

APPENDIX 2



**BUSINESS PLAN
February 2013**

**Establishing Investing in Children as an independent social
enterprise.**

Liam Cairns
Director
Investing in Children

1. Introduction

1.1 This business plan is the result of a feasibility study undertaken by myself, Liam Cairns, for the launch of Investing in Children as an independent social enterprise. Throughout I have been advised and assisted by SES (Sustainable Enterprise Strategies CIC), a local enterprise agency specialising in Co-operative and Social enterprises

The purpose of the feasibility study was to test the viability of 'spinning out' Investing in Children from the control of Durham County Council and establishing it as an independent social enterprise. Once the viability of the proposal was determined, and using the results of the feasibility study, the business plan was constructed to map out the practicalities of launching Investing in Children in this new form.

The feasibility study was in response to the review currently being undertaken by Durham County Council in response to public spending cuts and the Government's agenda to encourage Local Authorities to 'outsource' their services, and the promotion of social enterprises, co-operatives and mutuals as appropriate models for potential spin outs. The reality is that some highly valued local authority in-house services will be lost unless alternative arrangements can be made.

Investing in Children is a Durham County Council service that was identified early on as one that could be delivered through an alternative organisational model that freed it from certain constraints of operating as an arm of the Council. The Council views Investing in Children as a great success and have approached this potential spin out from a clear perspective of wanting to do what is best for the service. There is a belief that 'outsourcing' will provide the freedom to enable Investing in Children to:

- maintain services in Durham with a much-reduced County Council contribution;
- increase its flexibility
- increase its competitiveness in its target market,
- diversify and increase its service and product range,
- deliver improved outcomes, and most importantly
- sustain and improve the quality of service to its customers

The business plan represents a real determination to protect and maintain the service. The plan aims to provide a route map for the changes necessary to create a re-invigorated, sustainable, independent but accountable body to its stakeholders.

The creation of a separate business entity which is seen as separate from the Council is seen as essential to enable the service to open up doors to new income streams which are presently closed to it.

The choice of the most appropriate legal structure is based on an 'Options' paper (see Appendix 1), written by SES on legal structures for Durham County Council, which was then tested, refined and decided upon during the construction of the business plan. This follows 'best practice' because the identification of an appropriate legal structure must be subjected to the practicalities of the business planning process. For example, financial forecasts might demonstrate that a particular venture could only be viable if it can secure rate relief, and this would influence the choice of structure.

There is a view that a co-operative business model, with its range of membership and stakeholder options, may offer an ideal model for the creation of the new 'entity'. It cannot

also be ignored that there is a great deal of interest politically both locally and nationally and across the parties, of the contribution co-ops can make to the reform of public services, particularly as a model that protects the interest of the public service employees.

This business plan explores the alternative delivery model from a commercial perspective. As such it explores:

- trading and income generation over the past few years;
- detailed market research to assess the needs and aspirations of existing partners, and to inform areas for potential diversification of products and services, and the introduction of new ones, to meet identified new areas of demand: and
- the justification for the income projections for the first 3 years of independent trading, leading to full financial projections.

The business plan, once agreed, will be used to implement the service development and plan the transfer of the service into a co-operative business. It will also be used to support funding bids to new potential sources like the 'grant making trust' which will not fund Council services directly. (see Appendix 2)

1.2 Next steps

This report lays out the business case for 'spinning out' Investing in Children from local authority control, and creating a new Cooperative Community Interest Company.

When this is agreed, more detailed work will be done to create and agree a specification of the future services that liC will provide to the County Council; consult with the Trade Unions; and explore in more detail alternative funding streams.ill be subject to the satisfactory conclusion of these discussions.



2. Background

2.1 Investing in Children was established in Durham in the mid-nineties, with the purpose of promoting the human rights of children and young people. Originally a partnership between the local authority and the health authority, iC has developed a regional presence, and is now involved in a number of national projects.

In many ways, Investing in Children was ahead of its time. It is now widely acknowledged that children and young people must be seen not simply as **recipients** of services, but as citizens and potential **participants** in the development of policy and practice. This is a matter of both ethics – children and young people have rights; and pragmatism - engaging children and young people in a dialogue about the services they use leads to service improvement. This is now enshrined in Government policy, both in the UK and across most European countries.

The iC approach is, we believe, unique. It focuses upon first of all creating opportunities for a dialogue, between children and young people, as they develop their ideas, and then a dialogue between them and service providers, as they seek to turn their ideas into action.

Using this approach, children and young people have achieved significant improvements in the services they receive. This has ranged across the public sector, from health services used by young diabetics to the provision of public transport.

The Investing in Children Membership Scheme creates and promotes opportunities for children and young people to influence services in their everyday lives. Organisations such as schools, GP practices or leisure centres can apply for Membership by demonstrating that they are engaging children and young people who use their services in a dialogue, and that change occurs as a consequence. What makes the Membership Scheme so potent is that the evidence in support of an application must come from the children and young people themselves. There are currently 470 Membership sites across the UK.

Children and young people occupy a central position within iC itself. They contribute to all aspects of the projects activities, from the appointment of staff to the delivery of training, to strategic management.

Since 2005, the Investing in Children Development Agency has entered into partnerships with a number of public service agencies from across the UK, in order that the Investing in Children approach could be shared through a sort of 'franchising' process. This collaboration between individual agencies or groups of agencies, and the Development Agency both extended the opportunities for children and young people to contribute to the

debate about policy and practice and at the same time allowed Investing in Children to generate income outside of County Durham.

Many of these partnerships still exist, and new ones have been formed. The approach of the Development Agency is to nurture sustainability by focusing on the development of capacity within the partner agencies themselves. There are currently eight active external partners and 160 external Membership sites.

2.2 The Development Agency Business Model

Organisations that enter into a partnership with the Development Agency were provided with services from the following list:

- (i) Policy consultancy. Providing strategic leaders and managers with evidence from research and practice to assist them to create and own the participation strategy.
- (ii) Staff Development. Using an Action Learning process, develop the capacity of key workers within the Partnership to use the liC practice model. (At the earliest opportunity, the Development Agency will offer a 'Training the trainers' course, and license partnerships to provide their own staff development programme).
- (iii) Practice Support. Experienced Development Agency staff will work alongside Partnership staff, as they acquire confidence in using the practice techniques (Agenda Days, Research teams, etc)
- (iv) Accreditation of applications for liC membership. This is the only function which will not transfer to the franchised partnership, at the end of the development period.

Originally, new partners were encouraged to use all of the above services. However as the Development Agency has matured, new partners have created a variety of arrangements through which the development process is managed, in order to take into account local circumstances. The content of each development contract, and the costs involved, are a matter for individual negotiation.

This flexibility is crucial to this business plan.

2.3 What do other people think of Investing in Children?

This is how other people have described Investing in Children:

“ In Durham, children and young people’s views are used effectively and consistently to influence change, shape services, improve practice and service delivery. Children and young people contribute through the Investing in Children (liC) service to high-profile issues such as obesity, emotional health and sexual health.”

Ofsted Good Practice Website. (See Appendix 4)

“If we seek to influence children and young people’s lives through encouraging their aspirations to achieve to the best of their ability, live healthier more satisfying lives, and

use their strengths to contribute to their communities, we have to understand that involving them in policies and delivery of service is not only important as a principle, but vital as a tool for achieving change. Few organisations have grasped this principle as well as liC, who are now in the process of changing the way adults think and behave in many areas."

Ex-Director of Social Services, Portsmouth

"Investing in Children, builds the strong case, demonstrated in all its projects, that citizenship is not something to be learned from books in lessons; it is something to be lived and experienced..

Investing in Children has a track record in helping young people to engage as citizens and to do so throughout their adult lives. It is a remarkable achievement and remains for me an inspiring model for democratic renewal everywhere."

Emeritus Professor of Continuing Education, Durham

"I am delighted that we have received this [Investing in Children Membership] award. It is public recognition of a tremendous amount of hard work that has been undertaken in the last two years by the team and the young people involved. As a council we are the corporate parents of these children and young people and we have a duty to listen to them as any parent would to their child, and act on what they say."

Elected Member, Darlington

"The full involvement of young people rather than one off consultations, has led to significantly improved services for adolescents with mental health problems.. Their ideas on the design of a new service from the planning stage to the implementation stage has helped us to avoid errors made in the past with regard to location and accessibility, and ensured active take up by its users."

Northeast Regional Mental Health Service Strategic Manager

"The concept of young people led research frightens some adults. The Agenda Day model [developed by Investing in Children] is a really good research model for generating the views of young people without the danger of adult influence. There are issues raised in the report that may have not been raised through other research approaches."

Professor of Social Geography, Durham

"Investing in Children recognises and celebrates the culture of a setting where the child is at the centre of everything. One where children are engaged in their learning, listened to and their choices respected by all around them. Its all about what can be done, not what can't be done, and the longer it is practised, the easier it becomes,"

Nursery School Head, Newcastle

It is reasonable to conclude from the information above that Investing in Children is a service that is needed and held in high regard. The business plan now looks in detail at the current position of Investing in Children.

3. Investing in Children: Current Position November 2012

3.1. Introduction

The current Investing in Children team consists of ten posts, based within the One Point Hub at Chester le Street. All of the team are employees of Durham County Council. Organisationally, Investing in Children is part of the Early Intervention and Involvement service of Durham County council's Children and Adult Services.

The majority of the Team's work is based in Durham (see below). Historically, Investing in Children was created by a partnership between the County Council and the local NHS, and contributions from these two organisations make up the base budget of the project.

3.2 Investing in Children's work in County Durham.

Investing in Children supports a number of Durham-based children and young people's projects. Some of these are permanent, and some are time limited. The following list captures the Project workload in September 2012:

- One Point. Reference Groups for each of the 10 One Point Centres.
- eXtreme Group. Children and young people with disabilities.
- PCT Involvement Board. Children and young people's reference group for health.
- Diabetic Reference Group – supporting service improvement in Co. Durham & Darlington
- Natural Allies. Supporting children and young people with communication needs.
- Emotional Health and Wellbeing Group.
- Overview and Scrutiny Reference Group.
- Supporting young people to contribute to the Area Action Partnerships.
- You're Welcome – collaboration with DoH scheme to make health services child- and young people friendly.
- Rights Respecting Schools Award – collaboration with UNICEF scheme.
- Children and young people's Reference Group to support the Children's Trust.
- Play Strategy – supporting children and young people to contribute to the strategy.
- Community Buildings – supporting children and young people to contribute to the community buildings strategy.
- County Durham Plan – supporting children and young people to contribute to the plan.
- Community development – supporting children and young people in communities.
- LGBT Group
- Children in Care Council.
- Drive Project – driving lessons for young people looked-after.
- Freedom Card – access to leisure, culture and sports facilities for children and young people looked-after.
- NYAS – management of contract commissioning external, independent advocacy service
- Other Space – supporting children and young people in the Secure facility at Aycliffe Young People's Centre
- Local Safeguarding Children Board reference group.
- In addition, there are 308 Investing in Children Membership sites. Investing in Children provides the infrastructure for the Membership Scheme, and team members complete the evaluations of each site, either annually or biannually.

The team also support children and young people to contribute to a range of training and professional development courses.

In addition, Investing in Children has external contracts and work commitments through the Development Agency which are listed below:

3.3 Work outside Co Durham - Investing in Children Development Agency.

The Development Agency workload is made up of a number of formal contracts, some offshoots from previous contracts, some Membership-only work and some work-in-development:

- NTW. Northumberland, Tyne and Wear NHS Foundation Trust won the contract to provide child and adolescent health services in the South of Tyne Area. Investing in Children is a sub-contractor in this contract, which runs until 2014.
- Newcastle City Council. One of the original IiC partnerships, Newcastle now has its own team, and commissions validation of Membership awards only. There are currently 76 Membership Sites in Newcastle.
- Alder Hey Children's Hospital in Liverpool. Investing in Children provides a mixture of consultancy and Membership Evaluations. Currently there are 13 Membership sites
- Isle of Man. Investing in Children has an agreement with the Isle of Man Government to make the Membership Scheme available to all schools in 2012-13. Two local consultants have been trained. There are currently 3 Membership sites.
- VOYPIC. Voice of the Young People in Care in Northern Ireland. Currently have Membership, and are exploring an active role in promoting Investing in Children across the province.
- South of Tyne and Wear PCT- one Membership site and further discussions taking place.
- Northumberland CAMHS – 1 Membership site
- Barnet CAMHS – Contract ended 2009 but 1 Membership site remains.
- Portsmouth City Council – 1 Membership site
- IAPT – DoH 1 year programme (2012-13) to increase access to psychological therapies. Investing in Children involved in four areas; Durham, Darlington, Tees and N Yorks.
- 5 Boros CAMHS. Contract ended in 2010, but 4 Membership sites remain.
- E Lancs CAMHS. Contract ended in 2010 but 2 Membership sites remain.
- Liverpool Children's Fund. Contract ended 2010 but 5 Membership sites remain.
- Darlington Children's Trust. Contract ended 2011, but 7 Membership sites remain
- Stockton Children's Fund. Contract ended 2009, but 3 Membership site remain
- Tees Esk and Wear Valley CAMHS – Membership only. 7 Membership sites.
- Hull City Council. Contract ended in 2011. Currently 26 Membership sites, but future uncertain.
- In addition, 7 separate independent organisations have membership. Total Development Agency Membership is 160
- World Health Organisation Task Force. Investing in Children is a member of a WHO Task Force looking at children's rights in hospitals.

3.4 Emerging markets

Finally, there are 3 significant new markets which are being developed by the staff of Investing in Children which offer the potential of new and significant income streams for the future:

Investing in Children in Scotland. We have been exploring the possibility of extending work into Scotland for the last 18 months. Currently, we have 6 Membership sites and 3 ongoing evaluations, and partnerships with the Scottish Social Services Council and Edinburgh University. A major conference was delivered in September 2012 and we are now in discussion with two local authorities about potential contracts..

Young people and Research: A group of 5 Universities are working with Investing in Children, exploring the issue of children and young people's involvement in research. We are currently part of a European partnership spanning five countries which is bidding for a research contract into effective ways to support young people not in education, training or employment.r

European Children's Rights Unit: Investing in Children is in partnership with ECRU at Liverpool University, and is actively exploring opportunities in the EEC.

3.5 Breakdown of Income and expenditure 2011 - 13

Set out below is the detail of the income generated by Investing in Children for the financial year 2011/12, the overheads incurred to deliver the service, and the expected income and expenditure for the current financial year of 2012/13. This provides the starting point for the business plan to start to define the potential income generation for the business.

Income and Expenditure Table – 2011 – 2012 (Actual)

<u>rganisation</u>	<u>Amount £</u>	<u>Description</u>
<u>Income</u>		
2011-12		
Newcastle City Council	7728	
NTW	17500	3 yr contract, Oct 11 – Sept 14
Durham PCT	73288	
Alder Hey	52382	
AYPC	15683	
Darlington B.C.	6223	End of contract
Training/research	4583	
Individual Memberships	2226	
Misc	1855	
	Sub	
total	181468	
Durham County Council contribution	257426	

<u>TOTAL Income</u>	<u>438894</u>
<u>Expenditure</u> 2011-12	
Salaries	366500
Travel	12000
Premises	14000
Consulting children	18000
General office	5500
Telephones	1500
<u>Total Expenditure</u>	<u>417500</u>
<u>Surplus (deficit)</u>	<u>21,394</u>

Income and Expenditure Table – 2012 – 2013 (Projected)

Organisation	Amount £	Description
<u>Income</u>		
2012-13		
Newcastle City Council	7728	
NTW	31760	3 yr contract, Oct 11 – Sep 14
Durham PCT	73288	
Alder Hey	c21000	
AYPC	15643	
IAPT	15000	1 yr contract Sep 12- Sep13
		3 membership sites and contract with SSSC
liC Scotland	c9000	
IoM	c2000	
Northern Ireland	c2000	
Stand alone membership sites	c14000	
Sub total	191419	
Contribution, Durham County Council	222652	
<u>TOTAL Income</u>	<u>414071</u>	
<u>Expenditure</u>		
2012-13		
Employees	325,541	
Travel	16000	
Consulting children	18000	
Supplies and Services	12500	
<u>Total Expenditure</u>	<u>372041</u>	
<u>Surplus (deficit)</u>	<u>42030</u>	

The overall expenditure of Investing in Children reduced between 2011-12 and 12-13 by £45k, mainly as a result of restructuring which reduced the size of the staff team, and relocating to County-owned premises. This allowed the County Council contribution to be reduced.

It is also significant that over this period the amount of non-County Council income increased, and now makes up almost 50% of the Investing in Children budget.

These figures are the 'starting point' for the future development of Investing in Children which is set out below. By establishing an independent social enterprise, the aim is to continue to increase the % of non-County Council income. The reduction of the County Council contribution will have to be achieved through the business increasing its income because most of the efficiencies have already been achieved to reduce the overheads during recent restructuring. It is believed that increased income generation could be accelerated through externalising the service.

4. Market Research - Expansion and diversification of services

4.1 Investing in Children would now like to further develop its services and become an independent but accountable business. This is because of a general belief among our stakeholders that this will make it more sustainable; some have the view that it is the only option open to us because of the policy changes and cutbacks in public expenditure at a national level.

The market research has shown that the service is highly regarded and well used, and there is a real desire for Investing in Children to continue to provide services throughout County Durham and beyond. (please refer to the appendices for Investing in Children's last Annual Report, the entry on the OFSTED best practice website and an Evaluation Report Compiled in March 2007 by Dr John M Davis, Senior Lecturer/Co-ordinator BA Childhood Studies, University of Edinburgh)

The vision is to create a viable and sustainable business which can continue to deliver its existing services, whilst diversifying and developing projects and resources which are of interest to a wider audience. Recent experience suggests that a flexible approach and a willingness to reshape the Investing in Children offer to meet the needs of the moment, without compromising on the project's principles, will lead to new opportunities to form new partnerships.

For example, the Membership Scheme is proving to be an attractive proposition even in times of financial pressure and is opening new opportunities for Investing in Children which will result in new and increasing income streams in the future. This may be due to its inclusivity, its simplicity, the fact that it is so accessible to children and young people (from early years to late teens) or its relatively low cost, but it is clear that potential partners are interested (hence the discussions with European colleagues – see below.)

One cannot also ignore the fact that separating Investing in Children from the County Council will open doors to other types of funding which are not available to local authorities such as those provided by the Grant Making Trust (e.g., Esmee Fairburn, the National Lottery, and loans and grants specifically targeted at co-ops, mutuals and social enterprises. (See Appendix 2 for a list of potential funding bodies.)

4.2 Preparing for 2013 and beyond

The business plan for 2013 is focused upon two areas: consolidating work with current partners; and developing potential partners/markets.

Current Partners.

Investing in Children has a number of long term partners who have formed the bedrock of the project. These include the County Council and the local NHS (the creators of Investing in Children) and latterly Newcastle City Council and Alder Hey Hospital. Investing in Children has also worked in close partnership with, and continues to contribute to, various CAMHS agencies.

The quality of the services provided to these services must be sustained and the services themselves developed so that they continue to be well-regarded and seen as providing value for money.

Potential Partners/Markets

There are a number of significant opportunities facing Investing in Children at the moment:

Investing in Children Scotland.

The situation in Scotland is different from England.. The distance between national government and local government is so much shorter, and the opportunities for working across organisations is greater. Investing in Children is part of a potentially powerful partnership, including the Scottish Social Services Council and Edinburgh University (where academics have close link to civil servants). Constructive discussions are ongoing with the Scottish Children's Commissioner's Office and two local authorities, which bode well for the future.

Investing in Children Europe.

Eurochild is a European umbrella children's rights organisation that has close links to the European Commission. They have identified the Investing in Children Membership Scheme as a unique and potentially potent means of measuring the impact, as experienced by children and young people themselves, of adopting a new Children's Rights Charter, which the Commission intends to do in 2015,. The pilot project that is being planned with the European Children's Rights Unit of Liverpool University has the potential to open up a substantial work stream for liC.

Stand-alone Memberships.

It is fair to say that the Investing in Children has been surprised by the number of individual units who have decided to commission their membership evaluation after their parent organisation has ended its contract with liC. There is clearly a market at this level, which would require a targeted information campaign.

Working with Academia.

In the last year, Investing in Children has begun to formalise its relationship with academic institutions. Two particular opportunities are apparent :

- *Research:* There is a growing debate about how children and young people can be active participants in research. A number of Universities have expressed an interest in including Investing in Children in applications for research grants, to ensure that young people are participants in the research process. As noted above, we are part of an application for European funds to research the plight of young people who are not in education, employment or training.
- *Professional Development:* In ‘ Grit in the Oyster’ the second independent evaluation of Investing in Children, Professor Bill Williamson suggested that long term gains in the promotion of children’s rights would, in part, be secured by improving the training of teachers, social workers, nurses and others who work with them. Investing in Children is well placed to support children and young people to be contributors to professional development, and has worked with the Childhood Studies Course at Edinburgh University and the regional social work and youth work courses in the northeast.

4.3 Competition

One of Investing in Children’s greatest strengths is the absence of any significant competition. That’s not to say that there aren’t other children’s rights organisations, but none with a Membership Scheme like Investing in Children, and it is the Membership Scheme which has attracted attention, in Scotland and Europe. This means that we can control this part of the market by retaining control of the accreditation of applications for IiC membership.

4.4 Marketing Plan

As stated above, market research has shown that the Service is highly regarded and well used, and there is a real desire for Investing in Children to continue to provide services throughout County Durham and beyond.

The marketing plan is to create a viable and sustainable business which can continue to deliver its existing services, but can diversify and develop projects and resources which are of interest to a wider audience. To achieve this, the social enterprise needs to:

- adopt a flexible approach and a willingness to reshape the Investing in Children offer to meet the needs of the moment, without compromising on the project’s principles, leading to new opportunities to form new partnerships
- as shown by the success of the membership scheme (in hard times), promote its inclusivity, its simplicity, the fact that it is so accessible to children and young people (from early years to late teens)
- celebrate its relatively low cost (key to the success of the business is to ensure its pricing policy is right, and this may vary relating to the customer).
- increase investment in advertising and promotion.

4.5 Pricing Policy

The pricing policy for current Development Agency projects is based upon an assessment of the cost of the work to Investing in Children (including management and administrative costs) plus a 15% development fee. This will be reconsidered, and a future pricing policy will be created, designed to support a sustainable social enterprise. This will require more detailed work.

4.6 Projecting future business

The starting point for this business plan was based upon the assumption that Investing in Children can continue to grow its external (i.e. non Durham County Council) income so that the services to the County Council can be maintained at a much-reduced cost, and at the same time it can continue to pursue its fundamental aim of promoting the human rights of children and young people.

It was also based upon the premise that the County Council (along with the PCT and our other Development Agency Partners) appreciate both the value of being part of a 'community of practice' in which the learning from one site is made available to all, and the reputational benefit that Investing in Children brings. This is most clearly evidenced by the inclusion of Investing in Children as an exemplar on the OFSTED 'Best Practice' website (Appendix 4), which acknowledged that Durham County Council is a cutting-edge local authority.

Also, as stated above, separating Investing in Children from the County Council will open doors to other types of funding which are not available to local authorities such as those provided by grant making Trusts, the National Lottery, and monies targeted specifically at social enterprises. (See Appendix 2 for a list of potential funding bodies.) But this business plan does not take into account what could be potentially lucrative new income streams. Instead it concentrates on the current 'trading' or 'commercial' activities of the business to test its strength and future viability as a business.

To test the strength, viability and sustainability of Investing in Children as an independent social enterprise, the assumptions and premises needed to be subjected to vigorous market research, and to see what financial value (potential work and contracts) sits behind these expressions of support.

The following table showing the projected external income for 2013-14 is the main result of our market research. It is based upon previous income, existing contracts and direct contact with the potential partners to gauge the level of interest, the amount of work they are likely to commission and its value.

The notes below the 'income table' provide the details of this market research which in turn justifies the assumptions upon which the detailed financial projections are made.

4.7 Projected Income table – 2013 - 2014

The figures presented in the table below are based upon actual spending in previous years, or estimates that are based on our market research but are deliberately conservative in nature.

We cannot be absolutely definite on the income we will generate as an independent social enterprise, but our past history shows that when we have set a budget at the beginning of the financial year we have always underestimated external income we actually achieve. The end of year accounts always show that we have raised more than budgeted for and there is no reason why this should not continue. Moreover the potential to generate our own, external income should increase because of the move to independence, and the increased commercial freedom it will bring to exploit new markets and to increase our trade from outside County Durham.

It is significant then, that at this point, the projected external income already exceeds the total achieved last year. From this perspective, the prospects for 2013-14 are good, and likely to get even better before April 2013.

Projected 2013-14	Income	Amount	Comments
Newcastle Council	City	7728	Maintains their 60+ Membership sites
NTW		19155	Contract ends Sept 14, unless commission is renewed
Durham PCT		73288	This amount has been confirmed
Alder Hey		15000	16+ Membership sites and support to their children, young people and parent's forum
AYPC		13643	Reduced by £2000
IAPT		25000	End of a one year project
liC Scotland		c20000	Doubling of Memberships plus contract with 2 local authorities
IoM		c2000	Maintain Membership activity
Northern Ireland		c2000	Maintain Membership Activity
Stand-alone membership sites		c20000	Based upon 12 new sites during the year
Training, research, misc		c8000	Duplication of the NE consortium, in Scotland
European project		c15000	Joint pilot with European Children's Rights Unit and Euro Child
Other		15000	E.g. the IAPT programme
Total		£235,814	

Newcastle City Council

Newcastle City Council were among the first Development Agency partners, and now have their own Investing in Children capacity, within their Children's Rights Team. The residual contract, which has been in place for four years, covers processing and endorsing Membership Applications Sites, of which there are currently 69.

Northumberland, Tyne and Wear Foundation Trust (NTW)

liC is part of a partnership, led by Northumberland, Tyne and Wear Foundation Trust, to provide Child and Adolescent mental Health Services in the South of Tyne region. The contract runs from Oct 2011 to September 2014. If the service is deemed satisfactory, the contract is likely to be extended for a further three years.

Durham PCT

We have received confirmation that the PCT contribution to liC will be made in 2013-14. Beyond that, negotiations will be necessary, either with the local CCGs, or with the regional commissioning body.

Alder Hey Hospital

Alder Hey Hospital remains committed to liC, but has changed its approach. The liC Project worker was made redundant in May 2012, and the work is being managed in-house. In the long term, this is likely to be the most sustainable position, and the hospitals involvement is likely to continue. Currently, they are committed to increasing the number of individual Membership sites. Investing in Children also supports the Children, Young People and Parents Forum

Secure Services, Aycliffe Young People's Centre AYPC

Aycliffe Young People's Centre is a long-time commissioner of services from liC and the programme of work is set to continue. In discussions with the Centre Manager, it has been agreed to reduce the charge for this in 2013 and again in 2014.

Increasing Access to Psychological Therapies (IAPT)

IAPT is a Department of Health initiative to increase the take up of psychological therapies. liC is part of a regional partnership which successfully bid for project funding. The project runs from September 2012 to September 2013. There may be some further funding. The project has also extended Investing in Children's 'reach' into North Yorkshire CAMHS.

liC Scotland.

This work has been in development for 2 years. A very successful conference was delivered in September of this year, in partnership with Edinburgh University and the Scottish Social Services Council. There will be 8 membership sites by March 2013, and this is expected to at least double over the following year, Work is being developed with the University and the Scottish Social Services Council. A programme of work is being developed with two local authorities and discussions are ongoing with the Scottish Children's Commissioner's Office. The prospects for further work are good.

Isle of Man Government

In 2012, the Isle of Man Government commissioned liC to make its Membership Scheme available to the Island's schools. Two local workers have been trained to gather evidence, and the numbers of members is steadily rising. This is likely to continue.

Stand-alone Membership sites.

There are a number of organisations (e.g. Hull City Council, Liverpool Children's Fund, E Lancs Camhs) where a contract with liC has expired. Individual teams/ units have the option of retaining their own membership certificates. We also receive regular membership enquiries from independent organisations. This has led to an increase in stand-alone/ Membership sites, and is likely to increase, especially if we promote the Scheme more widely.

Training, research, misc

Investing in Children has always had links with local universities and this year this has been extended. Investing in Children has established a consortium of academics from northeast universities to extend the debate about the role of young people in research and professional development. A similar consortium is planned for Scotland. There is a growing interest in this area of work and it is likely to increase. As a result of our partnership with Edinburgh University, we are partners in a European bid for research funds to survey approaches to young people who are not in Education, employment or training.

European Project

For the last six months, Investing in Children has been developing a partnership with the European Children's Rights Agency at Liverpool University. This partnership has been invited to draw up proposals for a pilot project that would see the Investing in Children Membership Scheme rolled out to four or more other European countries. If successful, the possibility exists that the Membership Scheme might be adopted by the European Commission, as a demonstration of its commitment to children's rights. Discussions so far have been very positive, and it is very likely that the pilot will go ahead. The figure shown is an estimate.

Other

Investing in Children is well known in its field, and we regularly get invited to contribute to new projects. Examples of this in recent years have been the NTW contract and the IAPT project. Neither of these initiatives featured in our budget projections at the beginning of the financial year. From experience therefore, we can be confident that other opportunities will present themselves within the financial year..

4.8 Summary of market research and projected budget to 2016

It is the Projected Income Table above and the supporting evidence which justify the income projections; the actual income and expenditure of Investing in Children for 2011/12 and 2012/13; and the experience gained from managing and developing the service over 17 years, which provide the information from which we have built our financial projections for the first 3 years of independent trading – commencing April 2013. The figures relating to the contribution by the County Council are taken from The Medium Term Plan. No figure for 2015/16 is available, so this assumes a further reduction of £50000 and is an estimate of the cost of services which the county council may wish to commission from IiC
The financial projections are shown below:

Investing in Children: Projected Budget

Income	2012/13 Actual	2013/14 Projected	2014/15 Projected	2015/16 Projected
Newcastle City Council	7728	7728	7728	7728
NTW	31760	19155	19155	19155
Durham PCT	73288	73288	73288	73288
Alder Hey	21000	15000	15000	15000
AYPC	15643	13643	11643	10643
IAPT	15000	25000		
liC Scotland	9000	20000	35000	45000
IOM	2000	2000	2000	2000
Northern Ireland	2000	2000	2000	2000
Stand Alone Membership	14000	20000	25000	30000
Training, Research, Misc		8000	16000	25000
European Project		15000	30000	60000
Other		15000	25000	50000
Carried Forward			19466	32812
Sub Total	191419	235814	281280	377626
Durham County Council	222652	¹ 172652	122652 ²	72652 ³
Total	414071	408466	403932	450728

Expenditure	Actual	Projected	Projected	Projected
		3% Inflation	3% Inflation	3% Inflation
Employees	325541	341908 ⁴	324775 ⁵	334518
Sub Total	325541	341908	324775	334518
Running Costs*				
Premises		9700	9991	10290.73
Equipment Maintenance		1000	1030	1060.90
Cleaning		600	618	636.54
Insurance		0	0	0.00
Public / Emp. Liability		260	267.8	275.83
Professional Indemnity		515	530.45	546.36
Promotion		6000	6180	6365.40
Subscription		103	106.09	109.27
Accountancy		515	530.45	546.36
Bank Charges		0	0	0.00
Company Set-up Costs		0	0	0.00
Miscellaneous	12500	7000	7500	8000.00
Travel	16000	10000	11000	12000.00
Consulting Children	18000	18000	18000	18000.00
Sub Total	46500	53693	55753.79	57831.40
Total	372041	395601	380529	392349
Surplus / Deficit	42030	12865	23403	58379

¹ Taken from Medium Term Financial Plan

² Taken from Medium Term Financial plan

³ Projected further £50k reduction, in line with MTFP

⁴ Assumes an employers pension contribution of 15.1%

⁵ Expected retirement of staff member in 14-15 will reduce the salary costs

5. Staff

This draft business plan is based upon the assumption that the current staff team of 10 will transfer into the new social enterprise. The budget for employees, shown above is based upon this assumption, and the advice we have received about the implications of protecting the conditions of service in what will be a TUPE situation.

A major advantage of this plan is that all of the staff are positive about the proposal. (This should be confirmed by consultation with the trade unions). This in itself should be recognised as a considerable asset, as the success of the venture will depend in large part on the commitment, energy and flexibility of the team. The current team certainly have the knowledge and skills to deliver most of the new business opportunities identified in the plan.

There will be issues around capacity, but we hope to address them by developing new models (such as the 'franchising' arrangements in Newcastle and the Isle of Man) and the use of sessional staff, for specific projects. Certainly, over the first few years, it would be prudent to avoid accumulating significant new employer liabilities.

6. Pensions and Employment Liabilities.

6.1 Pensions

It is proposed that those members of the current staff who are members of the local government pension scheme will be allowed to continue to be members – the advice we have received is that such an arrangement is not uncommon for 'spun-out' social enterprises. This has been accepted in principle by the Corporate Director of Resources, who has suggested that a 2% increase would be reasonable.

New employees who may be taken on after the transfer will be offered access to a Stakeholder pension, which will inevitably be inferior to the County Council scheme.

6.2 Employer's Liabilities

Under TUPE, accumulated employer liabilities will transfer from the County Council to the new CIC. This is particularly problematic in relation to redundancy liability. In the event of the CIC not meeting its budget targets in the first few years, it would have the accrued liability for any redundancy that might ensue, but not the means to pay it. It is proposed that an agreement is reached whereby liability for redundancy is shared over the first two years, but on a sliding scale, to allow Investing in Children to build up a reserve sufficient to meet its responsibility. This arrangement will not increase the County Council's liabilities, and holds out the prospect of them being cleared within the two year period.

6. Procurement

The following advice has been received from the County's Procurement Solicitor:

“These are so called “Part B Services” and not subject to the full public procurement rules Contracts for services that are listed as Part B services in the Public Contracts Regulations 2006, are largely excluded from the procurement regime and only limited rules apply. However, any contract that may interest providers from a different member state will have to comply with EU principles of transparency, equal treatment and non-discrimination. Usually, as a minimum, this will mean that contract opportunities will need to be advertised as there is still a requirement to act in a transparent way and treat all potential providers equally and in a non-discriminatory way and to ensure a degree of advertising sufficient to enable the market to be opened up to competition.

The meetings held so far indicate that this is a very specialised service and there is unlikely to be a contestable market however there is always a risk that an alternative supplier may step forward and express an interest in providing the service.

In order to mitigate the risk of challenge it is proposed that the Council establishes a 3 year contract (2 years plus an option to extend for 1 year) but includes a clause that provides a right to terminate should an alternative supplier formally express and demonstrate the potential capacity and capability to provide the service.

The Council will carry out a market testing exercise at the beginning of Year 2 of the contract to reassure itself that there is still no contestable market and this should allow time to carry out a procurement in advance of the decision to extend for Year 3.

In terms of any Intellectual Property (IP) rights for liC these can be valuable and should be retained by the Council and liC provided with an exclusive, royalty free and non-assignable licence to use to deliver the service. The Council will therefore retain ownership of the right to use the liC name and logo if for any reason liC are not in position to provide those services in future. Retention of the rights will also prevent the sale or use of the IP rights without the Council’s consent.”

Discussion are taking place to ensure that a variation of contract and a Service Level Agreement are in place, covering the services that will be provided by Investing in Children CIC to the County Council

7. Organisational Structure

7.1 New structure

To help choose the most appropriate social enterprise model for the externalisation of Investing in Children’, this business plan uses the options paper ‘Report on Alternative Social Enterprise Models suitable for adoption by Durham County Council’ presented by SES (Appendix 1). This was commissioned to aid the County Council to:

- review their service provision in response to public spending cuts,
- the Government’s agenda to encourage Local Authorities to ‘outsource’ their services,
- and the promotion of social enterprises, co-operatives and mutuals as appropriate models for potential spin outs.

The document refers to the potential 'spin out' of Investing in Children. It also used as an example, the recent externalisation of Spennymoor Extended Services which commenced trading as the independent social enterprise 'SUCCESS (North East) CIC in September of 2012 (at the start of the new School Year).

This business plan does not intend to go into detail of the findings of the Options Paper, but 3 options emerge from it which require consideration

- Option One** - Keep 'Investing in Children' as it is now i.e. under the direct control of the County Council, but given the freedom to act more commercially
- Option Two** - Transfer 'Investing in Children' into a Local Authority Trading Company
- Option Three** - Launch it as a fully independent mutual, co-operative or social enterprise (including a review of the Charity option)

Option One - Keep 'Investing in Children' as it is now, i.e. under the direct control of the County Council, but given the freedom to act more commercially

This option has the advantage of being the most tax-efficient, and avoids any questions about procurement arrangements. However, it does not reduce the County Council's employment liabilities, and continues to limit access to alternative funding streams.

Advice from SES is that the biggest argument against this option is that it is too 'status quo', and there is a need to move to a form of externalisation to underline the need for 'change'. This would better prepare the ground for the reconsideration of contracts and pension rights within the service, and to bring about the essential change of 'mindset' within the management and staff team for them to work commercially and enterprisingly.

Option Two - Transfer 'Investing in Children' into a Local Authority Trading Company

This option would be worth considering, but for the fact that advice from SES is that '*to rely on the Teckal exemption the Council must ensure that the activities of the LATC are devoted principally to Durham County Council and any other activities are only of marginal significance. There is a strong argument that this will prove too restrictive to Investing in Children to achieve its true commercial potential.*'

Option Three - Launch it as a fully independent mutual, co-operative or social enterprise.

Advice from SES:

'It is the Co-operative CIC model used by Spennymoor Extended Services - registered as Success (North East) CIC and commenced trading at the beginning of this school term (September 2012) – which would be the recommendation for Investing in Children at this stage.

The reason for this is that it takes the best of both worlds by bringing together the best of the Co-operative model with the best of Community Interest Company option.

From the co-operative one would get:

The membership base which can be multi-stakeholder and therefore embrace, actively engage and be accountable to the key players for liC. In Spennymoor's case these were the Head Teachers of their school cluster and the Extended Services employees; for liC the membership would be defined by its own particular key stakeholders.

From the Community Interest Company one would get:

The commitment to the 'Community Interest' (social objectives) which have to be passed by the CIC Regulator, are written into the company rules, and to which you are held to account; CIC's have to report each year on how they have achieved their 'community interest' when they submit their annual accounts to Companies House.

The Asset Lock. CIC's, like Charities, are asset locked bodies i.e. assets can only be used to meet the social objectives and not used for individual profit or gain.

It is the Community Interest and the Asset Lock which makes CICs more attractive to potential funders e.g. Lottery and the Grant Making Trusts, and easier to secure council tax relief than just adopting a Co-operative model on its own.'

6.2 Comparing the options in terms of the benefit to Durham County Council – a Compatibility Matrix

Set out below is an attempt to summarise the options from the perspective of what best meets the objectives of Durham County Council.

The Table lists the main objectives of Durham County Council as described during SES's discussions with Officer's of Durham County Council and how, in SES's view, the options meet those objectives

Durham County Council Primary Objectives	Option One – Keep 'Investing in Children' as it is now i.e. under the direct control of the Durham County Council, but given the freedom to act commercially	Option Two – Transfer Investing in Children into a Local Authority Trading Company	Option three – Launch it as a fully independent mutual, co-operative or social enterprise
Retaining the service but at a reducing cost to Durham CC	✓	✓✓	✓✓✓
Reducing employment liabilities for Durham CC			✓✓✓
Allowing the service the freedom to trade and grow as a	✓	✓✓	✓✓✓

social business			
Allow the service to access new monies e.g. grant making trusts		✓	✓✓✓
Expand the Service to create new jobs in Co Durham by making it more competitive	✓	✓✓	✓✓✓
Maintaining the controlling influence of Durham County Council	✓✓✓	✓✓	✓
Subsidise the Durham service from other areas i.e. by working outside the County boundaries		✓	✓✓✓
To avoid the need to go out to competitive tender	✓✓✓	✓✓	
Most advantageous tax and vat arrangements	✓✓✓		

The advice from SES is that the model which is most suitable for Investing in Children is the Cooperative Community Interest Company which provides both the flexibility that we will need to respond to new opportunities, and has the legal status that will be attractive to potential funders. From the matrix above, It is clear that SES take the view that this model also comes closest to meeting the objectives of Durham County Council.

8. Next Steps

A number of other issues require attention to enable the Community Interest Company to be established. These are outlined below:

- Incorporation – with support from SES, the process of registering the new company has already started, and can be completed so that Investing in Children CIC can be fully incorporated by April 1st 2013.
- Consultation with the Trade Unions – initial discussion with the Trade Unions indicate that, as the proposed development is fully supported by the staff involved,

formal consultation need not be a lengthy process, and can be completed before April 2013.

- HR – advice has been sought from the County Council’s HR Department and no particular difficulties are foreseen .
- Support Services – in ‘spinning out ‘ from the County Council, the new company will lose access to all of the support services provided by the Authority. The Government has set up the Social Investment Business to provide grants to new social enterprises in order to help them develop support services. An application has been made to SIB and sources of support that can be commissioned locally have been identified.

9. Conclusions

The information presented in this draft Business Plan would suggest that Investing in Children could have a future as a viable independent social enterprise by increasing its income from external partners and other sources, and reducing its reliance on Durham County Council. The current economic climate means that Investing in Children’s longer term future as a part of the County Council is uncertain. Agreement to ‘spin out’ Investing in Children would allow the County Council to continue to support liC and make use of its services, whilst reducing both its employment liabilities and its financial commitment.

Importantly, converting to a Cooperative Community Interest Company would appear to be the best way to continue to promote the human rights of children and young people in County Durham.

Approval of this business plan is requested to allow a more detailed exploration of potential funding streams and for the various technical issues to be addressed so that the conversion to a Community Interest Company can be achieved by April 1st 2013.

Liam Cairns
Director
Investing in Children
January 2012