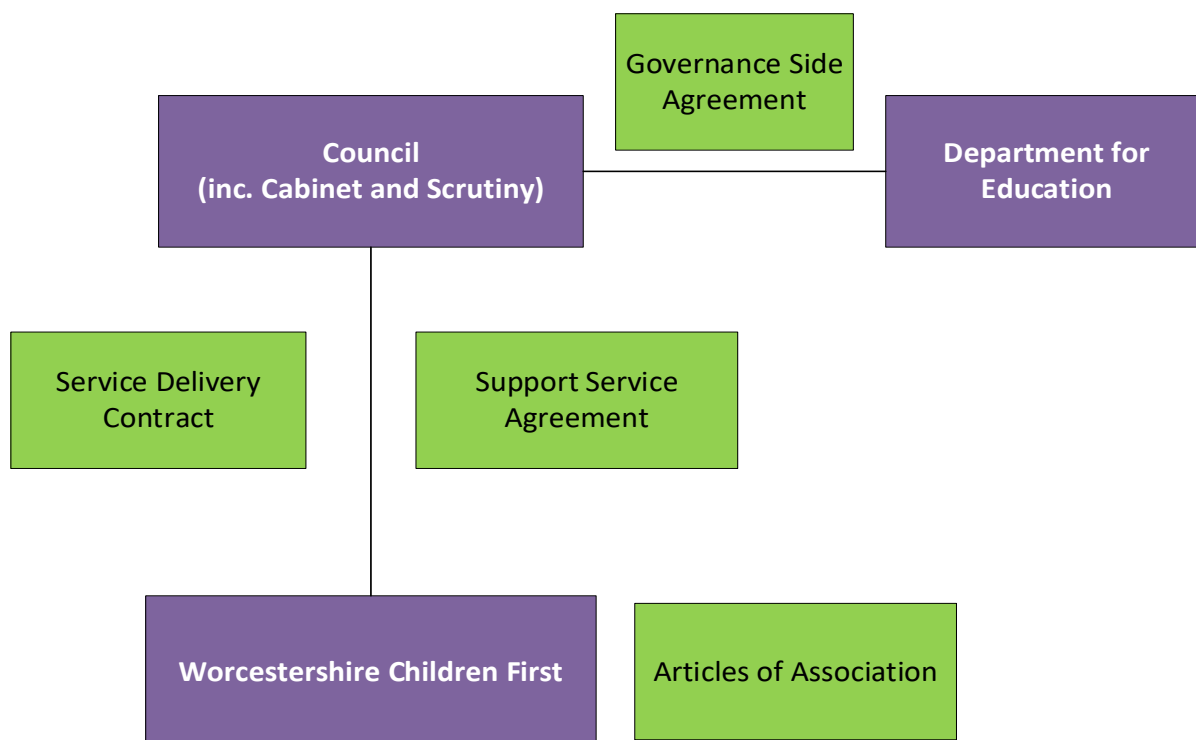
Workstreams



9. Activity within workstream 1 has focused on developing WCF's Interim Business Plan. This is a key document for WCF as it articulates its priorities and how it intends to improve outcomes for Worcestershire's children and young people and meet the Council's contractual expectations. Developing the Business Plan is a requirement the Council has set of the WCF within the Articles of Association. The Articles of Association outline what WCF are expected to include within the Plan and state that for the first Financial Year (the **Interim Business Plan**) shall be adopted by the Board on or around 1 October 2019 and continue until 31 March 2020 when it shall be replaced by the Business Plan for the subsequent Financial Year.

10. Whilst the Plan will be owned on a day to day basis by WCF, it will be approved by Cabinet on an annual basis in line with the agreed Reserved Matters. Other decisions relating to these Reserved Matters will be brought to Cabinet as and when appropriate. See paragraphs 23-37 for further detail on the Interim Business Plan and recommendations for approval.

11. Workstream 4 and workstream 12 focus on developing the contractual relationship between the Council and WCF. There are three contractual arrangements being developed which are depicted in the diagram below. Workstream 4 focuses on the service delivery contract (including the Articles of Association) and workstream 12 focuses on the support service arrangements provided by the Council to WCF.



12. The Service Delivery Contract is made up of a core terms document and 18 supporting schedules. Four of these schedules are considered the 'key pillars' of the contract. These are:-

- Service specification (schedule 2) – this confirms what the Council is expecting WCF to deliver on its behalf. It will outline the statutory functions and a brief 'outcome-focused' description of each service area. It doesn't describe how these services will be delivered as this will be decided by WCF as part of its operational independence from the Council
- Financial mechanism (schedule 5) – this describes how the Council will fund WCF including the approach to the jointly agreed financial management arrangements which includes the initial contract sum, invoicing, payments and financial reporting, VAT, management of any in year changes and the contract sum negotiation process to ensure alignment with the Council's Medium Term Financial Plan process
- Performance Framework (schedule 6) – this describes how the Council will be holding WCF to account for the services it is delegating to it. It includes as set of obligations on the Company which include the production of a Business Plan and the maintenance of several key performance indicators within an agreed tolerance level. The Performance Framework also describes the performance rectification process and confirms the expectations around contract monitoring
- Governance Schedule (schedule 18) – this describes the expectations of WCF in participating in the Council's democratic structure along with participating in the range of partnership meetings such as the Children's Strategic Partnership meeting. It also describes the contract monitoring meeting cycle in more detail. The contract monitoring will cover both the service delivery contract and the support service agreements.

13. The Service Delivery Contract also defines a range of activities provided by the Council (including the Support Services), that WCF is dependent on to deliver the services successfully. These are known as the Council Dependencies and they are listed within Schedule 4.

14. The Support Service Agreement consists of set of overarching core terms and 14 individual support service specifications ranging from HR, Property & Facilities Management, Finance and Project Management. These individual specifications describe the services to be provided by the Council to WCF along with the relevant financial information (e.g. the cost of the support services) and the relevant performance information.

15. The Governance Side Agreement is between the Council and the Department for Education and builds on the agreed Memorandum of Understanding and Statutory Direction. It is in place only whilst the Council remains under Direction.

16. Discussions relating to the detailed content of the contractual documentation are ongoing, but on track to be agreed by October 2019. Cabinet, in March 2019, authorised the Chief Executive, in consultation with the Department for Education appointed Children's Commissioner, Leader of the Council, Cabinet Member with Responsibility for Education and Skills and Cabinet Member with Responsibility for Children and Families, to agree these final terms upon which services transfer to WCF. These terms also need to include the Governance Side Agreement and the Articles of Association.

17. As part of Workstream 7, consultation is taking place with staff who are in scope to TUPE transfer giving assurance that terms and conditions will not be negatively impacted because of the transfer. This engagement has included several well-attended briefing sessions, the offer of 1 to 1s and the distribution of formal 'measures' letters. Approximately 842 Full Time Equivalent staff will transfer into the Company at midnight on 1 October 2019, including qualifying employees working within a support service role as well.

18. Workstream 8 focused on the recruitment of the Company's board which is now complete. The following people have been appointed as Directors of WCF and Cabinet is asked to formally accept these appointments:

- Robin Morrison (Chairman) (DfE-appointed position)
- Catherine Driscoll (Chief Executive)
- Philip Rook (Director of Resources)
- Tina Russell (Director of Safeguarding and Social Care)
- Sarah Wilkins (Director of Education and Early Help)
- Cllr Karen May (Non-Executive Director)
- Cllr Marcus Hart (Non-Executive Director)
- Andrew Spice (Non-Executive Director)
- Sally Taylor (Non-Executive Director)
- Claire Burgess (Non-Executive Director)
- Gareth Moss (Non-Executive Director).

19. The WCF Board is now meeting in shadow form and approved the Interim Business Plan at their meeting on 20 August 2019. The WCF Board will be supported by two sub-boards: the Audit, Risk and Governance Board which will be chaired by Gareth Moss

and a Quality Assurance Board which will be chaired by Claire Burgess. The Quality Assurance Board will have a specific focus on the voice and experience of children and young people.

20. Since Cabinet in March 2019, County Hall has been confirmed as the location of the headquarters of WCF and work has commenced on refurbishing the relevant pavilions and scheduling the re-location of staff into the space. This, along with changes to emails and websites (covered in workstream 11), will be the biggest change experienced by staff because of the move into WCF. The website www.worcschildrenfirst.org.uk has been launched, as has the internal intranet site 'FirstSpace' which is already in use. All transferring staff will be issued within a new email name@worcschildrenfirst.org.uk and testing of these is on track for completion ahead of October 2019.

21. WCF will also operate, as the current service does, from several other offices and delivery points. Following legal advice, the Council is granting the WCF a Tenancy at Will to ensure the continuity of service from these buildings. These are currently being formalised ahead of October 2019.

22. The creation of WCF has also involved the direct registration of the fostering service, as Worcestershire Children First Fostering, and the change of registration of children's homes and short break units. Work with Ofsted is in progress to obtain these new registrations before the launch of Worcestershire Children First and the Council has fulfilled all the necessary expectations.

Worcestershire Children First - Interim Business Plan

23. As previously mentioned, the Council requires WCF to develop and publish a Business Plan. In the first Financial Year, it is expected that this will be an Interim Business Plan which shall be adopted in time for the launch of WCF and continue until 31 March 2020. This plan will be owned by WCF on a day to day basis and approved by Cabinet on an annual basis. The plan sets out WCF's vision and strategic goals for the next three-five years and outlines how they will deliver services for children, young people and families, on behalf of the Council, from 1 October 2019. It also describes WCF's staffing and governance structure as well as predictions and proposals in relation to finances. The full version of the Plan is available in the supporting information as an Appendix.

24. In response to the needs of the Council, WCF aims to improve outcomes for all children and young people (up to the age of 25) in Worcestershire, by addressing their needs holistically through excellent early help and prevention, education provision and social care. Its Vision, Mission, and Values define its reason for being. They are indicators of the direction of travel, to guide services and colleagues. This is particularly important for WCF as it represents positive change and new opportunities for colleagues and children, young people and families.

- **Vision:** Worcestershire to be a wonderful place for all children and young people to grow up
- **Mission:** Supporting children and young people to be happy, healthy and safe.
- **Values:** Children at our heart. Value family life. Good education for all. Protection from harm.

25. Taking into consideration the population and deprivation statistics of Worcestershire as well as the current service levels, the Plan provides details of WCF's strategic goals over the next five years. These goals are centred on four key areas of development

- Culture
- Organisation
- Users and Services
- Relationships.

26. Across these four areas, the Interim Business Plan outlines that, in the short term, WCF will focus on consolidating the significant progress in improvement that has already been achieved by continuing to build stable and productive teams, strengthening work with partners and establishing its brand. This will also include welcoming, through a TUPE transfer at the end of the current contract, colleagues from the current education provider – Babcock Prime - and embedding and maximising the new social care case management system to improve day to day practice. They will be also be testing the operational and contractual relationship with the Council to ensure both parties are working collectively together to improve outcomes for children and young people.

27. In the medium to longer term the Plan sets out that WCF will increase its efforts to co-produce with service users and have a relentless focus on delivering good quality, impactful, services. They intend to exploit opportunities that will help deliver its vision and mission and aim to work effectively and efficiently within an agreed financial envelope. WCF also aims to have national recognition for the quality of services it provides and the positive impact it makes to children and young people's lives.

28. Within the financial section of the Interim Business Plan the detail outlines the proposed contract sum which is shown as three separate elements. These elements and their proposed values for the contract period are shown below.

	2019/20 6 months	Indicative 2020/21 Full Year
	£000	£000
Current Service Budgets (Gross)	51,554	107,453
Additional Costs of Company	402	695
Support Services (Transfer/buy-back)	3,221	6,455
Total Gross Cost	55,177	114,603

29. The 2019/20, gross cost is in line with the budget set by Council in February 2019. The future year budget is indicative at this stage as the Council is currently reviewing its medium term financial plan and awaiting funding announcements. As such the £107.453m is reflective of the demand and cost pressures forecast at this stage. Further review of this and other elements will take place between now and January 2020 when the WCF Board and then Full Council will further consider this matter. As part of that exercise the Council will review Government announcements on external funding and the transfers necessary that will be reflected in the net budget of WCF.

30. The documentation requires that should any additional funding in-year be sought, it is to be requested by WCF (either Capital or Revenue) through the governance schedules. These provisions require WCF to complete a business case that will be discussed with the Council and considered in accordance with the Council's decision-making process. If agreed (as appropriate) this would be reflected through a change control process.

31. The Council is currently reviewing the current set-up costs of WCF and the ability to transfer these to WCF to hold against any potential future tax liabilities. As such this would be recognised as a technical loss on day one, but would be held against future Council reserves if no offset can be made. This will be noted in the first annual accounts for WCF.

32. WCF has already established sound financial controls, bank account, VAT registration and its PAYE reference. Internal Audit will be provided from the Council's internal function and reported to both WCF and Council's Audit Committees.

33. The delivery of services through WCF will necessitate the creation of additional management posts within WCF that could not be transferred from existing posts in the Council. In addition, there are some non-staffing cost increases to consider, specifically the ongoing legal and audit requirements of the Company.

34. The Support Services figure includes the costs of services, covered by Support Service Agreements (SSA), which has been agreed through dialogue meetings. The basis of charge is based on 2019/20 budget and appropriate relevant service metrics to establish the service price.

35. The assumption is the cost of the Babcock Prime contract is not currently included in the WCF budget at this point, but this will be built into the 3-year budget once there is greater clarity of services transferring to WCF and timescale.

36. Achieving these ambitious aims for WCF's long-term future will be dependent on several internal and external factors, meaning they will be subject to change as the needs of the Council changes and WCF matures. Therefore, in line with Council expectations, the Interim Business Plan and WCF's budget will be reviewed and refreshed on an annual basis alongside the Council's annual review of its own medium-term financial plan and budget setting process.

37. Given the early stages of WCF's developments and the time of approval being close to the publication of the recent ILACS inspection report, the content of this Interim Business Plan meets the requirements of the Council. However, it is expected within its next iteration that it will include the necessary response to recent Ofsted ILACS inspection, and a comprehensive cash-flow forecast and balance sheet. It is also expected that a more detailed procurement and commissioning plan will be available. The plan will be available in an easy read version. Nevertheless, it is recommended that Cabinet approve this Interim Business Plan as adopted by WCF's Board on 20 August 2019

Legal, Financial and HR Implications

38. The paragraphs above outline the legal/contractual arrangements that will be in place between the Council and WCF. The term of the contract is an initial five years with the option to extend by a further five years.

39. WCF's Interim Business Plan provides detail around the financial and staffing expectations. Approximately 842 staff will transfer from the Council to WCF at midnight on 1 October 2019 along with £55.177m for the remainder of 2019/20. This is in line with the Council approved budget set at Full Council in February 2019.

40. Budget monitoring and reporting will continue to be carried out and reported through quarterly overall Council budget forecasts to Cabinet. Any variations or change orders arising in a change to the contract value would be report or approved through that forum dependent on the scheme of delegation.

41. In development of the financial model and as part of the development of the 3-5-year business plan for WCF, a detailed review, analysis, challenge and scrutiny has been completed by finance staff and operational staff within the council. A review has also been undertaken by both the Chief Financial Officer and the Director of Resources (Designate) for WCF. Both parties have also sought an independent review and assurance of the budget development process from Mutual Ventures (MV) in a critical friend role. Mutual Ventures concluded that they are assured that the development of WCF's budget has followed a robust process and includes the scope of analysis and information necessary for WCF and the Council to reach agreement on an appropriate budget for WCF. However, they also concluded that it was not within the scope of MV's remit to validate or provide an independent review and endorsement of the sufficiency of the WCF budget calculated by WCF and the Council.

42. All future year figures at this stage are indicative and no decisions have been taken. The Interim Business Plan for WCF and its medium-term financial plan will be considered alongside the annual budget setting cycle and be presented to Full Council alongside the Council Tax precept decision in February 2020.

Equality and Diversity Implications, Privacy and Public Health Impact Assessments

43. The Council must, during planning, decision-making and implementation, exercise a proportionate level of due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not.

44. An Equality Relevance Screening has been carried out in respect of these recommendations. It identified that further equality impact analysis and public health impact assessments will be required in respect of staff, service users and the wider community during design and implementation of activity needed to give effect to the recommendations set out in this report.

45. The services and functions being transferred into WCF have the duty to improve outcomes for children and young people, and these outcomes directly or indirectly impact on their health. The Public Health Ring-fenced Grant is being used to support some of these services, specifically some Early Help services, in this context. A full Public Health Impact review will be carried out on services, including evaluation of impact and effectiveness.

Risk Implications

46. WCF's Interim Business Plan outlines, within its appendices, an overview of the significant risk that WCF will be managing on a day to day basis. These risks will also form part of the Council's high-level risk register as the Council remains accountable.

Supporting Information

- Appendix - WCF Interim Business Plan (electronic version only)

Contact Points

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Specific Contact Points for this report
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Background Papers

In the opinion of the proper officer (in this case the Chief Executive) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meetings of the Cabinet held on 29 March 2018, 12 July 2018, 15 November 2018 and 14 March 2019.