

# Achieving for Children

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## Expansion Test

## **Introduction**

Achieving for Children is a Community Interest Company (CIC) owned by the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames. The purpose of this document is to set out the framework for making decisions on expanding the company in line with the strategic intentions of the owners.

The document describes the owners' statement of strategic intent, the governance and decision making process and time frame that will be followed to ensure there is clear rationale for expanding the company, robust due diligence and transparency.

The framework is designed to ensure the owners of the company, members of the Board and prospective new members work in a partnership to ensure:

- Elected members are properly advised and informed
- Decisions are taken in the correct sequence to protect the integrity of the decisions and avoid challenge
- Commercial sensitivity is protected
- Other stakeholders are involved appropriately

## **Statement of Strategic Intent**

The Councils agreed a three year Business Plan for Achieving for Children which provides for three strategic priorities:

### **2015/16 Integration**

- Integrating services across Kingston and Richmond in order to establish an effective and efficient delivery model

### **2016/17 Consolidation**

- Consolidating services to ensure the delivery model is sustainable and continues to improve

### **2017/18 Diversification**

- Growing the business so that Achieving for Children is a recognised and trusted provider of educational support and children's services to schools, local authorities and other public sector bodies.

## **Strategic Principles**

The AfC Business development strategy sets out AfC's intentions for growth through the delivery of consultancy and trading of services, accessing alternate sources of funding and consideration of the admission of a new Member. Specifically, the strategy sets out that growing AfC through admission of a new member will allow for a number of benefits (strategic principles);

- protecting frontline services through economies of scale,
- enhancing services through sharing of resources and expertise,
- building capacity, increase purchasing power and expand trading potential; growth through admission of a new member will increase the Teckal limit for trading to 20% of the cumulative budgets of the Members.

The following principles underpin the delivery of the three core strategic priorities:

### Providing value for money

- Maximising the use of the available resources
- The company is financially viable and reports a balanced budget within year five of the business being established

### Increasing the resilience and quality of core services provided to the owning councils

- Maintaining a good standard of quality and outcomes for local residents
- Limiting the rate of expansion in order to protect against the impact of change

### Enhancing the reputation of AfC, Richmond and Kingston

- The strategic outcomes of the Councils
- The corporate reputation of the owners or the company

### Compliance with Teckal requirements under the Public Contract Regulations 2015

- Trading being no more than 20% of the company's income
- The owners demonstrating and maintaining sufficient control of the company

### Expansion Options

Following research and legal advice Councils will consider the following expansion options shall be considered by the Councils. This may be through proactive approach to other Local Authorities or on receipt of request to work with another Local Authority.

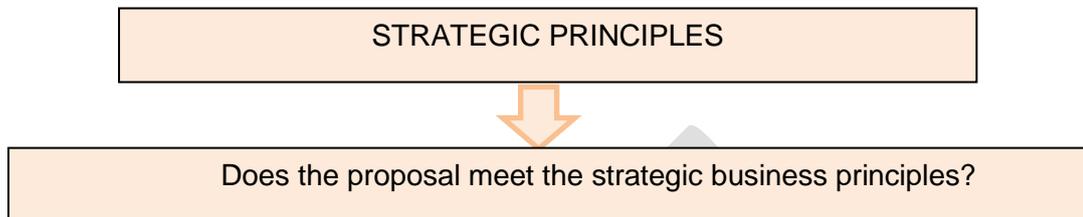
	Option	Risks/ Benefits
1.	<b>Do nothing</b>	<ul style="list-style-type: none"><li>• No changes to governance/ control of founding Councils</li><li>• Focus remains on K&amp;R services</li><li>• Financial liabilities of the company are not resolved/ worsen</li><li>• Trading and growth potential limited to Teckal limit</li></ul>
2.	<b>Consultancy Services</b> AfC are commissioned to provide management support to address business systems failures or quality issues.	<ul style="list-style-type: none"><li>• Time bound exercise.</li><li>• Capacity/skills provided from within existing AfC resources (potential loss of focus on K&amp;R)</li><li>• Income generation subject to a whole cost recovery model being applied. (potential loss leader)</li><li>• Building of reputation</li></ul>
3	<b>Commissioned Service Provider</b> AfC are commissioned to provide all or part of a Local Authorities Children's services portfolio	<ul style="list-style-type: none"><li>• Competitive tender exercise may apply</li><li>• Subject to Teckal regulations</li><li>• Increased staffing/pension liabilities as a result of TUPE</li><li>• Capacity/skills provided from within existing AfC resources (potential loss of focus on K&amp;R)</li><li>• Income generation subject to a whole cost recovery model being applied (potential loss leader)</li><li>• Building of reputation</li></ul>
4	<b>Establish a subsidiary company</b> The founding Councils set up a subsidiary company with another Local Authority. The founding company becomes the 'holding	<ul style="list-style-type: none"><li>• Set up costs incurred - who pays? Subsidiary partner?</li><li>• Increased liabilities for the company</li><li>• Potential loss of focus on K&amp;R</li><li>• Founding councils retain overall control of the company</li><li>• Financial risks/liabilities retained by each company</li></ul>

	company' and the subsidiary is a separate company that has representation on the board from the founding members (or Holding company)	<ul style="list-style-type: none"> <li>• Turnover bracket/Teckal limit increases</li> <li>• Potential for trading increases</li> <li>• No changes will be required to the existing Articles of Association for Kingston and Richmond</li> </ul>
5	<p><b>Establish a franchise</b></p> <p>The founding Councils 'sell' the AfC model to another Local Authority. The Local Authority's Children's Services adopt the AfC branding and business and operating models overseen by the AfC Board/exec team</p>	<ul style="list-style-type: none"> <li>• Founding councils charge a 'Start up' fee that offsets some or all of the existing debt within the company. This would impact of the Teckal limit as it would be viewed as income.</li> <li>• Founding councils take an annual % of turnover from the franchise.</li> <li>• Founding councils retain overall control of the company</li> <li>• Turnover bracket/Teckal limit affected.</li> <li>• Financial liabilities retained by each Local Authority but potentially increase for franchised Local Authority due to franchise fee</li> <li>• Building of reputation</li> </ul>
6	<p><b>Admit a new member</b></p> <p>The founding Councils admit another Local Authority as a member/owner of the company</p>	<ul style="list-style-type: none"> <li>• The control of the founding councils is diluted</li> <li>• The financial liabilities of the company are shared (risk and benefit)</li> <li>• Set up costs incurred by all members</li> <li>• Turnover bracket/Teckal limit increases</li> <li>• Potential for trading increases</li> <li>• Building of reputation</li> <li>• Economies of scale/greater purchasing power for the company</li> <li>• Articles of Association would need to change</li> <li>• The income share and Teckal limit is diluted across the members. This could be a disadvantage to the founding members</li> <li>• The decision making share and influence is diluted across the members. This could be a disadvantage to the founding members.</li> </ul>

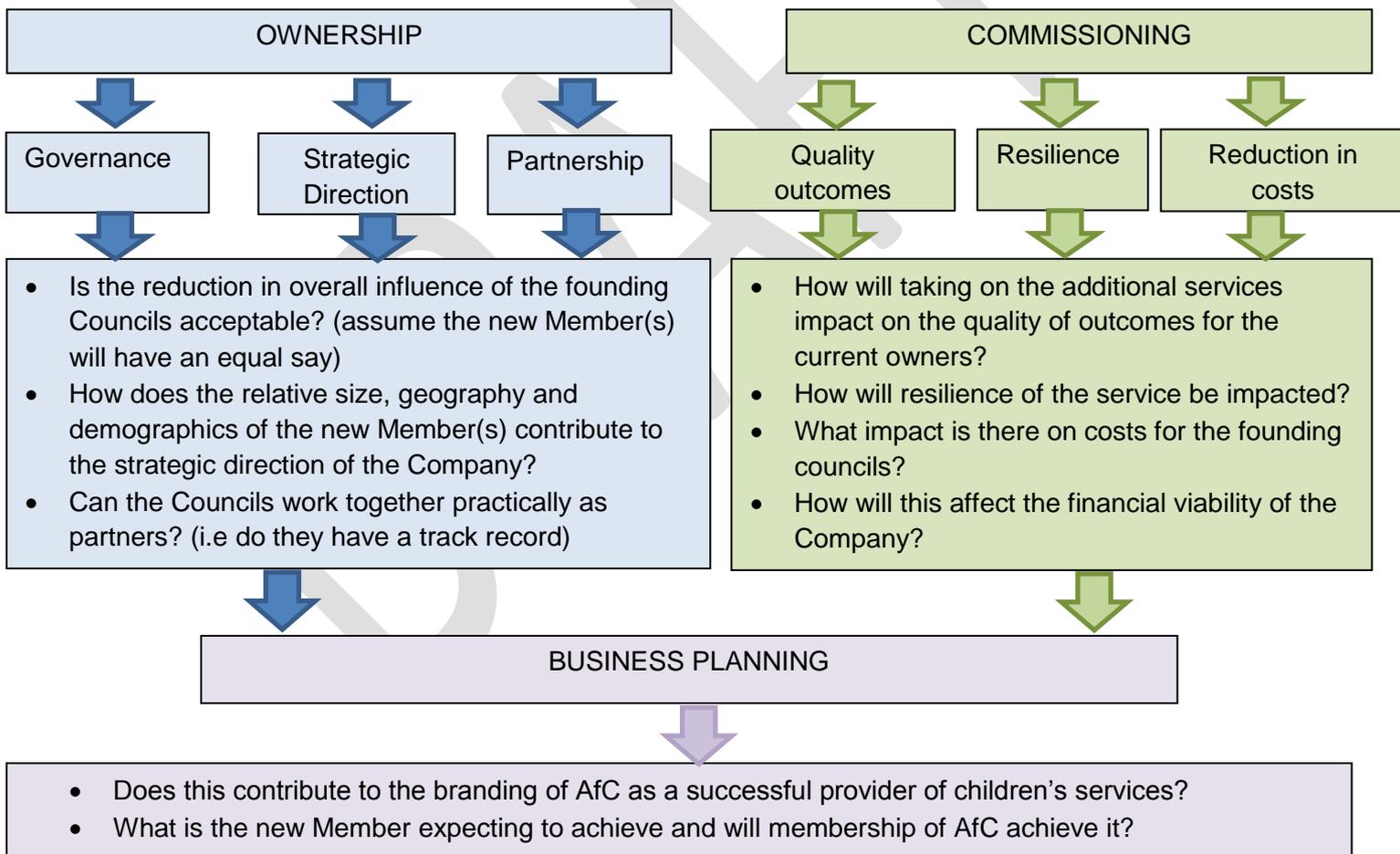
## Expansion Test

Proposals to grow the company by increasing the number of company members shall be subject to a three staged due diligence process undertaken by the company members and the company owners.

**Stage One :** Proposals to grow the company by increasing the number of company members shall demonstrate to the owners that the growth shall not be to the detriment of the core strategic business principles.



**Stage Two:** Proposals to grow the company by increasing the number of company members shall demonstrate to the owners the growth shall not be to the detriment of the corporate requirements of the Councils.



Stages one and two will be assessed using the scoring matrix in Appendix 1.

### Stage Three

The Councils and members of the AfC Board and prospective new members shall undertake a more detailed due diligence exercise to satisfy their own governance requirements.

Legal Test	<ul style="list-style-type: none"> <li>• Is the proposed option legal?</li> <li>• What legal power(s) will be relied on?</li> <li>• Are there any limitations within the existing contract restricting the option proposed?</li> <li>• Are there any anticipated legal restrictions?</li> </ul>
Strategic Test	<ul style="list-style-type: none"> <li>• What is the anticipated outcome?</li> <li>• Why is this priority for the Council?</li> <li>• Is there a political fit?</li> <li>• How will it contribute to the Council's corporate strategies and/or fit with other initiatives?</li> <li>• How will the proposal support the Council's medium term financial plan?</li> </ul>
Options Test	<ul style="list-style-type: none"> <li>• What are the options under consideration?</li> <li>• Why is the preferred option in the best interest of the Council?</li> </ul>
Governance Test	<ul style="list-style-type: none"> <li>• Are the timescales realistic and achievable?</li> <li>• Are there any real or potential conflicts of interest?</li> <li>• Are there any real or potential risks?</li> <li>• Are the roles/responsibilities and reporting arrangements clear?</li> <li>• Who is likely to be the lead authority and what is the rationale?</li> <li>• Is there capacity for AfC and the Council to draw away from 'business as usual'?</li> <li>• Will the ownership rights/responsibilities need to change?</li> <li>• What is the confirmed timescale?</li> <li>• Are roles, responsibilities, reporting lines agreed?</li> <li>• Can the real or potential risks be managed?</li> <li>• What circumstances will require the Council to directly intervene if the project is not on track?</li> <li>• Is there a clear programme management plan in place?</li> <li>• Is the appropriate capacity and expertise for AfC and the Council been identified to ensure 'business as usual' is maintained?</li> <li>• Has thought been given to required governance arrangements that meet the needs of all members?</li> </ul>
Financial Test	<ul style="list-style-type: none"> <li>• What are the expected financial outcomes/benefits?</li> <li>• What are the resources required to deliver the proposals including any future investment required?</li> <li>• Are there any tax and VAT implications and accounting treatment that will be needed?</li> <li>• What are the financial impacts on the Pension Funds of existing Members and new Members?</li> <li>• How will the set up costs of the founding members be treated – will there be a joining fee for new members?</li> <li>• What is the financial position of the proposed new member? What are the financial projections?</li> <li>• What are the anticipated efficiencies/benefits anticipated by the new proposed member? Are there any synergies for the council?</li> </ul>

	<ul style="list-style-type: none"> <li>• Is there any impact on the Finance support services provided to AfC?</li> <li>• Have the financial outcomes/benefits been quantified and are they proportionate?</li> <li>• Have the necessary resources been identified and the costs agreed?</li> <li>• What is the current cost of the operations/service area?</li> <li>• What is the service budget? What are the projections?</li> <li>• Are there any liabilities? (Are there any synergies/ mutual efficiencies?)</li> <li>• Is there any unusual income?</li> <li>• How will liabilities/financial risks be managed within the proposed new arrangement?</li> <li>• What costs will be generated by a new member joining?</li> <li>• How will the financial processing implications be managed?</li> <li>• What is the impact on the Finance support services provided to AfC?</li> </ul>
Operational Test	<ul style="list-style-type: none"> <li>• What services are currently provided by the proposed new member in scope?</li> <li>• Are there any similarities/differences?</li> <li>• What are the current Ofsted and/or other statutory inspection judgements of the services?</li> <li>• What is the current and projected demand for services of the proposed new member?</li> <li>• Are there any waiting lists/back logs in the system?</li> <li>• Are there currently any operational/risks to delivery? (waiting times/back log)</li> <li>• Is there any unusual activity?</li> <li>• What services will be delivered in the future?</li> <li>• What services will the member councils be expected to provide?</li> <li>• What are the similarities/differences between current state and future state?</li> <li>• How will any differences in the demand for services be managed?</li> <li>• Is there the capacity to meet the projected demand?</li> <li>• Is there capacity to maintain/improve standards and quality?</li> </ul>
ICT Test	<ul style="list-style-type: none"> <li>• Are there any early indications of ICT issues?</li> <li>• Will there be any required investment to resolve the issues?</li> <li>• Is there clarity about the ICT implications?</li> <li>• Who will be the lead authority and what is the rationale?</li> <li>• What are the 'knock-on' effects for the existing ICT infrastructures?</li> <li>• How will information processing implications be managed? (ownership/access/processing/information sharing?)</li> </ul>
Asset Test	<ul style="list-style-type: none"> <li>• Are there any indications of asset issues?</li> <li>• Is there an assumption that the selected option will reduce property costs for the council?</li> <li>• What are the property implications for the Council?</li> </ul>
HR Test	<ul style="list-style-type: none"> <li>• What is the current workforce volume in scope?</li> <li>• How similar/different is the workforce profile?</li> <li>• How similar/different are the staff benefits/Terms and Conditions?</li> <li>• Is there an early indication of cultural challenges?</li> <li>• Is there an early indication of any staffing efficiencies and what is the impact for the council?</li> <li>• Is there an early indication of the impact on the existing HR support services provided to AfC?</li> <li>• What workforce profile will be required? Are there any implications for the</li> </ul>

	<p>council?</p> <ul style="list-style-type: none"> <li>• How will any cultural differences be managed?</li> <li>• What are the implications for the existing HR support services provided to AfC?</li> </ul>
Customer Test	<ul style="list-style-type: none"> <li>• How satisfied are current service users?</li> <li>• Will stakeholder engagement be undertaken?</li> <li>• Are there any early indications of challenge from existing service users?</li> <li>• How will the proposal be communicated to existing and future service users?</li> <li>• Are there any political implications? How will these be managed?</li> </ul>
Equalities Test	<ul style="list-style-type: none"> <li>• Are the early indications of any equalities issues that will need to be addressed?</li> <li>• Are the equalities issues clear?</li> </ul>
Partnership Test	<ul style="list-style-type: none"> <li>• Are the potential new members aware of the council decision routes?</li> <li>• Is the council clear of the potential new member's decision routes?</li> <li>• Is the decision making route of all parties clear and understood?</li> <li>• Are there any political or cultural issues that will need to be managed?</li> </ul>
Risk and Reward Test	<ul style="list-style-type: none"> <li>• Do the likely rewards from the proposal outweigh the risks?</li> <li>• Does the proposal represent the best option for the council?</li> </ul>

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## Timeline for decision making

### Initiating Phase (1 month)

AfC Executive Team	Informal engagement with a proposed new member
AfC Board	Agree to make a proposal to the Council to grow the Company as Reserved Matter
Kingston and Richmond Joint Committee	To consider and agree to expand the company. <b>STAGE ONE EXPANSION TEST COMPLETED (Appendix 1)</b>
Proposed New Member	Members to agree the their strategic direction and future delivery model for services

### Scoping Phase (2 months)

AfC Board	Consider the scope, specification and requirements of the proposed new members services and options eg. trading opportunity/new member expansion
AfC Executive Team/ RBK/LBR Commissioners	Consider proposals against the Expansion Test and officers' recommendations. <b>STAGE TWO EXPANSION TEST COMPLETED (Appendix 1)</b>
Kingston and Richmond Joint Committee	To consider and agree the preferred model of expansion

### Due Diligence (3 months)

Proposed New Member	Makes a formal approach to the Council owners of the Company
AfC Executive Team/ RBK/LBR Commissioners/ Proposed New member	Consider proposals against the Expansion Test and officers' recommendations. <b>STAGE THREE EXPANSION TEST COMPLETED</b>
AfC Board	Recommendation to Councils
Kingston and Richmond Joint Committee/ Cabinet/ Full Council	Council decision to admit a new Member to Company
Council CEOs	Respond to proposal from interested new member.
Proposed New Member	Council decision to proceed

### Implementation (6 months)

RBK LBR AfC New member	Programme Board/Steering Group established Workstreams: Governance, HR, Finance, Procurement, Assets Communication
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Appendix A- Scoring Matrix

Criteria	0 Showstopper	1 Less positive	2	3	4	5 Very positive
<b>Providing value for money: Not financially detrimental. Increasing purchasing power/trading potential and reducing costs</b>						
<b>1. Is the service size equitable to LBR/RBK and is it stable?</b>		<£50m Less stable	51m-100m Less stable		<£50m Stable	£51-100m Stable
Score:						
<b>2. Likelihood of LBR/RBK making savings/ economies of scale?</b>	Will cost founding councils	No opportunities to save	Limited opportunities to save <£500k pa	Some opportunities to save /<£1million pa	Good opportunities to save £1-2million pa	Extensive opportunities to save />£2million p/a
Score: <b>WEIGHTED X2</b>						
<b>3. Request of savings to be made by proposing authority?</b>	Will cost proposing council	>10% of budget (inc DSG)	5.1-10% of budget (inc DSG)	3-5% of budget (inc DSG)	1-2.9% of budget (inc DSG)	Less pressure <1% of budget (inc DSG)
Score:						
<b>4. Opportunity for LBR and RBK to stabilise high costs budgets (access residential placements, SEN provision)?</b>		No opportunity to access residential and educational placements	Limited opportunity to access residential and educational placements.	Some opportunity to access residential and educational placements.	Good opportunity to access residential and educational placements.	Extensive opportunity to access residential placements and educational placements.
Score: <b>WEIGHTED X2</b>						
<b>5. Is the business case clear and beneficial to LBR and RBK?</b>	There are clear detrimental aspects to the business case	There are no benefits for LBR/RBK in the business case (or are unknown)	There are possible benefits for LBR/RBK in the business case (require further exploration)	There are few/limited benefits for LBR/RBK in the business case	There are some for LBR/RBK in the business case (or are unknown)	There are numerous benefits for LBR/RBK in the business case
Score:						
<b>Increasing the resilience and quality of core services provided to the owning councils: Quality outcomes, sharing resources expertise and protecting frontline services</b>						
<b>6. Potential to share staff/management?</b>		No opportunity to share management	Limited opportunity to share management	Opportunity to share management	Good opportunity to share staff	Extensive opportunity for shared staffing and management structures
Score:						
<b>7. Potential to reduce costs of support services?</b>		No opportunity to share support services	Limited opportunity reduce costs of support services	Opportunity to reduce costs of support services	Some opportunity to reduce costs of support services	Extensive opportunity to reduce costs of support services
Score: <b>WEIGHTED X2</b>						
<b>8. Ofsted inspection?</b>		Inadequate	Requires improvement		Good	Outstanding
Score:						
<b>9. Partner in practice/ complimentary expertise?</b>		Not a partner in practice/no complimentary expertise	Limited complimentary practice	Some /potential complimentary practice	Good complimentary practice	Partner in practice
Score:						
<b>10. Location (distance/travel time)</b>		100 + miles	50+ miles	20 – 50 miles	10-20 miles or 1 hour	Neighbouring borough
Score:						
<b>Enhancing the reputation of AfC, Richmond and Kingston</b>						
<b>11. Shared vision and values (e.g. political)</b>	Conflict		No similarities	Few similarities	Some similarities	Very similar, good relationship
Score:						
<b>12. History of innovation and opportunity</b>		No appetite for innovative practice/delivery		Potential opportunities for innovative practice/delivery	Some opportunities for innovative practice/delivery	Existing opportunities for innovative practice/delivery
Score:						
<b>13. History of joint working (with Kingston or Richmond)</b>		No joint working, no history of working together		Potential for shared joint delivery	Some shared joint delivery model/consortium	Existing shared staffing arrangement or joint delivery model
Score:						

Criteria	0 Showstopper	1 Less positive	2	3	4	5 Very positive
14. Delivery of shared services (with any other councils)		No joint working, no history of working together		Plans for shared joint delivery	Some shared joint delivery model/consortium	Existing shared staffing arrangement or joint delivery model
Score:						
Sub -totals:						
<b>Total:</b>		<p><i>0 in any category = no service offered</i>  <i>1-17 and 18-34 = Mostly scores of 1 and 2: Consultancy or trading (limited benefit for AfC and Councils)</i></p> <p><i>35-51 and 52-68= Mostly scores of 3 and 4: Consideration for partnership working through a variety range of delivery options due to the potential benefit for AfC and Councils</i></p> <p><i>69-85 = Mostly scores of 4 and 5. All options considered including membership preferred option due to extensive opportunity to benefit AfC and Councils.</i></p> <p><b>Has the opportunity been scored by a panel/individual?</b></p> <p><b>Other evaluation scores for comparison:</b></p>			<b>Recommendation:</b>	
Assessment completed by						

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## Version Control

EBP	26.04.2016	Addition of Appendix A scoring matrix	V3
KH	13.05.16	Format amends, addition of range descriptors	V4
KH	17.05.16	Additional text on strategic principles	V5
KH	25.05.16	Removal of option 7. Addition of AfC Board recommendation at stage 3	V6

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