

Reading Borough Council

Brighter Futures for Children Review Part 2 – Assessment of Options for Children’s Services

September 2024

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Executive summary

1 Introduction

CIPFA was commissioned to support Reading Borough Council in reviewing the operation of its Children's Services by Brighter Futures for Children (BFfC), a Council-owned company.

CIPFA was tasked with undertaking an Independent Assessment of BFfC (Phase 1) and an options appraisal for the delivery of Children's Services (Phase 2).

In this report for Phase 2, we set out:

- 1 Our review methodology, including highlights identified as part of the review.
- 2 An options appraisal for the delivery of Children's Services in Reading.
- 3 Recommendations for improvements that should be considered for each potential option.
- 4 Our overall recommendation for the future delivery model.

2 Brighter Futures for Children

BFfC was established after Secretary of State intervention, following an Ofsted inspection in 2016 which determined that Children's Services in Reading were "Inadequate" and failing under the Council's control.

BFfC was established in 2018, removing the service from under direct control of the Council with the intention of allowing greater autonomy and agility in the delivery of Children's Services. In 2019, an Ofsted inspection rated the service as "Requires improvement" but acknowledged the significant distance travelled in the delivery of Children's Services in Reading since 2016.

In March 2024, BFfC was again inspected by Ofsted and was rated as "Requires Improvement to be Good" with two "Good" sub-judgements in the inspection report issued in June 2024.

Since its inception, BFfC has overcome significant challenges, transforming its delivery, especially for early help, children in care and children with disabilities, and, over the last 4 years, has had to adapt to the rising demand, seen nationally within Children's Services.

The commitment of all those involved in BFfC to have achieved the improvements made in very difficult operating conditions must be recognised.

3 Review

The contract between BFfC and the Council, which is due to expire on 31 March 2026, requires that a review of the services being delivered is conducted. This report forms part of that review. The Council is obliged to notify the company 12 months before the end of the contract of its future intention for the operation of Children's Services.

It is noted that the current model of delivery via a Local Authority Trading Company (LATCo) or alternative mechanism such as a Children's Trust is not the norm, but there are examples of where this model has proven to be successful. On this basis, there could be a justification for continuing with the current model. However, this needs to be assessed against the other options that are available to the Council.

Our methodology involved extensive interviews with stakeholders and has been further informed by the evidence supplied for the first phase of contract review, documentation provided subsequent to phase 1, and the Ofsted inspection.

4 Delivery options

In considering the various delivery models for Children's Services, CIPFA identified the following four possible options:

OPTION 1: BfFC Delivery – Continue the Contract with Brighter Futures for Children on the same or a revised basis.

OPTION 2: In-house Delivery – Bring Children's Services back in-house so that it is delivered directly by the Council.

OPTION 3: Re-procurement – Re-tendering the contract so that it is delivered by a third party.

OPTION 4: Hybrid – Delivery by the Council and the Company / another third party so that Children's Services are partly in-house and partly outsourced.

Each option has been analysed to determine suitability and detailed analysis of each option is set out in the main body of the report.

All options will involve significant change and there will be both resource and cost implications for each option. A fully costed transition plan will need to be developed that includes staff, legal, and procurement costs. It is anticipated that the transition costs for each option would be similar and it is noted that the recommendation is not based upon cost but on outcomes for children.

5 Summary of each option

Option 1: BfFC Delivery

For Option 1 to be successful, the following considerations will be required:

- The required Council approvals to continue with the existing arrangement
- The contractual arrangements including Service Level Agreements (SLAs and Key Performance Indicators (KPIs)
- The extended contract term of e.g. 5 years, with review after 3 years (and option to extend)
- The Shareholder governance arrangements and oversight
- The client-side management arrangements to ensure appropriate engagement and improvement
- The board structure, its effectiveness and composition, including succession planning
- The service specification, including overarching ambitions and a structured plan to make service improvements and achieve an Ofsted rating showing evidence of sustained and impactful progress equating to a "Good" overall rating.
- The roles and responsibilities to ensure effective decision-making and governance
- The ability to optimise the investment already made to promote the branding of BfFC
- The option to call in or extend £5m loan to BfFC (as described in more detail on Page 12 of the report)

Option 2: In-house Delivery

For Option 2 to be successful, the following considerations will be required:

- The process to obtain required Council approvals and prepare for full contract exit, and communication plans
- The Council to confirm that Secretary of State approval is not required to bring services back in house
- Creating an independent improvement panel for a transitional period to embed and improve best practice
- The existing scheme of delegation to ensure it maximises agile decision making
- TUPE of staff
- The resolution of £5m loan to BFfC
- Project Management resource to oversee timely and successful transition
- Review of structure and budget allocation

Option 3: Re-procurement

For Option 3 to be successful, the following considerations will be required:

- The process to obtain required Council approvals and prepare for full contract exit, and communication plans
- The availability of external providers with suitable credibility to provide these services
- Significant cost of open tender procurement due to the value of the contract.
- The process to obtain required Council approvals and prepare for full contract exit, and communication plans
- Any implications resulting from the implementation of the new Public Procurement Act 2023
- The existing scheme of delegation to ensure it maximises agile decision making
- TUPE of staff
- The resolution of £5m loan to BFfC
- Project Management resource to oversee timely and successful transition
- Review of structure and budget allocation

Option 4: Hybrid

For Option 4 to be successful, the following considerations will be required:

- The process to obtain required Council approvals
- The rationale for why some services would be better delivered in house

- The contractual arrangements including Service Level Agreements (SLAs and Key Performance Indicators (KPIs)
- The benefit of separate management structures
- TUPE considerations and impact on staff that provide cross service functions
- Project Management resource to oversee timely and successful transition
- Review of structure and budget allocation

There is neither any current rationale nor appetite to pursue this option. There is no part of the service that would benefit from being split from the portfolio. It would be unadvisable to proceed with Option 4.

6 Recommendation

Reaching a recommendation has been challenging. There are valid reasons to consider both options 1 and 2. Whilst option 3 may bring benefits, it also brings an unknown element whereby risk cannot be determined. Option 4 presents the least likely option as our analysis did not indicate any element of the service that was failing to such an extent that it should be removed from the operation and treated separately.

Given our assessment, it is our opinion that option 2 offers the Council greater direct control over the service and the opportunity for closer relationships between Children's Services and other Council Directorates. BFfC has done a lot to improve Children's Services in Reading and this, coupled with the Council's increased maturity, means that Reading is in a good position to take Children's Services back in-house. While there is merit in considering continuing the operation of BFfC, for the reasons we have set out in this report, our view is that option 2 would be a better long-term option for the Council.

One significant factor that we have considered in making this recommendation is that, in its 6 years of operation, BFfC has yet to achieve the overarching ambition set the company, i.e., an Ofsted rating of "Good". We recognise that there have been factors beyond BFfC's control that have contributed to this, and we acknowledge the significant work that has been done by BFfC to improve Children's Services. However, when considered in the context of governance duplication, issues with contract management, and the fact that the company model is no longer mandated by Government (and represents an unusual arrangement nationally), we feel that the Council is now best placed to take Children's Services forward.

We consider that bringing the service in-house, with the support of a (time-bound) independent improvement panel, would enable the Council to deliver the service improvements still required and provide greater opportunity to deliver efficiencies across the Council. Whilst recognising that structural change on its own does not result in improvements to service delivery, it is our opinion that, as the Council holds the statutory responsibility for Children's Services, it is best placed to transform the leadership, vision, culture, scrutiny and accountability of the service to achieve an Ofsted rating showing evidence of sustained and impactful progress equating to a "Good" overall rating, whilst better integrating and aligning with other Council services through in-house delivery.

Report

1 Introduction

As Phase 2 of the Council's review of the provision of Children's Services by BFfC, CIPFA was asked to assess the performance of the contract to date, and to consider options for the future of Children's Services provision in Reading. This report sets out our findings and a recommended preferred option for service delivery.

The options we have considered for service delivery are:

1. **OPTION 1: BFfC delivery** – Continue the Contract with Brighter Futures for Children on the same or a revised basis.
2. **OPTION 2: In-house delivery** – Bring Children's Services back in-house so that it is delivered directly by the Council.
3. **OPTION 3: Re-procurement** – Re-tendering the contract so that it is delivered by a third party.
4. **OPTION 4: Hybrid** – Delivery by the Council and the Company / another third party so that Children's Services are partly in-house and partly outsourced.

Based on our review, our recommendation is that option 2 – in-house delivery – is taken forward. We have set out in this report an analysis of each option, and an options appraisal table summarising the key benefits and risks of each option.

2 Review of Current Arrangements

Brighter Futures for Children – Distance Travelled

Significant progress has been made in the quality of delivery of Children's Services since the Company was established. The trajectory of Reading Children's Services since DfE intervention is set out below:

August 2016 – Reading Children's Services rated "Inadequate" across all services.

December 2018 – BFfC established following Statutory Direction from DfE

September 2019 – Children's Services rated "Requires improvement to be good"; Ofsted noted significant progress since 2016

August 2021 – Local Area SEND inspection (ungraded) identified no priority areas for action and Reading was in the top 50% of authorities inspected

February 2023 – Adoption services rated overall "Good" with leadership rated "Outstanding"

2019-2024 –

- *Regular inspections of Residential Homes give ratings of "Good" or "Outstanding"*
- *Independent Fostering Agency rated "Good" following inspections*
- *Maintained school inspections 90% "Good" or "Outstanding"*
- *Early Years inspections 90% "Good" or "Outstanding"*

May 2024 – Ofsted inspection overall "Requires improvement to be good" with experience and progress for children in care rated "Good" and experience and progress for care leavers rated "Good".

While the Company has not achieved an overall "Good" Ofsted rating, we recognise that improvements have been made and that there are services that are being delivered at

this level. We also acknowledge that Company leadership is committed to delivering the best possible outcomes for children in Reading.

Culture and Ways of Working

There is generally a positive working culture at BfFC and between the Council and the Company. This has been strengthened by the appointment of the Director of Children's Services (DCS) who has been in post for over 18 months and brought a level of stability to the organisation that had been lacking. There are challenges within BfFC, as with any organisation, but we recognise the work that is being done on transformation and communication to improve ways of working.

We note the strong relationships between the Chief Executive, the Chair of the Board and the DCS, and the active engagement of relevant Portfolio Holders and the Leader of the Council. There is regular engagement between them and a culture of mutual trust and respect. This has led to positive developments in the delivery of Children's Services.

Outcomes For Children

As a result of the progress BfFC has made, there have been notable improvements in outcomes for children. The May 2024 Ofsted report found that "Senior leaders have a shared understanding of the priorities and improvements needed, and significant progress has been made in some areas since the last inspection, such as for early help, disabled children, children in care and care leavers. Leaders have also been successful in recruitment and in stabilising the workforce."

However, the Ofsted report also noted that: "Children and families living in Reading are not receiving consistently good services". There are situations where risks in relation to some children are not being identified "quickly enough" and BfFC's systems are not sufficiently robust to ensure that high quality records are maintained. These issues resulted in the Company being rated "Requires improvement to be good" in relation to:

- The impact of leaders on social work practice with children and families.
- The experiences and progress of children who need help and protection; and
- Overall effectiveness.

While progress has been made, there are still issues in BfFC's service delivery that have not progressed improving outcomes for children.

Contractual arrangements

Part of the review brief was to consider the current operation of the contract, including:

- Support Service SLAs;
- Performance Framework;
- Governance; and
- Performance Review.

In Phase 1 of our review, we raised a number of areas for improvement in relation to the matters listed above, and we have discussed these with the Council and BfFC. Our detailed findings in relation to these matters are set out in Appendix A.

3 Review of Alternative Delivery Models

The next section of this report considers the 4 options identified and sets out our analysis of each option.

4 Option 1 – BFfC Delivery

Option 1 would involve an extension of the existing contract with BFfC. Under the contract, notice of this extension must be given by 31 March 2025. In our view, this option is viable but would not be the preferred option.

Considerable time and effort will be required to extend the contract, which we anticipate will be similar to that required to transfer the services back into the Council. While we recognise that the BFfC Board provides a level of assurance to the Council, we feel that a similar level of assurance could be provided by an independent Improvement Panel if the services are brought back in-house.

We have also reflected that despite the progress made in some areas, the objectives the Council set when the Company was established have not been achieved. These objectives were to improve Children’s Services such that:

- Services improve quickly, children are safe, the overall cost of the services is reduced and there is investment in prevention services;
- An Ofsted rating of “Good” is achieved by 31 October 2021 (or the first Ofsted inspection following that date); and
- The Company becomes, over the contract term, nationally regarded in the sector as a leading Children’s Social Care Services operation which has innovated, has led practice development and has achieved the best outcomes for children.

While we acknowledge that there are reasons beyond the Company’s control that these objectives have not been achieved (not least the COVID-19 pandemic, and a number of changes in senior leadership over the contract term), the fact that the Company has not achieved “Good” or has continued its journey of innovating the service since 2019 suggests there is no overwhelming reason for the Company to continue.

It should be noted that wherever the services sit, the Council holds the statutory responsibility for the provision of Children’s Social Care in Reading. The assurance provided by the Board is helpful to the Council, but it cannot substitute for good governance and scrutiny within the Council. The Company structure also arguably adds a layer of complexity to the relationship between the Council and the DCS and duplicates time and effort for the Company’s Senior Leadership Team.

In order for this option to be successful, there are several factors to consider, which we have outlined below.

Cost Implications

The financial position of all the options will be sensitive to service demand pressures and potential future risks linked to provision of Children’s Services. These will need to be ascertained as part of the ongoing work in preparing the MTFs, taking into account the latest financial position, ongoing economic fluctuations, and the costs to achieve an of inspection outcome showing evidence of sustained and impactful progress equating to a “Good” rating from Ofsted. This is outside the scope of our analysis but would need to be factored in as the business cases evolves.

General risks aside, option 1 would broadly operate on a similar basis to the current contract and, one would expect the financials to be similar in scale and nature to those of the current BFfC model.

Should BFfC continue providing services under a renewed contract, there will be some additional Council costs in delivering more robust contract management support.

A full review of functions will be needed to ascertain what structures would be required.

Performance Management

As outlined above, there is work to be done to update the contractual SLAs and KPIs to ensure that they are fit for purpose. We understand that an exercise is underway to update these for the remainder of the contract, applying the lessons learned from the Part 1 review. Ongoing review of the SLAs and KPIs will need to be built into any contract extension to ensure that they remain appropriate for the life of the contract.

The key performance metric for any extended contract will be for BFfC to achieve an Ofsted rating showing evidence of sustained and impactful progress equating to a “Good” overall rating at its next inspection. The Council will also need to consider what other performance metrics it wishes to assess the Company’s performance against. The stated goals of the current contract were ambitious, and it may be that the Council wishes to set more realistic, or specifically tailored to the local environment targets within the contract extension. Any ambitions against which the Company is to be assessed must be measurable to ensure that the Council is able to determine whether they have been met in the required way.

Ongoing Review

We would recommend that any contract extension is for a period of 5 years. This should allow for another Ofsted inspection, at which point the Council will be able to assess whether BFfC has achieved an Ofsted rating showing evidence of sustained and impactful progress equating to a “Good” overall rating. We would also recommend periodic review of the contract and BFfC’s performance to ensure that it is on target to achieve its objectives. This could include, for example, consideration of peer review reports to track the Company’s progress towards achieving an inspection outcome showing evidence of sustained and impactful progress equating to a “Good” rating from Ofsted. We would also recommend a formal review process similar to Phase 1.

The risk with extending the contract in this way is that it delays the timeline for bringing Children’s Services back into the Council for a further 5 years, (if a decision is made at the end of the extension to do so, rather than extending for a further period) should that be an aspiration. There will also be ongoing contract review requirements, and the need to undertake a formal review process mid-way through the term. It should be noted that the Part 1 review was very time consuming for the Council and the Company.

Company Governance

As outlined above, there will also need to be improvements in the governance arrangements for the Company if the contract is extended. The Council will need to consider the role of the Contract Management Group (CMG), the level of oversight it has as Shareholder, and the scrutiny arrangements for Children’s Services to ensure they are fit for purpose. This will involve a review of CMG’s Terms of Reference, a review of the Shareholder Agreement, and training and development for relevant members to ensure

they understand the risks and issues involved with Children's Services and can provide appropriate challenge to the DCS and the Board.

Client-side management will also need to be developed, including appointing a Contract Manager to manage the relationship with BFfC, ensuring there are proper processes in place to manage SLAs, and appropriate performance management and monitoring of KPIs.

The Board's role and structure should also be reviewed. We understand that there is currently no succession plan for Board members. There also needs to be a review of the Board's role and responsibilities. The Board provides a double layer of governance, which is similar to the scrutiny we would expect from members. A reset of roles and responsibilities that complement each other would provide clarity around this and ensure that decision-making and governance are more streamlined.

Company Loan

Consideration would also need to be given to the treatment of the £5m loan made to the Company when it was established. We understand that this is used for working capital, and that Reading are of the view that it is appropriate to leave this within the Company.

The RBC Director of Finance will need to consider the timing of the repayment of the £5m working capital loan made to the Company when it was established. This will be done following a detailed cashflow forecast that will be undertaken by the RBC finance team with a recommendation made to the BFfC Board. As the interest is being repaid, there is no immediate benefit to either party to bring forward the repayment of the loan, but this should be kept under review.

Further advice should be sought around the financial impact if there is a risk that this loan will have to be written off to the Income & Expenditure accounts if it cannot be repaid.

Procurement

Under the current procurement legislation, the Council would not need to undertake a procurement exercise to extend the contract with BFfC, provided it continues to meet the Teckal test (broadly, it is wholly owned by the Council and is delivering services predominantly to the Council) and that it does not fall foul of the subsidy laws.

5 Option 2 – In-House Delivery

Option 2 would involve termination of the contract with BFfC and transfer of staff and services back into the Council. Under the contract, notice of termination would need to be given before 31 March 2025. This is the option CIPFA recommends for the future delivery of Children’s Services in Reading.

As noted above, either Option 1 or 2 would require a similar amount of time and resource to deliver. While there are additional complexities involved in bringing the services back in-house, Option 2 will give the Council greater control over Children’s Services and remove a layer of governance that is arguably unnecessary given the current maturity of the service and the Council.

The main advantage of Option 2 is that it gives the Council direct control of Children’s Services. Less layers of governance would increase visibility of service performance and could likely lead to more agile decisions making. As the body with statutory responsibility for Children’s Social Care in Reading, the Council must ensure that those services are delivered effectively. The insourcing option allows for “whole council” ownership of services and may offer greater synergy for the delivery of innovation, improvement and more opportunity for integrated support services. This option should also provide easier transition services for users from Children to Adults. Additionally, the option could better promote and potentially increase the pool of foster carers from the Council’s workforce, with schemes that may incentivise the staff to fulfil their obligations as “corporate parents”.

The Company has made significant improvements to services since its inception but arguably has not continued its trajectory between the Ofsted inspection in 2019 and the most recent inspection in 2024 to such an extent that it meets the success criteria set out by the Council.

At the same time, the Council has significantly transformed in the same time period and is far better equipped to subsume the service back in house, with a Chief Executive Officer and Council Leader who are both well versed in the challenges of operating such services.

The key considerations for option 2 are set out below.

Cost implications

We have already mentioned general financial risks under Option 1, and these also apply to Option 2.

An assumption has been made that the cost of implementation for Option 2 will be similar to that for Option 1.

The transition from the current delivery method will require further detailed planning and costing. It is unlikely to cost the Council any more to bring the service in-house. There is expected to be a relatively small saving attached to delivery of Option 2, with some guaranteed savings such as removal of the requirement for additional external audit. Savings related to any staff posts would be identified once there is an agreed structure. However, it is anticipated that the level of savings would not be significant enough to determine which option is pursued. This decision to accept this option should be based on outcomes for children not just potential savings.

Additional analysis should be undertaken by the Council to check if there are any equal pay issues and any pension actuarial differences that could impact on the overall organisation if Option 2 is taken.

The Council would need to seek further specialist advice in relation to the technical accounting impact of bringing the Company accounts to a close.

For the transition phase, The Council will need to develop a detailed working financial model, updated for the latest forecasts, that is regularly updated and expanded on as more detail comes to light around implementation of the options.

Transfer of services

The process for Exit Management set out in the contract would need to be followed. This would include, *inter alia*, novation of contracts with third parties and transfer of BFfC assets to the Council.

Children's Services would become a department of the Council and would be managed similarly to its other departments. However, we would recommend that governance and decision-making (including the Scheme of Delegation) are reviewed to ensure that Children's Services continues to be able to make agile decisions and act without undue bureaucracy (while ensuring that necessary financial and other safeguards are in place).

Children's Services being back within the Council will ensure the service is more visible and allow for more joined-up thinking across directorates and departments. There may be opportunities for efficiencies with Adult Social Care, for example in commissioning, that can be more easily explored once the two departments are on the same footing. We understand that cross-departmental working with Children's Services can be more complex as the service currently sits outside the Council.

Transfer of staff

BFfC staff will need to be transferred to the Council, which will require consultation. There is a risk that this causes some destabilisation and uncertainty across the workforce, particularly as there has been a lot of change within BFfC since it was established (including several changes of leadership) that has created nervousness among staff. We note that the Council is understandably keen to ensure that any transfer of staff does not lead to loss of personnel.

The risk of destabilisation can be mitigated by ensuring that an effective programme of communication and staff engagement is rolled out to ensure that staff are fully informed and bought into the transfer. From our discussions with staff, we understand that they are relatively agnostic about whether they work for BFfC or the Council, and that they can see some benefits to being back in the Council (for example, access to training and development for managers).

From a practical perspective, BFfC employees already work in the Reading Council office, so there will not be a need to relocate staff.

Improvement Panel

Recognising the value that the knowledge and experience of the BFfC Board brings to the Company and the Council, we would recommend that an independent Improvement Panel is established to support Children's Services for a transition period of 18-24 months.

With a clear remit for continued improvement and terms of reference engineered to avoid duplication, this will help the service to become embedded in the Council, provide

assurance around best practice, and help to upskill and develop members. We recommend that the Improvement Panel is in place for a short period of time so that the Council can take full control of Children's Services after an appropriate period of transition and can consider the value external expertise brings and plan if it is required in the longer term.

Brand value of BFfC

Children's Services in Reading is now known as "Brighter Futures for Children" and there is certain brand value in that name, and the Company's website. Anecdotally, we understand that members of the public, including service users, and BFfC's partners do not necessarily realise that BFfC is not the Council. Therefore, we do not believe that the transfer of services will make a practical difference in this respect. We see no reason why Children's Services cannot continue to operate under the BFfC name even if it is a Council department.

Company Loan

The loan has been discussed in relation to option 1 above. It is currently due to be repaid by 25 March 2026.

There is an expectation that the loan would need to be repaid if Children's Services were brought in-house. However, this is only possible if BFfC has sufficient funds to repay the loan.

Therefore, a plan is needed to assess how much, how, and when this loan can be repaid by BFfC. If it cannot be repaid, then the loan may need to be written off. We have raised this with Council finance staff who are looking at different scenarios.

Secretary of State approval

Our reading of the contract is that Secretary of State approval is not required to bring the services back in-house as the statutory direction is no longer in force. The Council may wish to seek confirmation on this point.

6 Option 3 – Re-Procurement

Option 3 would involve terminating the contract with BFfC (by notice before 31 March 2025) and finding another provider to deliver Children’s Services when the contract with BFfC ends.

We would not recommend this option as it presents several significant issues, which are set out below.

Finding an Appropriate Provider

There are limited potential providers in the market that would be suitable to provide Children’s Services for the Council. It is very unlikely that a private sector provider would be able to partner with the Council in this way (or be a desirable option for the Council).

There are several local authorities that operate Children’s Trusts or arrangements similar to BFfC. Of those, there are 2 potential models that exist which the Council could consider as alternative delivery models, these are exemplified by:

- Birmingham Children’s Trust and Together for Children Sunderland;
- Achieving for Children (not for profit social enterprise) which provides Children’s Services for Kingston, Richmond and Windsor & Maidenhead.

However, for these types of options to be viable, the Council would need political approval to seek an alternative provider and identify a delivery partner that would be able to provide the services with detailed improvement plans to achieve an Ofsted rating showing evidence of sustained and impactful progress equating to a “Good” overall rating.

Control and Governance

There are likely to be complex negotiations around control and governance with any potential partner. Any joint operation of this kind is likely to dilute the Council’s control and influence in order to balance its interests against those of its partner.

Any contract with a third-party provider would need to be negotiated carefully to ensure that the Council retains appropriate oversight and sound governance in relation to Children’s Services, and that its statutory responsibilities are not undermined.

There could also be conflicts between the interests of the Council and its partner and/or blurring of boundaries between the two parties. There may also be issues in relation to apportionment of costs. We are aware of one example of a shared service provided by a Children’s Trust where costs have been apportioned according to a relatively arbitrary notional percentage, which sees one authority paying c.10% more than the other. This has caused concern for the higher paying authority and is a key reason why that authority is seeking to bring its own service back in-house.

There may also be geographical issues in relation to service provision. While the areas covered by the example partners listed above are geographically close to Reading, there could be issues with placements if, for example, these are more readily available to the third-party provider outside Reading, leading to worse outcomes for children in Reading.

Exit Management and staff transfer

As with Option 2, the Exit Management provisions in the BFfC contract would apply. This would include, for example, novation of contracts to the third-party provider. This may be

more complex than novating contracts to the Council as the third party's interests would need to be factored into the novation and more negotiation may be required.

Staff would also need to be transferred to the third-party provider. Again, this is more complex than transferring staff to the Council due to the additional negotiation required.

There is also greater potential for staff destabilisation if they are being transferred to an unknown entity. In addition, there will be additional complications around pensions if the third-party provider does not have admitted body status to the LGPS.

Procurement

If the Council partners with another local authority, an exemption may apply under the procurement legislation and the Council may, therefore, not have to undertake a full procurement exercise. This exemption is likely to be replicated under the Procurement Act 2023. The Council would need to satisfy itself that the relevant tests and exemptions are met.

However, the position would be different if the third-party provider is not a local authority. A procurement of this size would be time and resource intensive.

Timing and Cost

Option 3 is a much more complex option than either options 1 or 2 and would take significantly more time, cost, and resource to deliver. CIPFA have requested basic financial assumptions for procurement costs from the Council which could be up to £120K excluding legal costs or costs of Service Level Agreement negotiations and any specialist inputs required.

7 Option 4 – Hybrid

Option 4 would involve continuing some services in BFfC and bringing other services back in-house. This would require partial termination of the contract (in respect of the transferring services) and notice of this would need to be given before 31 March 2025.

We would not recommend this option, primarily because it is much more complex than options 1 and 2, and because there is no compelling case for any particular service to be brought in-house over and above another.

There is a variation of this option where some services are brought back into the Council, and some are re-procured from another provider. We would not recommend this option for the reasons outlined in relation to option 3.

The main issues with Option 4 are set out below.

Workforce destabilisation

This option would split the Children's Services workforce between BFfC and the Council. This has the most potential of all the options to destabilise the workforce as there is a blurring of boundaries that would increase the potential for tension to develop between those transferring and those not, and/or between those transferring/not transferring and senior leadership if they are unhappy about where they will be working.

Complex service delivery

Splitting the services could lead to a lack of cohesion between BFfC and the services that are brought in-house. Developments might be made in one area that are not reflected in another. Similarly, the services that are brought in-house might become more closely aligned with other Council departments, while BFfC services do not. The Council would not benefit from the advantages of having a fully in-house service, including greater control and oversight, and opportunities for cross-department working / efficiencies.

In any event, delivery of Children's Services is likely to be made more complex under a hybrid model.

Duplication

There is also potential for duplication if this option is taken. For example, leadership will need to be provided to the services that are brought in-house and a decision will need to be made as to whether a separate leadership team is established, or the service is absorbed into an existing Council department. Equally, the Council would need to decide whether an Improvement Panel is required for the services that are brought in-house, which could duplicate the work of the BFfC Board.

Time and resource

As this option would require time and resource to exit the contract (albeit only in part), and to make the changes required to ensure the BFfC contract is fit for purpose, it would require more effort to achieve than option 1 or 2.

The Exit Management and staff transfer requirements outlined above would apply if this option is pursued, but only in respect of the services that are not being continued by BFfC. The considerations for continuing the company under option 1 would apply in respect of the services continuing with BFfC. The considerations around governance and decision-

making under option 2 would also apply in relation to the services that are brought in-house.

8 Conclusion

For the reasons outlined above, our recommendation is that the Council pursues Option 2 to bring Children's Service in-house in full.

We note that either Option 1 or Option 2 would be viable and that there is no compelling financial case in support of either option as the gains are marginal.

Option 2 allows the Council, as the body with statutory responsibility for Children's Services in Reading, to take full control of the service and bring it under its leadership. We believe that Option 2 has the greatest chance of success for achieving an Ofsted rating showing evidence of sustained and impactful progress equating to a "Good" overall rating for the effective delivery of Children's Services.

9 Options appraisal

		OPTION 1	OPTION 2	OPTION 3	OPTION 4
		BfC delivery – continue the contract with BfC on the same or a revised basis	In-house delivery – bring Children’s Services back in house so that it is delivered directly by the Council	Re-procurement – re-tender the contract so that it is delivered by a third party	Hybrid – delivery by the Council and the Company so that Children’s Services are delivered partly in-house and partly outsourced The factors relevant to Option 1 would also apply to Option 4 in respect of the services that BfC continues to provide (they have not been repeated below) There is a variation to Option 4 where outsourced services are re-procured (see Option 3 for detail of requirements / benefits / risks of this approach)
Economic Case					
Benefits appraisal	Direct public sector benefits (to originating organisation)	External expertise of the BfC Board provides assurance to the Council regarding service delivery	The Council would take direct control of Children’s Services	Children’s Services could be taken on by a third-party provider that is already delivering “Good” services (e.g., models	The Council would take direct control of part of Children’s Services

		<p>BFfC has brought improvements to service delivery</p> <p>Existing relationships between the Council and BFfC are established and working well</p>	<p>The DCS would no longer be seconded to BFfC and would be 100% employed by the Council</p> <p>Children's Services could be better integrated with other key Council services and initiatives with the potential for cross-cutting savings / opportunities</p>	<p>such as Birmingham and Sunderland Children's Trusts / Achieving for Children are delivering in this space)</p> <p>Value could be driven through established processes and procedures</p> <p>Could present an opportunity for the Council to reset the contract and apply lessons learned</p> <p>External expertise of third-party Board could provide assurance to the Council regarding service delivery</p>	<p>Part of Children's Services could be better integrated with other key Council services and initiatives with the potential for cross-cutting savings / opportunities</p>
	<p>Indirect public sector benefits (to other public sector organisations)</p>	<p>BFfC plays a role in wider regional networks for Children's Services across Berkshire and has the potential to innovate through "freedoms" afforded by company status</p>	<p>The Council would play a role in wider regional networks for Children's Services across the South East</p>	<p>The third-party provider would play a role in wider regional / national networks for Children's Services and have the potential to innovate through "freedoms" afforded by company / trust status</p>	<p>The Council would play a role in wider regional networks for the in-house element of Children's Services across Berkshire</p>

				Potential for economies of scale	
	Wider benefits to UK society (e.g. households, individuals, businesses)	Board provides knowledge and expertise to ensure service is delivering best outcomes for children	Improvement Panel would provide external assurance and expertise to ensure service is delivering best outcomes for children (in the medium term)	Third-party Board would provide knowledge and expertise to ensure service is delivering best outcomes for children	Consideration would need to be given to whether an Improvement Panel would be required to support the services that are brought in-house, with potential for duplication with the BFC Board
Risk Assessment		<p>BFC has not yet been able to deliver against contractual ambitions</p> <p>Financial forecasting requires improvement to provide accurate financial picture</p> <p>Contract / performance management, and scrutiny arrangements, requires improvement to provide effective Council oversight</p> <p>Succession plan required for Board</p>	<p>Possible destabilisation of the workforce as a result of transfer of staff to the Council</p> <p>New governance arrangements would need to be established, including review of Scheme of Delegations to allow agile decision making within the Council</p> <p>Scrutiny would need to be improved to provide effective challenge and oversight</p> <p>End of term of Improvement Panel could lead to loss of expertise</p>	<p>Possible destabilisation of the workforce as a result of transfer of staff to the third-party provider</p> <p>New governance arrangements would need to be established to ensure that the Council has appropriate oversight of the third-party provider's activities, that appropriate scrutiny is provided, and that the Council meets its statutory obligations in relation to Children's Services</p> <p>The Council would need to develop new strategic relationships with the</p>	<p>Potential for overly complex service delivery arrangements</p> <p>Possible destabilisation of the workforce for services that are brought in house – this may be exacerbated by the fact that some staff would transfer and others would not</p> <p>Potential for lack of cohesion across Children's Services and siloing of services that are brought in-house / disjointedness between in-house and outsourced services</p>

			<p>and assurance for the Council</p>	<p>third-party provider and foster trust and cooperation</p> <p>The Council would not have full financial control of the third-party provider</p> <p>Combining Reading Children's Services with those of another local authority has the potential to create blurring of boundaries and/or complexity around apportionment of costs</p> <p>There may not be an appropriate provider in the market that is willing / able to deliver Children's Services on Reading's behalf – a private sector partner is unlikely to be desirable</p> <p>Potential loss of experience / knowledge of current leadership team as third-party provider is likely to already have management team in place</p>	<p>New governance arrangements would need to be established, including review of Scheme of Delegations to allow agile decision making within the Council</p> <p>Scrutiny would need to be improved to provide effective challenge and oversight</p> <p>Contract exit would be complicated by splitting of services, taking more time and resource to achieve</p>
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Commercial Case					
Procurement Strategy and route	Procurement option(s)	<p>Public Contracts Regulations 2015 allow for direct negotiation with a Teckal company. This position is unlikely to change under the Procurement Act 2023, but this should be confirmed</p> <p>The Council must satisfy itself that BFfC continues to meet the Teckal test, and that there are no issues with procurement under the Subsidy Control Act 2022</p>	<p>In-housing the service would not require a formal procurement process</p> <p>The Council would need to decide what to do with the Company (dissolve / retain)</p>	<p>A full procurement exercise would be required in compliance with the Procurement Act 2023</p> <p>A third-party provider would need to be found and then terms would need to be agreed – it may not be possible to achieve this in the time available</p> <p>The Council would need to decide what to do with the Company (dissolve / retain)</p>	<p>In-housing the service would not require a formal procurement process</p>
	Council Commercial Strategy alignment	<p>Arrangements must align with the Council's Corporate Plan – achieving Best Value; children receiving the support they need; reduction in demand for Children's Services</p> <p>The Council should benchmark Children's Services costs to ensure it achieves Best</p>	<p>Arrangements must align with the Council's Corporate Plan – achieving Best Value; children receiving the support they need; reduction in demand for Children's Services</p> <p>The Council should benchmark Children's Services costs to ensure</p>	<p>Arrangements must align with the Council's Corporate Plan – achieving Best Value; children receiving the support they need; reduction in demand for Children's Services</p> <p>The Council should benchmark Children's Services costs to ensure it achieves Best Value</p>	<p>Arrangements must align with the Council's Corporate Plan – achieving Best Value; children receiving the support they need; reduction in demand for Children's Services</p> <p>The Council should benchmark Children's Services costs to ensure</p>

		Value under the extended contract	it achieves Best Value in its in-house provision	under the third-party contract	it achieves Best Value under the hybrid model
Service requirements and outputs		<p>SLAs and KPIs need to be revisited to ensure that they are fit for purpose</p> <p>BFfC Business Plan should be developed for the future to ensure that the Company provides best outcomes for children in line with the Council's objectives</p>	<p>The Council would need to adopt service policies, strategies, plans and budgets and/or adapt BFfC documentation</p>	<p>KPIs and deliverables would need to be agreed with the third-party provider</p> <p>There may be negotiation of contract deliverables and contractual ambitions based on the third-party provider's own strategies, objectives and Business Plan</p>	<p>The Council would need to adopt service policies, strategies, plans and budgets and/or adapt BFfC documentation for the services that are brought in-house</p>
Risk allocation		<p>Operational risk is borne by the Company</p> <p>BFfC Board provides a level of assurance to the Council around best practice</p> <p>The Council has ultimate statutory responsibility for Children's Social Care and retains financial responsibility for service costs</p>	<p>Operational risk is borne by the Council</p> <p>The Council would no longer have the assurance provided by the Board (although there would be an Improvement Panel in place in the medium-term)</p> <p>The Council has ultimate statutory responsibility for Children's Social Care and retains financial responsibility for service costs</p>	<p>Operational risk is borne by the third-party provider</p> <p>Third-party Board would provide a level of assurance to the Council around best practice (although note that the Council may not have freedom to choose Board members)</p> <p>The Council has ultimate statutory responsibility for Children's Social Care and retains financial responsibility for service costs</p>	<p>Operational risk is split between the Council and the Company</p> <p>The Council would lose the assurance provided by the BFfC Board in relation to the services that are brought in-house</p> <p>The Council has ultimate statutory responsibility for Children's Social Care and retains financial responsibility for service costs, both those provided by the Council</p>

				The success of the arrangement would depend on the development of strong strategic relationships to ensure effective service delivery and appropriate risk management	and those provided by BFfC
Charging mechanism		<p>Children's Services costs are built into the Council's budget but spending power sits with BFfC</p> <p>Service costs are recharged to the Council by the Company</p> <p>SLA costs are recharged to the Company by the Council</p>	Children's Services would become a Council department and would be factored into the Council's budget in the usual way	<p>Children's Services costs would still need to be built into the Council's budget, but with charges payable to the third-party provider – there would likely be a profit element built into this by the provider to generate its own income</p> <p>The Council could seek to procure the services for a fixed cost but this could lead to a complex charging mechanism</p>	The services that are brought in-house would become a Council department (or part of an existing department) and would be factored into the Council's budget in the usual way
Commercial implications	Key contractual arrangements	<p>Service Delivery Contract will need to be extended by notice before 31 March 2025</p> <p>Service Delivery Contract will require necessary</p>	<p>Service Delivery Contract will need to be terminated by notice before 31 March 2025</p> <p>Contractual exit provisions would need to be complied with to</p>	<p>Consideration would need to be given to the legal arrangements to be entered into and the level of control the Council would require in relation to the third-party (e.g., Joint Venture</p>	<p>Service Delivery Contract would need to be part-terminated in respect of the services to be brought in-house by notice before 31 March 2025</p>

		<p>amendments, including to Service Specification, SLAs, KPIs</p> <p>Company documentation should be reviewed to ensure that it is still fit for purpose (Memorandum and Articles of Association)</p> <p>Shareholders' Agreement may require amendment</p> <p>Council processes to be followed to approve contract extension, including member engagement and full Council approval</p>	<p>transition services back into the Council (including novation of contracts etc.)</p>	<p>arrangement / contractual purchase of services)</p> <p>Whichever, form it takes, a new contract will be required which will be time intensive to produce</p> <p>Service Delivery Contract will need to be terminated by notice before 31 March 2025</p> <p>Contractual exit provisions would need to be complied with to transition services to the third-party provider (including novation of contracts etc.)</p>	<p>Contractual exit provisions would need to be complied with to transition relevant services back into the Council (including novation of contracts etc.) – this may be complex where e.g., contracts are applicable to more than one element of the services</p>
	<p>Personnel implications</p>	<p>No personnel implications – Company will continue “as is” with no staff transfer</p>	<p>Consultation with, and TUPE transfer of, BFfC staff to the Council</p> <p>There should not be any pension issues as BFfC staff are members of the LGPS</p>	<p>Consultation with, and TUPE transfer of, BFfC staff to third-party provider</p> <p>Potential pension implications if third-party provider is not a member of the LGPS – Admitted Body status may required</p>	<p>Consultation with, and TUPE transfer of, BFfC staff to the Council</p> <p>There should not be any pension issues as BFfC staff are members of the LGPS</p>

	Accountancy treatment	Company accounts must be audited externally and filed at Companies House	No requirement to file separate accounts	Third-party provider accounts would need to be audited (and potentially filed at Companies House, depending on legal status) – this would be carried out by the third-party provider	No requirement to file separate accounts for the services that are brought in-house, but this would still need to be done for BfC
Financial Case					
Capital and revenue requirements	<p>The financial appraisal for the preferred option must be prepared in accordance with the guidance provided in the HM Treasury Green Book.</p> <p>Whole life costs are required.</p> <p>Note: the economic and financial appraisals are treated differently.</p>	<p>Full discounted cash flow approach using Treasury Management discount factors will need to be prepared.</p> <p>For this to be developed the current level of information has to be firmed up, to a point where it can realistically produce accurate cash flow estimates going forwards.</p>	<p>Full discounted cash flow approach using Treasury Management discount factors to be prepared, however the information behind this needs to be firmed up, to produce cash flow estimates going forwards.</p>	<p>To explore this in greater detail may be possible with a separate exercise to benchmark the costs of potential alternative suppliers. However, this is most likely to be undertaken in the tendering process.</p>	<p>More detail needed around which services are to be outsourced and how before this can be considered.</p>
Net effect on prices (if any)	The implications for any prices that the organisation charges for its services must be explained.	It is unlikely that there will be significant market pricing implications related to this decision.	It is unlikely that there will be significant market pricing implications related to this decision.	It is unlikely that there will be significant market pricing implications related to this decision.	It is unlikely that there will be significant market pricing implications related to this decision.

		<p>From the baseline cost of the contract 1% inflation is about £0.5m. As such the impact of inflation needs to be monitored and revised into the model on a regular basis.</p>			
<p>Impact on balance sheet</p>	<p>The impact on the organisation's balance sheet must be explained. This includes depreciation, impairment, and any contingent liabilities or capital changes.</p>	<p>Reading Balance Sheet There will be minimal impact on the existing balance sheet as this is a no change option.</p> <p>Loan However, the credit risk of the loan will need to be considered from Reading's perspective in any event.</p>	<p>Reading Balance Sheet The investment in subsidiaries will be removed from Reading's balance sheet once the subsidiary is wound up. Specific separate technical accounting advice is needed to ensure no balance sheet related risks significantly impact on the I&E and that the appropriate basis for absorption method is used in bringing services back in house.</p> <p>Loan If it is assessed that the loan cannot be repaid, the element of loan that cannot be re-paid would need to be written off to Reading's I&E. Specific separate technical</p>	<p>Reading Balance Sheet The implications of option 2 will apply in removal of BFfC from the balance sheet as an entity and then a new arrangement with a new supplier would have to be accounted for.</p> <p>Loan However, the credit risk of the loan will need to be considered from Reading's perspective in any event</p>	<p>Reading Balance Sheet More detail needed around which services are to be outsourced and how before this can be considered.</p>

			<p>accounting advice is needed.</p> <p>The Cash inflow that was anticipated when the loan was issued will not happen.</p>		
Impact on income and expenditure account	The impact of the organisation's income and expenditure account must be explained, if applicable.	<p>A small increase in cost from the current baseline is anticipated to strengthen management of the contract.</p> <p>RBC provided an MTFS model that estimated the contract value going forwards for 3 years.</p> <p>There is also a need to understand the level and impact of internal charges between the two entities in how they impact on the MTFS and Reading to ensure that the impact of these on consolidation is understood.</p>	<p>Seek to identify further operational savings</p> <p>As has been mentioned, there is a need firm up assumptions to ascertain if there are any other major financial risks – specific technical, legal and tax advice related.</p> <p>Specific separate technical accounting advice is needed.</p>	A separate benchmarking exercise and market assessment would be needed to enable this option to be evaluated.	More detail around which services are to be outsourced and how before this can be considered.
Overall affordability and funding	A summary of the overall affordability and funding of the project must be	This will need to be assessed for the activity as part of preparation of the MTFS.	As detailed in the current BFfC business plans and forecast in the RBC MTFS	This would need to be assessed; benchmarking might give an indication if a reduced cost model is	More detail around which services are to be outsourced and how

	provided, together with an assessment of how any shortfalls in available funding will be covered.			possible but in practice a revised cost would need to be identified during the tendering process.	before this can be considered.
Confirmation of stakeholder support	This must be provided where other public sector organisations are funding the project's outputs and services.	Still to be assessed.	Still to be assessed.	Still to be assessed.	More detail around which services are to be outsourced and how before this can be considered.
Management Case					
Programme and project management governance arrangements	Plan project management – strategy, frameworks and plans.	Council and Company resources will be required to deliver project to extend the contract, including all necessary contractual amendments and review of Company governance	Council and Company resources will be required to manage contract exit and transfer of services, including review of Council governance and decision-making	Council and Company resources will be required to create new contract, manage contract exit and transfer of services	Council and Company resources will be required to extend the contract, including all necessary contractual amendments and review of Company governance, and to transfer the services that are being brought in-house
	Senior Responsible Owner (SRO) for the project.	Director of Resources / DCS	Director of Resources / DCS	Director of Resources / DCS	Director of Resources / DCS
	Set out the governance arrangements, including key roles and responsibilities.	Project governance to be determined by the Council	Project governance to be determined by the Council	Project governance to be determined by the Council	Project governance to be determined by the Council

	Provide an outline of the project plan, including key milestones.	Project plan and milestones to be determined by the Council	Project plan and milestones to be determined by the Council	Project plan and milestones to be determined by the Council	Project plan and milestones to be determined by the Council
Use of specialist advisers		Advice will be required from: Procurement Legal (including external Legal advisers) Finance PMO & Change Delivery	Advice will be required from: Procurement Legal (including external Legal advisers) Finance PMO & Change Delivery	Advice will be required from: Procurement Legal (including external Legal advisers) Finance PMO & Change Delivery	Advice will be required from: Procurement Legal (including external Legal advisers) Finance PMO & Change Delivery
Change and Contract management arrangements		Change and contract management arrangements to be determined by the Council	Change and contract management arrangements to be determined by the Council	Change and contract management arrangements to be determined by the Council	Change and contract management arrangements to be determined by the Council
Benefits Realisation arrangements		Target date for successful Ofsted rating to be set The Council should consider other contract deliverables and set appropriate dates Improvement in outcomes for children	Target date for successful Ofsted rating to be set The Council should consider other contract deliverables and set appropriate dates Improvement in outcomes for children Direct control of budget spend	Target date for successful Ofsted rating to be set The Council should consider other contract deliverables and set appropriate dates Improvement in outcomes for children Contractual limits on budget spend	Target date for successful Ofsted rating to be set The Council should consider other contract deliverables and set appropriate dates Improvement in outcomes for children Shared responsibility for controlling the budget

		Shared responsibility for controlling the budget			
Risk management arrangements		Project risk management arrangements to be determined by the Council	Project risk management arrangements to be determined by the Council	Project risk management arrangements to be determined by the Council	Project risk management arrangements to be determined by the Council
Project assurance		Project assurance arrangements to be determined by the Council	Project assurance arrangements to be determined by the Council	Project assurance arrangements to be determined by the Council	Project assurance arrangements to be determined by the Council
Post implementation and evaluation arrangements		The Council should consider incorporating a review of the contract after 3 years to ensure that services are being delivered as intended and that the contract should continue	Role of Improvement Panel will require review after a period of 18-24 months	The Council should consider incorporating a review of the contract after 3 years to ensure that services are being delivered as intended and that the contract should continue	The Council should consider reviewing the services that are brought in-house in the medium-term to ensure that services are being delivered as intended and that it has not given rise to unforeseen issues
Contingency arrangements and plans		Contingency arrangements and plans to be determined by the Council	Contingency arrangements and plans to be determined by the Council	Contingency arrangements and plans to be determined by the Council	Contingency arrangements and plans to be determined by the Council

Appendix A: Contractual arrangements

Support Service SLAs

The SLAs for support services provided by the Council to the Company are set out in a Support Services Agreement that sits alongside the Contract. Schedule 1 contains a list of the support services provided by the Council, as follows:

- Schedule 2 – Audit and Investigation
- Schedule 3 – Procurement
- Schedule 4 – Emergency Planning, Business Continuity and Risk Management
- Schedule 5 – Regulatory Services
- Schedule 6 – Customer Services Functions
- Schedule 7 – Records Management
- Schedule 8 – ICT
- Schedule 9 – Finance
- Schedule 10 – Insurance
- Schedule 11 – Health and Safety
- Schedule 12 – Joint Legal Team
- Schedule 13 – Transport
- Schedule 14 – Legal and Democratic
- Schedule 15 – HR
- Schedule 16 – Business Change
- Schedule 17 – Interim Support Services

Details of each support service are set out in the relevant Schedule.

Support services delivery – findings from Phase 1

In Phase 1, we reviewed the Council's assessment of support service delivery. A summary of our assessment and validated scoring is set in Appendix A.

It was evident from the Phase 1 review that the delivery of support services has been mixed over the life of the contract and has suffered from the absence of a dedicated Council resource to monitor performance, lack of reporting, and the fact that SLAs have not been reviewed and updated.

We note that Regulatory Services (Schedule 5) no longer forms part of the contract, and that Finance (Schedule 9) and HR (Schedule 15) services have been brought back into the Council due to issues with delivery of those services.

SLA review

We understand that there have been attempts in the past to review and update the SLAs, but that there has not been a successful implementation of revised agreements. As a result, a number of the existing SLAs are not fit for purpose. This has been exacerbated by the lack of active contract management from the Council side, issues with transparency of information between the Council and the Company in respect to the cost effectiveness of the SLAs, and a lack of comprehensive performance reporting / management.

We recommend that the Council appoints a dedicated resource to manage the Contract, ensuring that SLAs are fully reviewed and updated, and that performance against those SLAs is monitored appropriately. This will give the Council greater visibility on how services are being performed and allow for early identification of any issues. This will be required to ensure they remain effective for the remainder of the Contract, regardless of whether it will be extended beyond March 2026.

Value for money

In Part 1, it was difficult to assess whether the SLAs provide value for money. Ascertaining from the SLAs how costs were calculated and whether any benchmarking was carried out at Contract inception was not able to be evidenced.

Some retroactive benchmarking has been carried out by the Council for a small number of SLAs where information is available publicly. However, this does not give a detailed picture of whether value for money is being achieved.

We recommend that a full benchmarking exercise is undertaken to establish whether value for money is being achieved, and to set realistic pricing for support services for the remainder of the Contract (and beyond, if the SLA arrangements continue after March 2026).

There are a number of SLAs that are not currently fit for purpose, and which require review and updating in order to deliver effective support services that meet the Company's needs. A benchmarking exercise is also required to ensure that the Council is achieving value for money in its delivery of support services. Stronger client-side management will enable the Council to monitor performance of SLAs and prevent issues arising in future.

We feel that implementation of our recommendations in relation to the SLAs would allow the Contract to continue more effectively and that the SLA issues are not insurmountable, or a reason for the Contract to be terminated. However, failure to address the SLA issues is likely to continue to impact on service delivery and lead to frustration between the Council and BfC.

Performance Framework

The contractual Performance Framework

The Performance Framework set out in Schedule 6 of the Contract is the method by which the Council:

- monitors and reviews the Company's performance of its obligations under the Contract (including its performance of the services); and
- holds the Company to account in respect of its performance.

This process was designed to allow the Council to address any failures in service delivery by the Company at an early stage so that "matters can be swiftly and amicably resolved between [the Council and the Company] in the most efficient, appropriate and effective manner".

Performance monitoring

Schedule 6 provides for the following performance monitoring:

- weekly performance updates from the Company to the Council;
- bi-monthly Children's Services KPI reports by the Company to the Improvement Board ('CSPR'); and
- bi-monthly General KPI reports by the Company to the Council ('GPR').

A CSPR and GPR should set out the following in relation to the relevant KPIs:

- the Company’s assessment of its performance over the previous two Service Periods and the performance levels achieved in relation to KPIs;
- any relevant details of performance levels prior to the Service Periods being reported on;
- details of the cause of any failure to meet a KPI and any remedial action taken; and
- any relevant issues relating to the Council’s performance of its obligations that have impacted on the Company’s ability to deliver the services.

Schedule 6 contains an escalation process by which failures can be dealt with, and which includes an informal and formal process (depending on the nature of the failure) and a process for putting in place a rectification plan.

Key Performance Indicators

Outline KPIs were included in the Contract, which were to be further developed and finalised in the first year of the Contract. This has been done, and the Company monitors performance against a dashboard of KPIs for delivery of Children’s Services.

We have seen evidence that this KPI monitoring is reported at Company board level and tracked at least annually to provide a picture of how the Company is performing.

KPIs are weighted to ensure that the most critical to service delivery are monitored more closely. KPIs are categorised as follows:

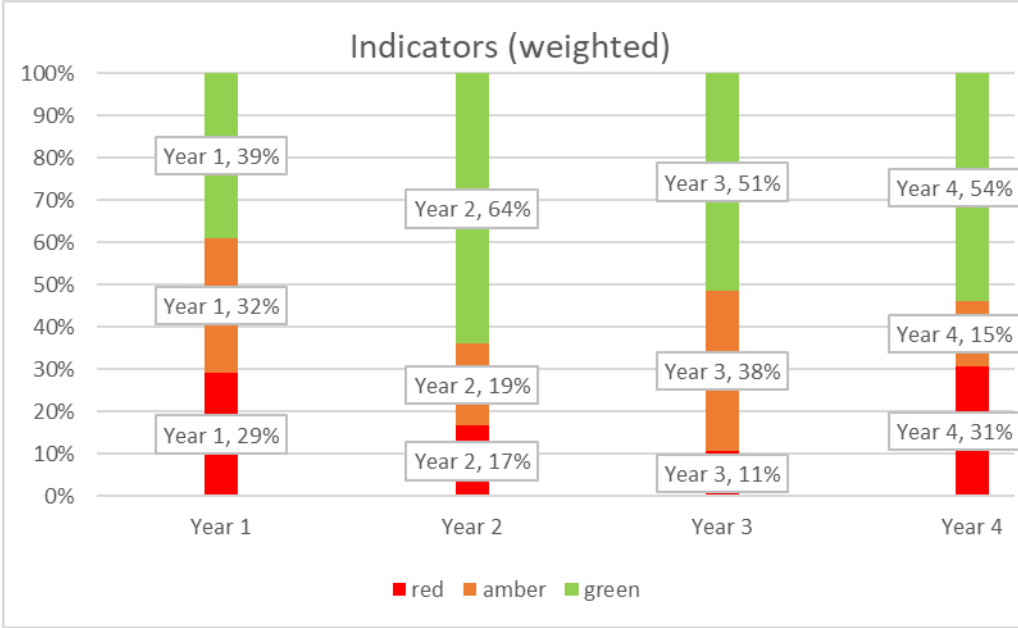
- Category 1 - The most important KPIs, where potential risk of failure must be escalated immediately to the Company board for formal resolution; and
- Category 2 – KPIs that are important to achieve and must be actively managed, where potential risk of failure must be escalated promptly to SLT for resolution (or to the Company board where the Council requests formal resolution of a failure that is urgent or important to require it).

KPIs are only escalated where they have an operational impact or pose a risk of a failure relating to safeguarding. We understand that a failure has never required escalation.

Reporting is required in respect of Category 1 and Category 2 KPIs, with additional weighting applied to Category 1 KPIs. Weighting is applied as follows:

Indicator	Weighting	
	Category 1	Category 2
RED	3	2
AMBER	2	1.5
GREEN	1.5	1

As shown in the graph below, Company self-assessment shows that 54% of KPI indicators were green in year 4 of the Contract, an improvement from 39% in year 1. Amber indicators have reduced from 32% in year 1 to 15% in year 4. While there was a reduction in red indicators from year 1 to year 3, this increased in year 4 due to the timeliness of Educational Health and Care Plans (EHCPs) moving from green to red due to the introduction of a new case management system. However, timeliness was 71%, which reflects positively when compared with a national average of 49% and statistical neighbour comparator of 64%.



KPI ref	Description	KPI category	Mar 2019 (Year 0)			Mar 2020 (Year 1)			Mar 2021 (Year 2)			Mar 2022 (Year 3)			Mar 2023 (Year 4)			Mar 2024 (Year 5)		
			Actual	Target	RAG	Actual	Target	RAG	Actual	Target	RAG	Actual	Target	RAG	Actual	Target	RAG	Actual	Target	RAG
1	Timeliness of contact decision making. Decision within 24 hours	1	92%	>95%	●	89%	>95%	●	83%	>95%	●	90%	>95%	●	81%	>95%	●		>=85%	●
2	% of referrals with a decision made within 24 hours	1	99%	>85%	●	99%	>90%	●	98%	>95%	●	98%	>95%	●	97%	>95%	●	Discontinued		
5	% children in care (CLA) who have been looked after for 2+ years in the same placement	1	64%	>60%	●	62%	>65%	●	71%	>70%	●	75%	>70%	●	70%	>=70%	●		>=71%	●
8	% care leavers who are not in education employment or training (NEET - 17-25 year olds)	1	39%	<37%	●	41%	<35%	●	38%	<35%	●	29%	<20%	●	29%	<=35%	●	Discontinued		
8A	% care leavers who are not in education employment or training (NEET - 17-18 year olds)	1	New															20%		
8B	% care leavers who are not in education employment or training (NEET - 19-21 year olds)	1	New															37%		
16	% Education, health care plans completed within 20 weeks	1	67%	55%	●	91%	62%	●	91%	>=85%	●	89%	>=90%	●	71%	>=85%	●		>=70%	●
3	% of children who become subject of child protection plan for second or subsequent time within the last two (2) years	2	8%	<15%	●	9%	<10%	●	5%	<10%	●	6%	<10%	●	10%	<10%	●		<=10%	●
4	% of referrals which are re-referrals within 12 months	2	27.4%	<30%	●	24.0%	<25%	●	20.0%	<25%	●	24.0%	<20%	●	26.0%	<20%	●		<=23%	●
6	CLA who have experienced 3+ placements in last 12 months	2	12.5%	<15%	●	15.2%	<11%	●	10.0%	<11%	●	6.0%	<11%	●	8.0%	<10%	●		<=11%	●
7	% of CLA placements more than 20 miles from Reading (i.e. from home address of child)	2	32%	<38%	●	31%	<30%	●	33%	<30%	●	29%	<20%	●	26%	<=28%	●		<=25%	●
9	Voice of the child (measured as CLA aged over 4 who attend or contribute to their own reviews)	2	93%			79%	>85%	●	94%	>90%	●	87%	>90%	●	97%	>90%	●		>=90%	●
14	Education: % Pupils provided with a school place on offer day (primary)	2	99.9%	90%	●	100.0%	90%	●	100.0%	95%	●	100.0%	95%	●	99%	95%	●		95%	●
15	% Pupils provided with a school place on offer day (secondary)	2	100%	92%	●	100%	92%	●	100%	95%	●	100%	95%	●	99%	95%	●		95%	●
17	Re-offending rate	2	32%	31%	●	31%	39%	●	32%	40%	●	24%	40%	●	28%	<=32%	●		<37%	●
10	Social worker turnover	Mgmt Info	5.0%	<25%	●	9.0%	<20%	●	16.6%	<15.4%	●	20.0%	<13.5%	●	21.8%	<=14%	●		<=14%	●
11	Social work agency staffing rate	Mgmt Info	58%	<45%	●	32%	<35%	●	24%	<35%	●	26%	<17%	●	33%	<=20%	●		<=20%	●
12	Percentage of days lost to sickness	Mgmt Info	2.4%	4.0%	●	4.2%	3.5%	●	4.3%	3.1%	●	4.7%	3.0%	●	4.3%	<=5%	●		<=4%	●
13	% of families who achieve sustained improved outcomes (and secure a Payment By results (PBR))	Mgmt Info	39%			77%	70%	●	90%	>=80%	●	100%	>=80%	●	85%	>=75%	●		>=80%	●
18	Reduction in secondary school fixed term exclusion	Mgmt Info	-			611	750		5.5%	<=8%	●	5.5%	<=8%	●	Discontinued					
18	Reduction in rate of secondary school fixed term suspension	Mgmt Info												7.70	<=8	●			<10	
19	Key Stage 2 results (R,W,Ma expected level+) - gap in attainment for disadvantaged pupils	Mgmt Info	-			21%	25%	●	20%	25%	●		25%	●	29%	<25%	●		<25%	●
20	Key Stage 4 results (Attainment 8) - gap in attainment for disadvantaged pupils	Mgmt Info	-			22.0	19.0	●	20.0	19.0	●	21.0	17.0	●	21.3	<20	●		<18	●
21	Increased percentage of schools rated good or outstanding (LA maintained only)	Mgmt Info	-			92%	90%	●	93%	90%	●	97%	90%	●	94%	>=90%	●		>=90%	●
22	SEND: number of successful appeals against number of EHC plans	Mgmt Info	-						88%	<=85%	●	Discontinued								
22	Appeal Rate to the SEND tribunal	Mgmt Info										2.84	<2	●	2.31	<2	●	Discontinued		

Category 1 and 2 KPIs are set out below:

KPI Category
Category 1: KPIs are the most important in the portfolio. They are the most closely managed, where potential risk of failure must be escalated immediately to the BFFC board for formal resolution.
Category 2: KPIs are important to achieve, and must be actively managed. Potential risk of failure must be escalated promptly to the SLT for resolution. The Council may request formal resolution at board level if they feel risk of failure is sufficiently urgent or important that informal resolution is inappropriate.
Management Information: KPIs are informally managed, and do not require escalation unless they could become operationally impacting, or put safeguarding principles at risk of failure

We understand that all Category 1 and 2 KPIs are scrutinised by Quality Assurance Committees, SLT and at operational performance meetings.

Review of KPIs

There has been review of KPIs over the life of the contract, and KPIs have been adjusted to reflect the local, regional and national context. KPI updates are made via Fasttrack reports to CMG and have resulted in some reductions to KPI targets. For example, the 85% target for EHCP timeliness in the original business plan was reduced as it was very ambitious given the national figure is 58%.

The performance monitoring arrangements set out in the Performance Framework are generally appropriate for a contract of this type. However, it is unclear if the Performance Framework is followed to the letter in terms of the reports being provided to the Council by the Company.

There is evidence that KPIs are reported to the Company board, at least on an annual basis, and that KPIs are discussed at CMG meetings (and, therefore, are being reported to, and discussed with, the Council). The categorisation of KPIs by importance is prudent in terms of prioritising focus and action.

There is more that could be done by the Council and the Company to improve reporting and transparency in relation to performance, as found as part of the Phase 1 review process. As the sole shareholder, the Council is notified of company operations through the BFFC Board. It is also noted that the DCS and the Chief Executive hold regular 1-2-1 meetings but broader cross Council working could lead to greater integration and closer alignment with complimentary services such as Adults Social Care, Housing, and Public Health.

As mentioned above, stronger client-side management by the Company would contribute to this significantly and lead to a more robust reporting regime. There would also be benefit in “resetting” KPIs to ensure that they are fit for purpose and meaningful going forward.

BFFC Governance

BFFC Board

BFFC is a company limited by guarantee, which is wholly owned by the Council. It is run by an independent board of directors, comprised of Executive and Non-Executive Directors with relevant experience from difference sectors. Current Board members are:

- Di Smith (Chair)
- Lara Patel (Executive Director of Children’s Services)
- Darren Carter (Non-Executive Director, Council representative)
- Antony Byrne (Non-Executive Director)
- Nicola Gilham (Non-Executive Director)

- Paul Snell (Non-Executive Director)

Non-Executive Directors were initially appointed for a three-year term and are paid a daily rate for performing their role. They are required to carry out the following duties:

- constructively challenge and help develop proposals on strategy;
- scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
- satisfy themselves on the integrity of non-financial performance information and that controls and systems of risk management are robust and defensible;
- determine appropriate levels of remuneration of executive directors and where relevant have a role in appointing and, where necessary, removing executive directors, and in succession planning;
- devote time to developing and refreshing their knowledge and skills;
- uphold high Standards of integrity and probity and support the Chair and the other directors in instilling the appropriate culture, values, and behaviours in the boardroom and beyond;
- insist on receiving high-quality information sufficiently in advance of board meetings; and
- take into account the views of the member(S) and other stakeholders where appropriate.

BfC Senior Leadership Team

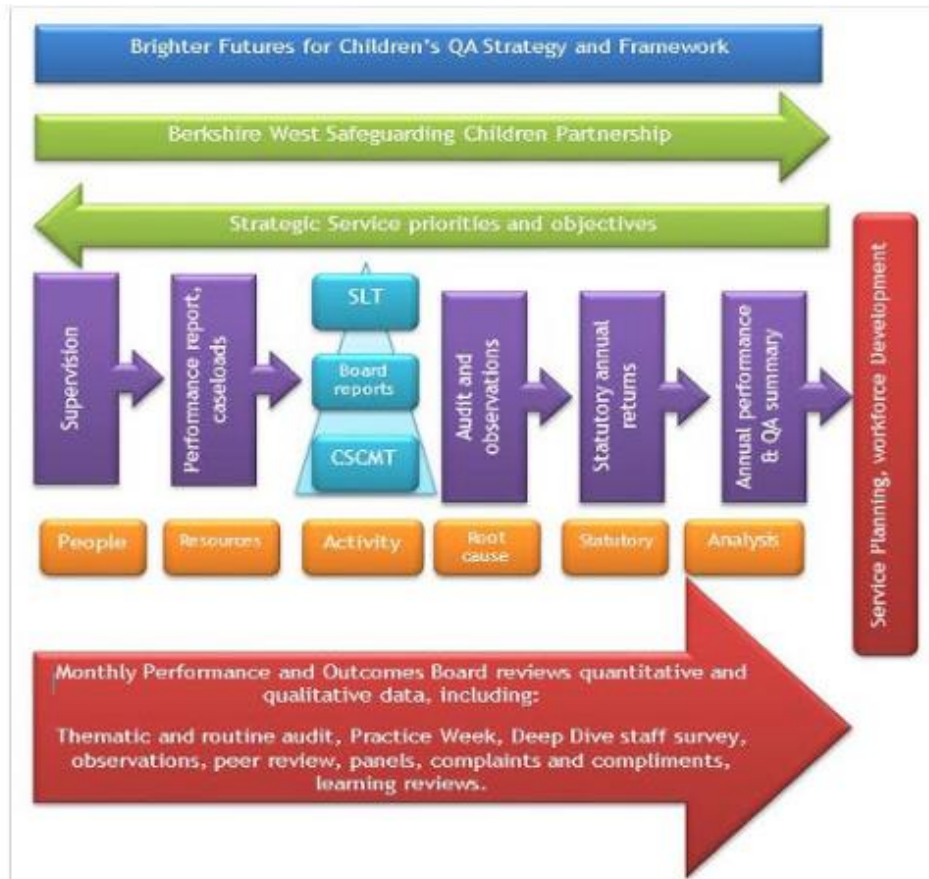
The Company's Senior Leadership Team is made up of:

- Lara Patel (Executive Director of Children's Services)
- Brian Grady (Director of Education, including SEND)
- Maria Young (Director of Family Help and Safeguarding, including Children's Social Care)
- Lisa Bursill (Transformation Lead)
- Kelly Hallett (Acting Head of Central Services)

Scrutiny of the Company's activities is provided via regular reporting to the Council's Corporate Management Team and the inclusion of a Council representative on the Company's board.

Quality Assurance Framework

The Company's Quality Assurance Framework is as set out below:



Quality assurance activities include:

- formal audit programme;
- performance reports and review of performance indicators within teams;
- practice weeks involving case discussions and practice activities / observations;
- measuring impacts of activities; and
- gathering feedback from service users.

Potential conflicts of interest

The Executive Director of Children's Services is seconded to the Company 80% of the time, working for the Council for the remaining 20%. As well as being an Executive Director of the Company's board and being a member of the Company's Senior Leadership Team, she also sits on the Council's Corporate Management Team.

Given this dual role, there is a potential risk that a conflict of interest could arise between the interests of the Council and the Company. We believe that this risk is small given the governance arrangements in place around the Company. However, the Council should be mindful of this risk and take steps to ensure that this risk does not arise. For example, ensuring that the Executive Director of Children's Services reports directly to the Chief Executive could help to reduce this risk. Greater client-side management by the Council would also minimise this risk.

We feel that the governance arrangements that the Company has in place are appropriate. However, there are overlapping areas of responsibility between the role of company board and the member led scrutiny that can lead to duplication of effort.

As mentioned above, there is more the Council could do to ensure that it is appropriately sighted on the Company's activities and providing the right level of scrutiny.

The Council should also be mindful of the potential for conflicts of interest around the role of Executive Director of Children's Services and seek to minimise these through appropriate reporting and governance structures.

Performance Review

In addition to periodic performance reporting, the Company is also required to carry out an annual review of the performance of the Contract, which summarises the performance achieved and makes recommendations to CMG for changes to the Contract, in particular to the service specification, KPIs and/or governance arrangements.

Appendix B: Support Service SLA Phase 1 Review

Support service	Council score	CIPFA validated score
Audit and Investigation	Mostly Met – 3 Increase in number of days used from 100 to 280 to meet demand. Services monitored against Audit Plan. Some overruns and timing issues with reports to Audit & Risk Committee.	Mostly Met – 3 Delivery issues do not seem to have impacted service delivery. SLA needs to be updated to reflect greater than anticipated need for Audit services.
Procurement	Mostly Met – 3 Generally works well. Greater clarity required on scope of services and smarter KPIs.	Partially Met – 2 Recent issues with reporting leading to lack of clarity on KPI performance. Underuse of services suggests not fit for purpose. KPI review and more active contract management required.
Emergency Planning, Business Continuity and Risk Management	Mostly Met – 3 Service designed to treat BFfC as a Council department. Effective responses to critical incidents. Greater “buy-in” required from BFfC managers.	Partially Met – 2 Need for greater transparency of expectations on BFfC and training need in relation to business continuity. SLA out of date (e.g., reference to historic partnership with Wokingham BC).
Regulatory Services	N/A	N/A
Customer Services	Partially Met – 2 Volume issues for translation services impact BFfC costs.	Partially Met – 2 High spot purchasing of translation services has increased costs and requires review.
Records Management	Fully Met – 4	Partially Met – 2 BFfC recruited its own Records Manager to meet need.
ICT	Partially Met – 2 SLA and KPIs not fit for purpose and monitoring data not being reported. Revised SLA issued to BFfC in 2023 but not yet implemented.	Partially Met – 2 Process issues e.g., high staff turnover and lack of corresponding leave requests.
Finance	Partially Met – 2 Issues with payment of suppliers and issuing Direct Payments.	Partially Met – 2 Historic issues with VAT and lack of clarity on schools’ finance.

	Under consultation for transfer back to the Council.	
Insurance	Fully Met – 4 BFfC treated like a Council department.	Mostly Met – 3 Lack of reporting in 2022 and 2023.
Health and Safety	Partially Met – 2 BFfC recruited a Health and Safety Manager but this was not successful. Council now providing greater support than expected and SLA fee does not cover actual cost of providing service.	Partially Met – 2 SLA requires review.
Joint Legal Team	Mostly Met – 3 Key requirement to complete Care Proceedings achieved. Lack of reporting of performance data.	Partially Met – 2 Issues with SLA timescales being met creating issues for service delivery.
Transport	Mostly Met – 3 Lack of performance reporting after year 3.	Mostly Met – 3 Lack of reporting but no concerns raised re service delivery.
Democratic and Legal	Mostly Met – 3 Performance reporting could be improved.	Partially Met – 3 SLA should be reviewed to take account of periods of non-usage.
HR	Partially Met – 2 Areas for improvement identified. Under consultation for transfer back to the Council.	Partially Met – 2 Requires improvement.
Business Change	Partially Met – 2 Historic use of this SLA very low but has increased more recently.	Partially Met – 2 SLA requires review.
Facility Management	Mostly Met – 3 Low performance and lack of reporting. Limited impact on service delivery.	Partially Met – 2 Service delivery issues. Service Delivery Contract no longer represents the current property position. Areas of underperformance identified.

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