

Somerset County Council

Cabinet

– 12 September 2012

Paper **E**  
Appendix A

<b>Service Review Title:</b>	<b>Somerset Children's Centres</b>
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Robert Sampson		Group Manager (Community Services 0-19)	2 <sup>nd</sup> Draft	2nd July 2012	Two
Robert Sampson		As above	3 <sup>rd</sup> Draft	14 <sup>th</sup> August 2012	Three

## **Executive Summary**

- 2.1** Somerset has 41 Children's Centres currently registered and subject to inspection by OFSTED. These Centres have been established and then developed over the last 11 years since the beginnings of the Government's Sure Start Children's Centres Programme in 2001. Somerset's centres are currently managed by a range of organisations. **The majority (24) are managed by the County Council, 12 by voluntary or community sector organisations and by five schools in the Mendip area.** Children's Centres provide access to integrated services for children under five and their families, including child care provision and early education; family support; health, training employment and services; and the provision for advice and information.
- 2.2** The Service Review of Children's Centres in Somerset has provided an opportunity to review current arrangements for the management and service delivery of Children's Centres and to take stock of their current performance. The Review has also examined what options exist for future management

arrangements in light of the priorities identified in the SCC County Plan and the principles underpinning the SCC Change Programme.

- 2.3 The Core Purpose of Children's Centres** is to improve outcomes for children and their families, with a particular focus on families in greatest need of support, in order to reduce inequalities in:

- **child development and school readiness;**
- **parenting aspirations, self-esteem and parenting skills; and**
- **child and family health and life chances.**

The services are designed to be delivered in a partnership involving local authorities and the identified statutory partners in local health services and Job Centre Plus.

- 2.4** The Coalition Government has consistently asserted its support for Children's Centres and the funding provided for Local Authorities to provide the services via the 2011-13 Early Intervention Grant was not reduced in line with other public expenditure savings. However there is an expectation that within the 2014 - 2017 SCC MTFP, savings will be required from the funding of Children's Centres in order to make an appropriate contribution to the overall SCC savings targets. **All options for change within Children's Centre services need to take on board the implications of possible budget reduction and create arrangements which can deliver the savings target whilst continuing to improve outcomes. Ensuring that the service, however configured or managed, is effective in safeguarding children is another priority in any new arrangements which are established.**

- 2.5** In order to provide an informed external view regarding the current management arrangements and service improvement needs of Children's Centres but also to examine possible options for change, an external expert, **Helen Kew, was engaged and has undertaken a very substantial review of the service, meeting with 112 individuals in 13 out of the 14 Clusters.**

- 2.6** One of the important pieces of work undertaken as part of this review was to look at the outcomes of OFSTED Inspection of Children's Centres in Somerset dating back to the commencement of the current inspection regime in 2010 and compare outcomes to the national picture. This situation is as follows in terms of **Overall Effectiveness:**

	<b>No of Somerset CCs</b>	<b>Somerset %</b>	<b>National Average</b>
Outstanding	0	0%	14%
Good	7	30%	59%
Satisfactory	13	57%	25%
Inadequate	3	13%	2%

It should be noted that after re-inspection 2 of the 3 Children's Centres which recorded inadequate judgements were found to be satisfactory.

In order to address the causes of this poor performance relative to other Local Authorities and prepare for any future external commissioning, Helen has provided a set of recommendations regarding the following issues:

- **Governance**
- **Re-organisation**
- **Performance Management**

These recommendations were discussed in detail at the Service Review Board Meeting on 10th May 2012 following a presentation by Helen Kew. Work is now underway to implement an action plan which addresses the issues raised in Helen's report.

### **3. Outline Business Case - Options Considered**

The draft Outline Business Case for the Corporate Service Review puts forward the following options for consideration in terms of how services will be organised and managed:

#### **3.1 All Children's Centre services are managed by SCC with a focus on efficiencies and service development**

Under this option, SCC would continue to deliver the services it currently provides and would recall "in house" the outreach services and management of Children's Centres which is currently procured from the voluntary and community sector. This would allow for the required savings to be achieved within a local authority context and for service improvements to be made under direct County Council management. There is no comparative data in terms of service performance or cost effectiveness to suggest that either the County Council or the voluntary and community sector are more effective or efficient in running the service. The presumption of the SCC Change Programme is that an option to procure the service externally from SCC should be taken forward in situations in which there is no compelling case for SCC to continue to provide the service. **Therefore, this option is not recommended to be taken forward for further appraisal.**

#### **3.2 Current management arrangements for Children's Centre services involving a mixture of existing SCC and voluntary and community sector organisation is retained.**

There is no evidence to suggest that the current management arrangements are maximising service performance or cost effectiveness. The data, in terms of Somerset Children's Centres' performance in Ofsted inspections in comparison to the national average, suggests that the current arrangements do not maximise performance. There is an absence of comparative financial performance data to support this option. **It seems that this option should not be taken forward for further appraisal.**

## 4. Options to Go Forward for Further Consideration

### 4.1 All Children's Centre services are procured from one managing agent via an open market tender.

This option would require pre-work in terms of service improvement, clarity regarding the overall funding package to be made available and the implications of this in terms of level of service which can be achieved. The residual budget and service assets would then be made available to an open market tender compliant with SCC contract standing orders and European Union procurement regulations (Part B).

This process could potentially bring forward a contribution from an **organisation with a strong track record in terms of effective delivery of this type of service. There are a number of such organisations who are likely to be willing to take forward similar contracts, however their preparedness to engage will be dependent on the targets to be achieved and establishment of realistic expectations in the context of the budget available.** Contracting with one provider for the whole budget could have a harmful impact on other organisations, particularly those who currently provide services for SCC. A well designed contract could help to mitigate some of these factors, particularly if it allows for sub-contracting of some service delivery at a local level.

**This option should be considered further but is not the preferred option**

### 4.2 All Children's Centre services are subject to a whole service externalisation

Under this option, all the residual services would be externalised to either:

1. An organisation specifically created for this purpose and awarded a contract to provide services for an initial period (usually three years). **This externalised organisation would be awarded the contract without a competitive procurement process** (Teckal exemption). A full market tender would then take place at the end of this period.
2. An organisation which is being considered for development to provide the future management of other local authority education based services in partnership with the Compact.

The organisation used to effect this externalisation could be established as a stand-alone provision or as a partnership with another organisation. However no independent or private sector organisation could be part of this arrangement if the Teckal exemption is to apply regarding the requirement to tender. The organisation created could be a Company Limited by Guarantee, a Charitable Company, a Mutual or a Local Authority Trading Company (LATC)

**This option should be considered further but is not the preferred option**

**4.3 All Children's Centre services are procured from the private, voluntary and community sector on a cluster or area basis via a process which secures the most appropriate provider for each locally established set of needs.**

Children's Centre services have been developed on the basis that all centres provide some core services but also tailor their provision to the needs of children and families within their reach area. The development phase of the Children's Centre building programme was very much **designed to meet local needs and to facilitate working closely with local partners** within the parameters set by the availability of space. Consequently all the Centres and the services they provide look very different and have very different local partnership arrangements in place. Some of the relationships with local partners are very strong and bring considerable additional resource capacity. Schools are a good example of this. The option to procure services locally would also allow very flexible procurement arrangements as cluster budgets fluctuate from 100k to 400k and some would not be legally required to be procured on the open market.

**This option is the preferred and recommended option for this Service Review**

**5. Timescales for Outline Business Case Discussions**

3 July	Executive Leadership Team
9 July	Cabinet + ELT
4 September	Scrutiny
12 September	Cabinet

**1. Scope and Context**

**1.1 Background**

Somerset has 41 Children's Centres currently registered and subject to inspection by OFSTED. These Centres have been established and then further developed over the last 11 years since the beginnings of the Government's Sure Start Children's Centres Programme in 2001. Children's Centres provide access to integrated services for children under five and their families, including child care provision and early education; family support; health, training employment and services; and the provision for advice and information.

The Service Review of Children's Centres in Somerset has provided an opportunity to review current arrangements for the management and service delivery of Children's Centres and to take stock of their current performance. The Review has also examined what options exist for future management arrangements in light of the priorities identified in the SCC County Plan and the principles underpinning the SCC Change Programme. It is the intention of the Council to become a smaller, more enabling organisation focussed on its

customers and moving towards a target operating model that ensures that services are "right sourced", ie, that the most efficient and effective commissioning solution is applied to community needs. The overall expectation is that in future the Council will shape and influence service provision rather than provide services directly.

A Sure Start Children's Centre is defined in the Childcare Act 2006 as a place or a group of places:

- which is managed by, or on behalf of, the Local Authority to secure that early childhood services are made available in an integrated way;
- through which early childhood services are made available - either by providing the services on site or by providing advice and assistance on gaining access to services elsewhere; and
- at which activities for young children are provided.

It follows from this definition of a Sure Start Children's Centre that the sufficiency of Children's Centres is as much about making appropriate and integrated services available as it is about providing premises in particular geographic areas.

Early childhood services are defined as:

- early years provision (i.e. early education and childcare);
- Social Services functions of the Local Authority relating to young children, parents and prospective parents;
- health services relating to young children, parents and prospective parents;
- training and employment services to assist parents or prospective parents; and
- information and advice services for parents and prospective parents.

A Children's Centre should make available universal and targeted early childhood services either by providing the services at the Centre itself or by providing advice and assistance to parents and prospective parents in accessing services provided elsewhere. Local Authorities must, however, ensure that Children's Centres provide some activities for young children on site.

The Core Purpose of Children's Centres is to improve outcomes for young children and their families, with a particular focus on families in greatest need of support, in order to reduce inequalities in:

- child development and school readiness;
- parenting aspirations, self-esteem and parenting skills; and

- child and family health and life chances.

The legislative basis for Children's Centres was laid down in the Childcare Act 2006 with additional provisions made in the Apprenticeship, Skills, Children and Learning Act 2009.

The Coalition Government has consistently asserted its support for Children's Centres and the funding provided for Local Authorities to provide the services via the 2011-13 Early Intervention Grant was not reduced in line with other public expenditure reductions.

The Government via the DfE is currently consulting on revised statutory guidance which proposes that the basic duties on Local Authorities and their key statutory parties in Local Health Services and Job Centre plus remain largely unchanged. However, there are some proposals which, if implemented, will impact on how Children's Centre services develop in future years:

- increasing focus on families in greatest need;
- opening times and availability of services to be more locally defined to meet the needs of families in their areas;
- Local Authorities to commission this provision in ways which increasingly involve a diverse range of organisations with a track record of supporting families with young children;
- improvements in the transparency of accountability arrangements for Children's Centres.

Somerset's 41 Children's Centres are currently managed by a range of organisations. The majority of Centres (24) are managed by the County Council, 12 by voluntary and community sector organisations and five by schools in the Mendip area.

Within SCC the location of the strategic management of Children's Centres has changed as the Council has over the last decade developed its services for children and young people. In 2008 the responsibility for Children's Centre Services moved from the Early Years and Childcare Service to the newly developed, locality based, Local Services Teams, eight of which were established across the County. From 1 April 2011 Children's Centre management was restructured as a response to the requirement for the Local Authority to achieve savings. The decision was taken to withdraw the Local Service Teams and reduce and reshape the services managed within them. The operational management of Children's Centres was arranged into 14 Clusters and strategic management was located within the Learning and Achievement Service via the Community Services 0 - 19 Group. This is the current management arrangement having been reaffirmed in a Cabinet Member Key Decision taken on 21 March 2012.

There is an expectation that within the 2014 - 2017 SCC MTFP savings will be required from the funding of Children's Centres in order to make an appropriate contribution to the overall SCC savings targets. All options for

change within Children's Centre Services need to take on board the implications of possible budget reductions and create arrangements which can deliver the savings target.

The safeguarding role of Children's Centres has been highlighted during the recent inspection of SCC's Safeguarding and Looked after Children Services by Ofsted in April and May 2012. All options for change will need to be established in a context which maximises the protection provided to the most vulnerable children.

In order to provide an informed external view regarding the current management arrangements and service improvement needs of Children's Centres but also to examine possible options for change, an external expert, Helen Kew, was engaged and she has undertaken a very substantial review of the service.

Helen is currently National Lead Adviser for the Government's Children's Centre Payment by Results Trial and currently works for Together 4 Change a subsidiary company of SERCO. She has wide experience of Children's Centre policy, development and management having worked for Together 4 Children and for a number of Local Authorities during the development phase for Children's Centres. Helen has met with over 112 individuals and held discussions in 13 out of 14 Clusters.

One of the important pieces of work undertaken as part of this review was to look at the outcomes of OFSTED Inspection of Children's Centres in Somerset dating back to the commencement of the current inspection regime in 2010 and compare outcomes to the national picture.

This situation as at 1<sup>st</sup> June 2012 is as follows:

**Overall Effectiveness:**

	<b>No of Somerset CCs</b>	<b>Somerset %</b>	<b>National Average</b>
Outstanding	0	0%	14%
Good	7	30%	59%
Satisfactory	13	57%	25%
Inadequate	3	13%	2%

It should be noted that after re-inspection 2 of the 3 Children's Centres which recorded inadequate judgements were found to be satisfactory. The 3<sup>rd</sup> Centre currently awaits re-inspection.

In order to address the causes of this poor performance relative to other Local Authorities and prepare for any future external commissioning, Helen has provided a set of recommendations regarding the following issues:

- Governance
- Re-organisation



- Performance Management
- Other considerations

These recommendations are as follows:

1. **Governance**

- Agree a clear vision and roles for statutory partners and others.
- Recognition that the LA Health Services and Jobcentre Plus **MUST** have regard to the new statutory guidance.
- Ensure that the governance structure incorporates participation and ownership **at all levels** and that there is a robust system for providing those with governance responsibility with reports enabling them to scrutinise, challenge and support improvement in service delivery.
- The LA is responsible as accountable body to ensure that all CCs are within the remit of an advisory board, that the membership is appropriate (including parents) and that advisory boards are supported to carry out their role effectively.
- Consider how advisory boards could be structured within clusters.

2. **Reorganisation**

- Review reach data for clusters and individual centres.
- Explore mergers where buildings are inappropriate and/or reach is smaller than average. In some cases transfer of the building with an agreement to use as a delivery point may be an option.
- Review daycare arrangements associated with CCs.
- Re-configure clusters and review funding formula/staffing.
- Review existing commissioning arrangements, including the outreach service and which configurations are preferable for future commissioning.

3. **Performance Management**

- Ensure governance structures are appropriate to support PM and that strong governance and leadership is in place at all levels with clear accountabilities and responsibilities at all levels.
- Ensure there is capacity for staff within the LA to carry out its PM responsibilities as accountable body.
- Set up a systemic, quarterly monitoring cycle, including an annual conversation for all centres with RAG ratings and regular effective reporting to an 'Improvement Board' and feedback to centres

(including Advisory Board) on key actions and priorities for CCs individually and overall. *Agenda could include 3 themes over 3 quarters along with leadership/management and advisory board every quarter and an annual conversation in the final quarter.*

- Ensure improvement Board receives copies of all post Ofsted action plans and ensures that actions are being implemented effectively.
- Ensure that targets are set and that challenge is consistent across all CCs.
- Ensure that data is being used to shape policy and resource allocations and that CC staff have skills to analyse data, or analyse data centrally and set priorities for CCs. More data is not necessarily better.
- Review how data is recorded and how partner's data can be incorporated - statutory guidance says that reach is about 'early childhood services' - this includes Health, JC+ and services provided by other partners in the locality eg *daycare, volunteers, community services. Assign families to a 'home' CC and use web based secure access so that all the services they access can be recorded and assigned to that centre regardless of where they are accessed.*
- Ensure there is a clear process for centres which receive an inadequate inspection outcome, including what would happen if there is no improvement.
- Carry out a training needs analysis for CC staff and agree what requirements will be in any future commissioning arrangements.
- Ensure that all CC leaders have NPQICL or a commitment to working towards this and that staff have access to appropriate, good quality training and development that is focussed on improvement priorities overall.
- Ensure that all family support staff have supervision by suitably qualified staff and that there is a clear and consistent system for making referrals.
- Build a 'team approach' across CCs, utilising skills and expertise or existing staff to share good practice, contribute to solving problems/addressing issues and provide peer mentoring.

#### 4. **Other Issues for Consideration**

- Marketing - lack of understanding of what CCs are overall.
- Where do CCs fit into the Early Intervention Strategy?

Developing a Care Pathway - clarifying universal and targeted services and key contact points from pre birth - 5 - clarify roles of

different workers across agencies within the pathway.

- Build relationships with key stakeholders and potential service deliverers - Health, JC+, Headteachers, GPs, Community organisations.
- Consider use of other media to assist in reaching some segments of the population to support them to access some services, thereby releasing capacity to work with those in greatest need.
- A named Social Worker to be identified and able to support all Children's Centres.

Helen's report also provided some very positive comments related to the work undertaken in Children's Centres:

- Very positive feedback from parents.
- Positive direction of travel regarding data, working with Health at strategic level (Healthy Child Programme), positive support from JC+ at strategic level.
- Some good examples of added value and excellent partnership working locally, driven by CC managers with a clear vision.
- Some very good advisory board chairs.
- Commitment and enthusiasm despite turbulence and uncertainty.

It was agreed at the Children's Centre Service Review Board meeting on 10 May that work would begin immediately on the service improvement actions recommended by Helen Kew. This work will also contribute towards the preparation of the implementation of the outcomes of the Service Review.

## **1.2 Key Service Information**

Funding Arrangements:	£7.028m of Early Intervention Grant provided by DfE plus £0.10m of Local Authority funding.
Current Management Arrangements:	24 Children's Centres managed by SCC (seven Clusters). 12 Children's Centres are managed by voluntary and community (four Clusters). Five Children's Centres are managed by schools (three Clusters).
2012/13 Gross/Net Budget:	Gross: £7.128m Net: £7.188m
2012/13 Operational Overheads:	Information to follow

Customers:	The latest GP figures state that there are 29,414 children 0-4 living in Somerset.
Staff Numbers:	Employed by SCC: 159 FTE Funded by SCC but employed by other organisations: 53 FTE
Potential for Pension Crystallisation Costs:	Information to follow
Employees Superannuation Contribution:	Information to follow
Key Statutory Partners:	NHS Somerset. Somerset Partnership NHS Trust Job Centre Plus
Statutory Base:	Childcare Act 2006 Apprenticeships, Skills, Children and Learning Act 2009 Draft Statutory Guidance 2012

In terms of SCC statutory duties the following applies in terms of the sufficiency of Children's Centre Services:

- **Must do:** Duty on the Local Authority to improve the wellbeing of young children in their area and reduce inequalities between them. (Section 1, 2006 Act).

Duty on Local Authorities to make arrangements so that early childhood services are provided in an integrated way to improve access and maximise benefits for children and families. (Section 3, 2006 Act).

Duty on Local Authorities to ensure that there are sufficient Children's Centres to meet local need.

Duty on Local Authorities to:

- ensure all Children's Centres are within the remit and Job Centre Plus whether existing services can be provided via a Children's Centre;
- to receive a report from Ofsted following the inspection of a Children's Centre. The Local Authority is expected to publish a written statement (ie, Action Plan) setting out the actions to be taken in response to the report. (Section 98c, Part 3A of the 2006 Act).

The 2012 Draft Statutory Guidance re Children's Centre Services places the emphasis on services targeted at the most vulnerable families.

- **Want to do:** Currently 29 Children's Centres have full day care provided as a part of their offer to families in the reach area. However, only Children's Centres who have a

majority of the children under five living in their reach area within a super output area amongst the 30% most disadvantaged in the County (30% Centres) are required to provide day care which has at least 0.5 per cent Children's Centre teacher capacity. According to current national data, only five Centres:

Little Vikings (Watchet)  
Acorns (Taunton)  
Eastover, Sydenham and Victoria Park (Bridgwater)  
Reckleford (Yeovil)

have an appropriate majority or are on the cusp of a majority (30/70% Centres) of children in 30% most disadvantaged communities. Somerset has however over the years since the beginning of the Sure Start programme developed its own funding formula for Children's Centres which reflects a broader interpretation of deprivation.

The rationale for the development of this extensive childcare provision was the need to provide sufficiency of childcare and in the early stages of Children's Centre development there was funding available to support the sustainability of these facilities and to support access to training and start-up grants.

It has now been agreed that SCC will move towards a position in which all childcare is managed by private, voluntary or independent sector providers with an equal baseline in costings for those who operate in private premises.

## **2. Options for Change**

Any decision regarding the future management arrangements for Children's Centres will need to be preceded by a decision regarding the future delivery of outreach and family support services. This work is currently delivered by Barnardos and Action for Children as part of a contract let from SCC worth £450k per year. This contract is due to conclude on 31 March 2012. A further separate procurement exercise could be undertaken or it could be "brought in house" and contribute to the required MTFP savings, with the residual funds being sub-divided between Children's Centres.

Future options will also be required to ensure the best possible safeguarding arrangements for Children's Centre services and be mindful of the context of anticipated MTFP savings.

**The following options are for consideration:**

### **2.1 All Children's Centre services are managed by SCC with a focus on efficiencies and service development**

Under this option, SCC would continue to deliver the services it currently provides and would recall “in house” the outreach services and management of Children’s Centres which is currently procured from the voluntary and community sector. This would allow for the required savings to be achieved within a local authority context and for service improvements to be made under direct County Council management. There is no comparative data in terms of service performance or cost effectiveness to suggest that either the County Council or the voluntary and community sector are more effective or efficient in running the service. The presumption of the SCC Target Operating Model is that an option to procure the service externally from SCC should be taken forward in situations in which there is no compelling case for SCC to continue to provide the service. **Therefore, this option is not to be taken forward for appraisal.**

**2.2 Current management arrangements for Children’s Centre services involving a mixture of existing SCC and voluntary and community sector organisation is retained.**

There is no evidence to suggest that the current management arrangements are maximising service performance or cost effectiveness. The data, in terms of Somerset Children’s Centres’ performance in Ofsted inspections in comparison to the national average, suggests that the current arrangements do not maximise performance. There is an absence of comparative financial performance data to support this option. **It seems that this option should not be taken forward for appraisal.**

**2.3 All Children’s Centre Services are procured from one managing agent via an open market tender.**

This option would see the whole service subject to an open market tender compliant with SCC contract standing orders and European Union procurement regulations (Part B). This option is to be considered in further detail in section 3 and would potentially have the benefit of enabling savings to be achieved and bringing forward the expertise of an organisation which has a track record in high quality delivery of Children’s Centre services. **This option will be taken forward for further appraisal.**

**2.4 All Children’s Centre services are subject to a whole service externalisation.**

Under this option, the service would be moved out of the County Council without a competitive process. There are a number of legal vehicles which can be explored to achieve this objective but it is likely that either a link to an organisation which may be developed to manage other education based services or the development of a specific Local Authority controlled company would be the agent for this transfer. **This option will be taken forward in section 3 for further appraisal.**

**2.5 All Children’s Centre services are procured from the private, voluntary and community sector on a cluster basis via a process which secures the most appropriate provider for each locally established set of needs**

This option would allow for the local determination of Children's Centre's services and a robust commissioning and procurement process to be developed which achieves service improvement and achieve savings. However, there remains a challenging context in terms of the delivery of savings as some potential local providers may be unable to deliver services given the reduced funding available to provide services in each cluster.

**However, this option will be taken forward in section 3 for further appraisal.**

### **3. Options**

#### **3.1 Options Appraisal**

The following options are to be taken forward for more detailed appraisal:

3.1.1 All Children's Centre services are procured from one managing agent via an open market tender.

3.1.2 All Children's Centre services are subject to a whole service externalisation.

3.1.3 All Children's Centre services are procured from the private, voluntary and community sector on a cluster or area basis via a process which secures the most appropriate provider for each locally established set of needs.

#### **3.1.1 All Children's Centre services (excluding child care provision) are procured from one managing agent via an open market tender.**

##### **Overview**

This option would require pre-work in terms of service improvement, clarity regarding the overall funding package to be made available and the implications of this in terms of level of service which can be achieved. The residual budget and service assets would then be made available to an open market tender compliant with SCC contract standing orders and European Union procurement regulations (Part B).

This process could be used to drive efficiency and transparency and potentially bring forward a contribution from an organisation with a strong track record in terms of effective delivery of this type of service. The market has a number of such organisations who are willing to take forward similar contracts, however their preparedness to engage will be dependent on the targets to be achieved and establishment of realistic expectations following the clarity regarding savings. Contracting with one provider for the whole budget could have a harmful impact on other organisations, particularly those who currently provide services for SCC.

A well designed contract could help to mitigate some of these factors, particularly if it allows for sub-contracting of service delivery at a local level. Safeguarding would also need to be at the forefront of any tender

arrangements with robust policies and procedures in place to protect the most vulnerable children.

### **Advantages**

- The service could be evaluated against current market rates.
- Required savings could be achieved via the outsourcing as a competitive tendering process and would encourage cost efficient bids.
- A robust organisation with a strong track record (including child protection performance) can be engaged which will reduce the risk of service failure and maximise performance.
- The priorities of the Change Programme in terms of the reduction in SCC work force can be achieved.
- SCC operational overheads could be reduced as bidders are likely to have existing resources which can be extended to support the work of Children's Centres.

### **Disadvantages**

- The cost of the initial tender process would be high due to the size, complexity and geographic spread of the service to be procured.
- Service users would need to be consulted and engaged fully in the process.
- There are significant property issues such as the management, repair and further development of buildings, which impact on the delivery of Children's Centres and the tender process which would need to be addressing these.
- The tendering process and monitoring arrangements would need to be robust to ensure that a competent organisation is recruited which can deliver and maintain the required level of service.
- The tender to a single provider may reduce choice and have an adverse impact on a number of organisations, particularly those who currently provide Children's Centre Services.
- The implications of pension deficit crystallisation would need to be addressed and the costs factored into any tender.
- Information on the SCC Corporate Overheads for Children's Centre services re the costs below will follow :
  - Capital charges
  - Carbon reduction
  - SCC support services
  - Accommodation
  - SWOne fixed charges



- SCC and SWOne charges
- Pension deficit

Any tendering process would be undertaken on the basis of new overheads being funded and to avoid duplication. This may result in SCC bearing the cost of any existing arrangements.

- A new provider will need to revise the existing information sharing protocols linked to Children's Centres and procure appropriate safeguarding services.
- TUPE regulations would apply to this transfer and the process would need to be planned with this requirement in mind.
- There may be a cost implication in terms of VAT dependent upon the type of organisation which is providing management.

### **Risks Associated with this option**

<b>Option</b>	<b>Description of Risk</b>	<b>Impact/ Likelihood</b>		<b>Mitigation</b>
3.1.1	The tendering process and monitoring arrangements are not sufficiently robust and the required level of service including the deliver of savings targets is not delivered.	4	3	Development of a robust service plan and full business case if this option is chosen.
	The cost of changes to Corporate Overheads and to pension deficit crystallisation and VAT are prohibitive and place a burden on SCC and the Children's Centre budget.	3	3	Detailed work on these costings will need to be undertaken as part of the process of developing a business case.
	There is an adverse impact on the local voluntary and community sector from the fact that one provider is secured.	3	3	Detailed examination of the outline business case and exploring options for sub-contracting.

### **Conclusion**

This option would ensure that the services are transferred outside of the County Council and there are manageable risks associated with this option. However, there are potential difficulties created in terms of the services which will eventually be provided. There is risk if the chosen provider does not achieve high quality service delivery or the necessary savings targets. There are also problems created for the voluntary and community sector by the

potential exclusion of established providers from the management of Children's Centres. Also local arrangements with schools and voluntary organisations which have been developed locally and currently work effectively may not be continued under this arrangement.

### **Recommendation**

This is for further consideration but is not the preferred option.

### **3.1.2 All Children's Centre services are subject to a whole service externalisation**

#### **Overview**

Under this option, all the residual services would be externalised to either:

1. An organisation specifically created for this purpose and awarded a contract to provide services for an initial period (usually three years). This externalised organisation would be awarded the contract without a competitive procurement process. A full market tender would then take place at the end of this period.

The organisation used to effect this externalisation could be established as a stand alone provision or as a partnership with another organisation. However no independent or private sector organisation could be part of this arrangement if the Teckal exemption is to apply regarding the requirement to tender.

The organisation created could be:

- Company Limited by Guarantee
- Company Limited by Shares
- Community Interest Company
- Industrial and Provident Society
- Charitable Company
- Mutual
- Local Authority Trading Company (LATC)

2. An organisation which may be established to take forward the management of other educational services with the support and partnership of the Children and Young People's Compact.

#### **Advantages**

- This approach can be implemented as a phased approach to a full market tender and allow service improvements and MTFP savings to be achieved.
- Sub contracting could be achieved to allow the continued involvement of the private, independent and voluntary sector organisations in Children's Centre services.

- The objectives of the Change Programme in terms of reducing the size of SCC's work force would be achieved.
- SCC would retain sufficient control to drive service improvement and ensure safeguarding and child protection concerns are addressed.

### **Disadvantages**

- There is potential for legal challenge to the interpretation of the Teckal exemption.
- There would be substantial costs in the initial establishment of a legal entity and in the transfer of the business and the staff.
- The entity established although responsible to SCC would have no track record of delivering services.
- Costs will remain higher than in outsourcing arrangements due to the need to continue to procure back other services from SCC and South West One.
- If the externalised company failed to win the tender at the conclusion of the initial period, SCC would be responsible to transfer/redundancy costs.
- Issues regarding:
  - Pension Deficit Crystallisation
  - Information Governance
  - TUPE
  - VAT

All would apply as in 3.1.1.

### **Risks Associated with this option**

<b>Option</b>	<b>Description of Risk</b>	<b>Impact/ Likelihood</b>		<b>Mitigation</b>
3.1.2	Double funding of overheads/back office services as the externalised organisation makes its own arrangements for services which are currently costed to SCC.	3	4	Some double funding may be necessary in the short term.
	The impact of the pension deficit and VAT implications makes this option unviable.	4	3	Examine these issues in detail at the point of development of the full business case.

Robust monitoring arrangements are not in place to ensure improved service delivery and achievement of savings targets.	4	2	Contracting capacity is established as part of the full business case.
The cost of establishing an externalised company provides too high to be viable.	4	2	Examine these issues in detail at the point of development of the full business case.

## Conclusion

The major benefit of this option is that the service is transferred from the County Council but it has a continued oversight and ability to ensure high performance. However, some local arrangements involving the voluntary and community sector may not be able to fit easily within this option and it may well prove to be expensive and complex if it goes forward for the development of a full business case.

## Recommendations

This option is for consideration but not the preferred option.

### **3.1.3 All Children's Centre services are procured from the private, voluntary and community sector on a cluster or area basis via a process which secures the most appropriate provider for each locally established set of needs.**

## Overview

Children's Centre services have been developed on the basis that all centres provide some core services but also tailor their provision to the needs of children and families within their reach area. The development phase of the Children's Centre building programme was very much designed to meet local needs and working closely with local partners and the parameters set by the availability of space. Consequently all the Centres and the services they provide look very different and have very different local partnership arrangements in place. Some of the relationships with local partners are very strong and bring considerable additional resource capacity. Schools are a good example of this.

The option to procure services locally would also allow very flexible procurement arrangements as cluster budgets fluctuate from 100k to 400k and some would not be legally required to be procured on the open market. Safeguarding arrangements could be secured at a local level by engagement with a voluntary organisation which has this expertise and by closer working with Children's Social Care and the area based Early Intervention PODS.

## Advantages

- Allow for the continuation of effective local arrangements and the meeting of local need.
- Provide opportunities for private, independent and voluntary sector organisations.
- Achieve the Change Programme objectives of reducing the SCC work force.
- Operational overheads can be reduced as bidders will potentially bring their own capacity.
- Savings can be achieved at a local level.
- Involvement of service users in the process of procurement can be high.

### **Disadvantages**

- The procurement process could be costly and complex with an array of small contracts created.
- The tendering process and monitoring arrangements would need to be robust to ensure that competent organisations are recruited which can deliver and maintain the required level of service.
- The implications of pension deficit crystallisation will need to be addressed and the impact and cost of this and TUPE arrangements on some organisations may be prohibitive.
- Providers will need to have appropriate information sharing and child protection arrangements in place.
- The service will be very fragmented and it is clear that high performance in terms of Ofsted is often driven by strong central co-ordination.

### **Risks Associated with this option**

<b>Option</b>	<b>Description of Risk</b>	<b>Impact/ Likelihood</b>		<b>Mitigation</b>
3.1.3	The procurement and monitoring arrangements are not robust enough to ensure that each cluster delivers service improvements.	4	2	Detailed work on the business case and procurement arrangements can mitigate these risks
	The impact of pension deficit and VAT costs make this option unviable.	4	2	Detailed examination of these costs at the stage of the business case

The required savings create a situation in which providers find it unviable to participate in procurement arrangements.	4	3	Clarity regarding the required MTFP savings
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## Conclusions

This option would ensure that the SCC Change Programme priority of transferring services from the County Council is achieved but that a strong local flavour can be maintained in the arrangement of services. Significant local investment of resources by voluntary organisations and schools can be maintained and potentially enhanced and the Government's objective of involving private voluntary and community organisations and locally led parent groups or social enterprises in the management of Children's Centres can be achieved.

## Recommendation

It is recommended that this option is taken forward for full business case development as the preferred option

### 3.2. Timescales for Outline Business Case

3 July	Executive Leadership Team (ELT)
9 July	Cabinet + ELT
4 September	Scrutiny
12 September	Cabinet

## 4. Impact of Options

Changes in the arrangements for the management of Children's Centre Services which ever option is finally agreed will have little impact on service users or potential service users who have protected characteristics. There is also unlikely to be impact on community safety, sustainability, health and safety, privacy or business risk as all the organisations likely to take on management of services will have clear policies in place and strong track records in minimising the impact of these issues. In addition the tender process and development of the full business case will be mindful of these risks.

However the impact of possible MTFP savings in the service budget from 2014 may have implications in all these areas as it is possible that reductions may be required in the services offered to children and families.

## **5. Interdependences**

Children's Centres deliver integrated services which rely on partners to provide resources and support to create an integrated offer of services for children under five and their families. The key statutory partners are Health and Job Centre Plus and any decisions to externalise or outsource would therefore need to be undertaken jointly with partners following extensive consultation. The Service Review of Children's Centres has considerable interdependency with existing service reviews of 0 to 5 services, ie. Early Years and School Improvement and Childcare Sufficiency.

## **6. Next Steps**

To develop one or more full business cases ahead of a final decision by SCC Cabinet at a later date. This will require:

- development of a full business case for the option/s to be taken forward;
- a consultation with key and statutory partners including Health and Job Centre Plus;
- a consultation with families who currently use the service;
- a consultation with staff and relevant trade unions;
- work to identify a possible vehicle for an externalised service if this option is taken;
- discussions with the Children & Young people's Compact regarding Schools' involvement in management of Children's Centres;
- market testing to shape the viability of a whole service outsourcing if this option is taken forward.
- continued work on the Service Improvement Plan and proposals to achieve the required savings;
- work on VAT and pensions implications;
- work on the impact assessment.