

Sustainable Funding Project CASE STUDY

■ TACT – the Adolescent and Children’s Trust



Organisation

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Key themes

- A strong focus on quality and outcomes.
- Planned growth primarily through contracting arrangements with Local Authorities
- Utilising loan finance and managing risk.
- Attracting business and public sector expertise.
- A proactive approach to partnership in all its forms .

Summary

Over the last 5 years TACT has grown threefold in terms of both income and staff. Driven by a firm belief in the quality of its delivery, this planned growth has been achieved through a combination of contracting and a series of mutually beneficial mergers. Operating on a social enterprise model and utilising loan finance, TACT now has children placed by over 60 local authorities.

Date

This case study is based on an interview with TACT Chief Executive, Kevin Williams on 8th October 2007.

Origins

TACT is a registered charity working with children and young people in care, their families, adopters and foster carers to provide child-centred care. The organisation was set up 14 years ago following a change in legislation that allowed the independent (private and voluntary) sector into the field of foster care for the first time. The organisation’s founder, Jim Armstrong, was a former local authority fostering service manager who believed in the potential of independent agencies to improve services to children and carers. Although originally set up as a private company, TACT made an ethical decision within its first year to become a registered charity. This decision was driven by a philosophical belief that profit should not be made from children in care and with awareness of the wider range of funding options that charitable status could open up.



Vision & Mission

TACT’s vision, mission and values are very much reflected in the way the organisation works.

Vision: Together we are creating a world where every young person is raised by people who care; where communities flourish because we help young people to build lives full of opportunity and choice.

Mission: We are harnessing the strength of families, carers, communities and organisations to unconditionally support and encourage children and young people to achieve their full potential.

Values:

- **Aspirational** – by helping others to grow, we grow ourselves
- **Passionate** – we are determined to keep improving what we do. We will ambitiously pursue the best outcomes for everyone we work with.
- **Engaged** – we want to listen well and respond quickly to the people we work with - children and young people, their birth families, carers, our staff and supporters.
- **Fair and Equitable** – we will be open and transparent, communicating what we do and why we do it, based on equality and respect for all
- **Beyond Profit** – we will make every decision based on what is best for children and young people. We will deliver excellent services as efficiently as possible in order to continually invest in the people we work with.



Growth

TACT’s income and staff numbers have increased threefold over the last five years, from a turnover of just over £4 million to £12.5 million and an increase from 30 to 100+ staff. Based on a sound understanding of the market, TACT’s growth has been planned with the help of a Business Manager recruited from the private sector.

‘There is a stereotype of the voluntary and community sector (VCS), that it can provide quality services but is not so good on the business side. We have focused on getting the business side right so that we can generate a surplus to improve the quality of our service.’

Before embarking on its growth strategy, TACT asked foster carers and young people what they liked about the existing service. They found that the small, close feel of the organisation was particularly valued. As TACT has grown, it has worked hard to maintain this through devolved budgets and decision making. Managers and staff are empowered to make decisions as close to the service user as possible.

TACT has used loan finance, secured on the back of the purchase rather than lease of property, to help fund its growth. This, and the tactical use of reserves, has enabled the charity to develop and contract out its services; competing effectively in a market dominated by larger private sector providers. Whilst the primary driver behind TACT’s growth is a firm belief in the quality of its service, the organisation also believes it is important for a VCS provider to remain in the market for foster care where the private sector is increasingly consolidating and being taken over by private equity firms.

‘There is a common misconception in our sector that small is good and large is bad. But it’s not about size it’s about the quality of outcomes. Having said that, growth can be very seductive. You have to be absolutely clear why you are doing it.’

Contracting

TACT’s growth over the last five years has seen it expand its geographical areas of operation. TACT now has contracts with 64 local authorities in England and Wales. These range from single placement spot contracts to higher volume contracts where TACT has gained preferred provider status through a competitive tendering process. Over 98% of TACT’s income is currently generated from these contracts. Not being grant dependent enables TACT to plan effectively and focus on its core business rather than the search for new funding sources.

The nature of TACT’s income profile means that full cost recovery is a must.

All services are costed on a full cost recovery basis and TACT is able to demonstrate where every penny is spent. The organisation remains competitive in the market due to good business planning and a relatively lean management structure. TACT also offers volume discounts for larger contracts and on the spot purchase for long-term placements and sibling groups. TACT keeps to a formula for resource allocation based on the optimum number of social workers per manager and placements per social worker. This not only helps in costing services accurately but also in maintaining the quality of the service TACT provides.

Market research has been key to success in the contracting field. TACT invests time and energy in identifying areas where there is both need and opportunity and where they are confident they can compete with local authority and private sector providers on price and outcomes. Having minimised the risk, TACT then establishes its service in the area prior to seeking contracts.

Merger

The lesser part of TACT’s growth has resulted from merger with four smaller organisations. In three of the four cases, the opportunity for merger was triggered by financial difficulty within the smaller partner as a result of competition and/or changes in the commissioning environment. Each of these organisations offered services similar or complementary to those provided by TACT. Despite being the larger partner, TACT very much views these relationships as mergers rather than acquisitions, presenting an opportunity to combine the best of what both parties have to offer. TACT’s central infrastructure has enabled savings to be made in the back office, making incoming services more viable.

One of TACT’s mergers was with Children’s Law UK, a training and campaigning organisation working for children involved with the judiciary (either criminal or public law courts). This merger has given a whole new dimension to TACT’s work, enabling it to develop a training arm and to add its experience as a service provider to the evidence base for campaigns. Children’s Law UK has benefited from being part of a larger organisation with dedicated marketing/PR capacity.

Partnership

Merger is just one aspect of a TACT’s proactive approach to partnership. Kevin William believes in the serendipity principle of partnership ie. that you get out what you put in. Although he acknowledges that partnership can be costly in terms of time, money and emotion, he believes the investment is worthwhile for the opportunities it brings. TACT’s partnerships include:

- Being the lead founder and voice for the FTSE (Fostering Through Social Enterprise) Group - a strategic alliance of third sector foster care providers set up to share good practice, collaborate around commissioning and jointly campaign.
- Alliances with a range of agencies delivering complementary services including Shaftesbury Young People and the Grandparents Association.
- A one-off partnership with Serco (one of the largest private sector delivers of public sector contracts) to deliver a specific contract in Stoke-on-Trent.
- Being a member of the Children are Unbeatable alliance.
- Close working with representative bodies in the fostering field including the Fostering Network and the British Association for Adoption and Fostering.

On a day to day basis TACT’s most fundamental partnership relationships are between young people, social workers and foster carers and local authorities in relation to individual care. TACT also utilises this experience from the frontline to exert influence where opportunities arise eg. through the DCSF (Department for Children Schools and Families) working groups and OFSTED’s Fostering Group which contributed to amendment of the regulatory inspection regime.

Experience of Local Authority Commissioning

In TACT’s experience, local authority commissioning varies enormously. Those with dedicated commissioners working in the children’s services field are generally easier to deal with. These commissioners tend to be the ones who seek preferred provider relationships. Where TACT has achieved preferred provider status this has tended to result in more effective partnership, better understanding of needs and a much more open and transparent relationship between the authority and providers. There is likely to be a great deal of change in local authority contracting over the next 4 to 5 years. TACT has just recruited a Commissioning & Partnerships Manager with a strong local authority commissioning background to help steer the organisation through this period of change.

Attention to outcomes

Forty five percent of TACT’s placements are either long term or permanent. Greater permanence is known to be key to achieving better long term outcomes for young people. Long term fostering placements are also good for business because they generate regular income and reduce other costs. Securing permanent adoptions from amongst existing foster carers, on the other hand, is relatively costly in lost fostering fees and in the recruitment of new foster carers. Despite this, last year TACT secured 12 permanent adoptions with existing foster carers. It is actions like these which demonstrate the ‘beyond profit’ ethos of an organisation which, despite operating in a competitive contracting environment, maintains a strong focus on achieving better outcomes for children and young people.

TACT closely tracks its own outcomes and produces an annual outcomes report reflecting progress against Every Child Matters performance measures. Although these are the key criteria on which contracts are largely founded, TACT is also acutely aware of the need to achieve some of the softer outcomes which contribute to young people’s overall well being, such as the extent to which they feel loved and a part of family and community. To better understand its own outcomes, TACT has recently commissioned a longitudinal study, led by Professor Bob Broad, which will track two cohorts of young people over the next six years. The findings of this study will contribute to the continual improvement of TACT’s services and its lobbying stance.



Re-investment

Reinvestment of all surpluses is an important part of TACT’s business model. TACT sees reinvestment in organisational development and the improvement of service quality as essential to the organisations added value. TACT is currently reinvesting in a number of areas:

- youth participation in the organisation – which helps to inform TACT’s work, empowers and offers positive experiences for young people;
- providing life skills training to young people - which is additional to contracted services and support; and
- subsidising the small adoption arm of the organisation (the result of a merger) – which helps TACT to achieve greater permanence for some of its young people.

Managing change

Growth has required TACT to manage significant change. This has been achieved by having a clear view from the outset of the structure and levels of responsibility that would be needed if the organisation grew as planned. TACT’s philosophy is that ‘everyone’s job is to make their manager redundant’. This helps to promote ambition and innovation and encourages staff to take personal responsibility for decision making. TACT believes that this is both an effective way of working and a good habit to mirror for foster carers and young people. The original Senior Management Team of three, which was effective in driving the organisation forward quickly in the early stages, now increasingly makes decisions through a Lead Manager’s group of nine.

Communication between staff at all levels is encouraged with an active policy of not using email where a conversation would do better. Regional managers, in particular, are encouraged to pick up the phone to one another. There is an annual whole staff away day and a management team two days away half way through the planning process each year. At every tier of management, from Trustees downwards, there is an observer member from the tier below. Minutes of meetings are also distributed both upward and downwards. Although resource intensive this has helped to build trust and keep the organisation on track as it has grown.

Tips for managing change:

- Articulate the purpose of change and plans for achieving it.
- Communicate progress regularly and effectively at all levels.
- Involve people in the process of change and enable them to feed into it.



The future

Due to central government policy and local government practice there is a great deal of change ahead in TACT’s contracting environment. This is likely to present TACT with a range of challenges and opportunities. It is also prompting TACT to explore new relationships.

TACT has recently entered into a partnership with Serco to deliver foster care services in a previously failing local authority area under contract to DCSF. Central government actively sought partnerships between the private and voluntary sector agencies for this contract. This forced TACT to have an internal debate about whether the organisation could ethically justify partnership with a private provider. As always, the decision was driven by the best interests of children and their carers. If the partnership would enable TACT to improve the quality of care for more children and young people then the relationship could be justified. It is early days, but the signs are of an effective working relationship developing.

Despite this, TACT also has concerns about the future of contracting in this field. One concern is the increasing number of private equity firms entering the market. These companies, which tend to run on a short term business model with a view to making quick profits, now account for one third of fostering placements in the independent sector. In the residential care sector there has already been an example of a private equity firm bringing in the liquidators. As the market consolidates, TACT is also concerned that dominant private sector providers will temporarily drive down prices to drive out competition. TACT believes the solution to this is for the balance of consideration in tendering processes to be more evenly balanced between price and quality. Current processes tend to weight heavily on price which encourages undercutting and potential compromises on quality. Short term focus on cost is potentially undermining the principle of best value and the likelihood of a healthy competitive market capable of promoting quality in the longer term. These are issues which TACT will continue to raise and collaborate with others to campaign on. TACT’s growth and attitude to partnership have given it the insight, opportunity and credibility to contribute to this agenda in the best interest of the client group.

TACT plans to continue its growth through geographical expansion and diversification in to other areas of delivery for looked after children. Having grown and developed a track record for winning contracts, TACT now has the confidence to seek a Futurebuilders loan to help finance its future expansion. Having depended almost entirely on contract fees to grow the organisation to date, TACT also plans to increase fundraising in future to develop TACT+ services. These add value to the services already provided and are intended to meet some of the as yet unmet needs of children and young people in and beyond the care system.



TACT’s Ten Top Tips for surviving and thriving in a contracting environment:

- 1. Be clear about what you are trying to achieve.** Periodically revisit your vision and mission to make sure the contracts you seek and the way you work fit directly with this. Keep the best interests of your client group at the heart of what you do and revise your vision and mission accordingly if circumstances change.
- 2. Have a good understanding of your operating environment.** Understand the policies, practices and competitors that affect your area of work.
- 3. Operate rigorous business planning.** Develop a long term business strategy. Bring someone in from the business sector if you do not have the skills in house.
- 4. Make sure you have the resources behind you.** Be clear about your income streams and their implications for cash flow. Especially if you contract with local authorities who are notoriously late payers!
- 5. Maintain a strong regard to outcomes and be able to demonstrate them.** Relate your performance indicators to relevant public sector targets and make sure you are able to demonstrate where you add value.
- 6. Conduct rigorous market research** to minimise risk.
- 7. Cost and bid on a full cost recovery basis.** Subsidising contracts with other forms of funding is not a viable long term option. It also skews the public sector’s perceptions of the true cost of delivery.
- 8. Don’t compromise on quality.** Know what level of resources, particularly staff, you need to deliver the quality of service that you want to be known for.
- 9. Demonstrate your ability to manage risk effectively.** Establishing credibility in the management of risk makes you an attractive proposition for public sector commissioners.
- 10. Be proactive and open to partnership.** This openness leads to opportunity and is attractive to public sector commissioners.

Links

TACT www.tactcare.org.uk

Futurebuilders www.futurebuilders-england.org.uk

SERCO www.serco.co.uk

Children Law UK www.childrenlawuk.org

Shaftesbury Young People www.shaftesbury.org.uk

Children are Unbeatable Alliance www.childrenareunbeatable.org.uk

A National Voice www.anationalvoice.org

The Grandparents Association www.grandparents-association.org.uk

British Association for Adoption and Fostering www.baaf.org.uk

The Fostering Network www.fostering.net

Learn more about putting sustainable funding into action at the Sustainable Funding Project website at www.ncvo-vol.org.uk/sfp/inpractice



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The Sustainable Funding Project encourages and enables voluntary and community organisations to explore and exploit a full range of funding and financing options to develop a sustainable funding mix.

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