



Commissioning case study

Royal Borough of Kensington and Chelsea/Epic CIC

The headlines

- Epic CIC is a ground-breaking community interest company spun out of the council. It is employee-led, set up to make profits and reinvest them in services and totally focused on improving the lives of young people and their communities.
- The council, through its policy to support staff thinking about establishing a mutual, has secured high-quality, effective and sustainable services for young people at lower cost.
- Together, the council and Epic have turned service-threatening financial constraints into a successful and exciting new business model.

“...the financial downturn has placed the old model of funding youth services, heavily reliant upon local and national government funding, under severe stress. In this climate, game-changing concepts are required. In the Royal Borough, the new model...is Epic CIC.”

The council’s cabinet member for family and children’s services said at the launch of Epic CIC that:

What is the context?

In its previous incarnation, Epic was the youth support and development service of the Royal Borough of Kensington and Chelsea. Looking at a future of increasing need among young people and decreasing budgets, the service managers realised that, as they put it themselves in their current business strategy:

“... all councils have had to make very difficult decisions resulting from a growing need for high-quality support for young people, combined with reduced public expenditure. To ensure our nationally recognised youth service does not suffer, we decided to pursue a different approach so that Epic CIC can grow and share its skills and experience with other organisations.”

Rather than simply recreate the service in another form, Epic has used the imperatives of the financial crisis as a foundation for building a pioneering approach. It was the first youth service employee-led mutual in the UK and has become a pathfinder in the Cabinet Office Public Sector Mutuals programme.

Overview of the timeline:



What commissioning and delivery model has been adopted?

The community interest company model fits the purpose and strategy of Epic very well, because it provides for:

- employee ownership;
- service user and staff representation on the board;
- the ability to trade more freely than a council service can, and to attract outside investment and sponsorship;
- reinvestment of surpluses back into services for the community; and
- 'lock-in' of company assets so that they can only be used for social/community benefit

This model means the company can not only operate at all geographical levels within the Royal Borough, but also across London and potentially on a regional or national basis.

The council had developed an approach to fostering and supporting groups of staff considering the possibility of establishing some alternative form of service delivery, and the nascent Epic also benefited from being part of the Cabinet Office Employee Mutuals Pathfinder programme. There were practical challenges to face, however, including the highly innovative nature of the proposal – which meant that there was little previous experience to benefit from – the implications for council support services and the treatment of the central establishment recharges attributable to the youth service budget. They have been overcome by the commitment of managers and staff (with the support of the Cabinet Office programme) and the political imperative to make the initiative happen, combined with the early involvement of key senior council managers.

Epic's contract with the council is built on an outcomes-based specification which was an example of co-production not only between the council and its prospective provider, but also between the youth service/Epic and young people who were consulted about the proposal and provided essential input into the service offering they needed. The first annual performance review is due shortly after the writing of this study and commissioning manager Vikki Wilkinson thinks the provisional results look extremely good, with growing evidence of positive impact on the agreed outcomes.

Who are the key partners?

The primary partnership is between Epic and the council, not only because they have a significant contractual relationship, but also because the process of spinning out Epic from the council took real effort and give-and-take on both sides. For example, they reached a deal by which Epic could make the transition from council support services (and the associated recharges) to Epic's own: the nascent Epic market-tested each council support service against alternative providers to look for back-room services more appropriate for it as a medium-sized business. Where it identified cheaper and suitable alternatives, the council agreed to pay for them, with the resultant savings being shared 75 per cent for the council and 25 per cent for Epic.

Epic has also continued and built upon partnership with the local police and health services. The company is earning £300,000 of revenue this year from health commissioners, and young people commonly cite health, wellbeing and relationship issues as among the most important for them.

Now, as a community interest company independent of the council, Epic is able to partner with organisations like Citizens UK, to campaign about housing issues on behalf of young people, and with Catch 22 and Only Connect in discussions with the Ministry of Justice and the Youth Justice Board.

What has been the impact?

Epic's own review of its first year highlights these achievements:

“ It's been exciting, exhilarating, maddening, frustrating – sometimes all in the same day! ”

- we are set to meet our contractual requirements as set out by the Royal Borough;
- we have exceeded our target for helping young people not in education, employment or training bringing it to the lowest level yet recorded;
- we have developed an independent school which is now thriving, receiving an encouraging Ofsted report during the year;

- we have exceeded our target for accreditations (a key priority for young people);
- we have developed innovative approaches to combining health and sports, such as our football programme which promotes sexual health;
- our ‘spectacular’ events such as the Youth Games, Dance Showdown and Chelsea Festival attract many hundreds of young participants;
- targeted work with gang members, vulnerable young women, lesbian, gay, bisexual and transgender young people and those suffering hidden harm shows Epic’s ability to work with a very wide range of targeted and vulnerable groups;
- we have developed our Epic theory of change demonstrating how our services achieve good outcomes for young people;
- we have delivered 12 pilot ‘distance travelled’ programmes which have measured impact against Early Help outcomes;
- we have quickly adapted to tight timelines and new processes and become self-sufficient in terms of data recording, monitoring and evaluation. As a result we have been able to produce the comprehensive quarterly reports required by commissioners; and
- we have done all of this in the face of the fundamental changes mentioned earlier, while achieving the first year of front-loaded savings built into the council contract

For young people

Epic has reduced the threat of continuous funding reductions so that young people continue to benefit from a vibrant range of services, developed with them to meet their needs.

“ Sekela, 13

I attend the dance events organised by the Achievements Team. Through this programme I’ve gained more confidence and have made more friends. I’ve also got Pineapple Studios training and even performed at the Dance Showdown. I would tell other young people to join because you get to meet new people and have lots of fun. ”

Jesse, 17

“ **I attended the Bike Challenge programme and I’ve now learnt how to ride a bike properly. I was a complete beginner but by the middle of the course I could ride safely with everyone else. I made lots of new friends and would recommend this to anyone who wants to challenge themselves and achieve something new and different in their life. ”**

For staff

This direct impact on young people’s lives could not happen without committed and creative staff who focus all their efforts on what will make a positive difference. Not only does the community interest company structure mean that Epic is employee-led, but the company is also investing in training and culture change aimed at motivating staff, releasing their capacity for innovation and making them happy in the workplace. The company is aiming for an enterprise culture of ‘freedom within guidelines’, as opposed to the traditional ‘command/control/comply’ management style.

“ **We’re not weighed down by bureaucracy. We make our own decisions, how we want and in a timescale that suits us. ”**

Brendan O’Keefe, Managing Director, Epic

For best use of public resources

Motivated, empowered staff produce good financial results too:

- between 2012 and 2014, the staff as part of the council produced cashable savings of £765,000;
- Epic’s contract with the council projects further savings of £805,000 to 2017/18 (the company has out-performed this target in its first year through rigorous cost-cutting and replacing departing, former council staff with new employees on market-based terms and conditions);

- Epic has also generated £1 million of income (25 per cent of the total) from sources other than the council and the company plans to increase turnover by 20 per cent by 2018, with half of income coming from sources other than the council by that date. They have a team dedicated to pursuing new business and building on existing contracts, analysed their market to identify priority target areas and benefited from a Cabinet Office grant to build capacity in tender planning and bid writing; and
- a social return on investment study of Epic services has shown social and financial returns of between £1.54 and £4.70 for each £1.00 invested

“ When the council approved the launch of Epic, it noted ‘the social value to the local labour market since one third of [youth support and development service] staff live in the area and this reflects a conscious effort by the service to recruit locally. ”

What have been the key elements of success?

The marriage of the council’s openness to alternative means of service delivery and the vision and passion of the youth service staff has been central to the successful creation, launch and operation of Epic. There was common ground that, for the service to survive, fundamental change was needed and together the partners made it happen. For the council, this was primarily a public service reform project, of which commissioning was a significant part, further underlining the strength of the political and managerial commitment to seeing it through successfully.

The extent of the organisational change under way in the council (and it is not unique in this) creates a situation in which it is easier to envisage the possibility of managing down Epic’s residual central recharges over time. That said,

the biggest challenge was separating from the council, preserving pension rights and establishing the company’s own support services for finance, information and communications technology and human resources and so on, on a scale more appropriate to its size and purpose.

And from the outset, the company is building innovation and revenue generation into its activities, based on a strategy to:

improve what it does so as to be smarter and better – smart working, better use of resources and effective contract management;

- develop a culture of enterprise and innovation – all Epic partners are given the time and support to generate and develop new ideas for better services;
- win business to achieve its mission and vision – gaining large and small contracts to ensure Epic is not reliant on just one major contract;
- explore opportunities to diversify – pursuing ideas for delivering areas of youth and community work that it is not currently delivering, in line with its mission and vision; and
- create a business model that is sustainable and fit for purpose – it is drawing up a model that will ensure that it is financially viable to deliver services to young people and their communities for years to come

The company is clear that its search for new business will be done on a realistic basis, thoroughly researching the commercial viability of prospects, understanding the complexities of contract acquisition and giving priority to the core business.

What has been learnt?

Brendan O’Keefe’s messages to others considering the mutual route are:

- ‘really want to do it- it is a professional and personal risk’;
- ‘have a commercial business plan that defines the market you’re going into’;
- ‘know all your stakeholders and re-engage them constantly’; and
- ‘focus on what you’re doing this for – better services for people’

For commissioning manager Vikki Wilkinson, the lesson to be drawn from the complexity of the spin-out process is the importance of getting the right skills and resources involved at an early stage. But with the experience gained as a result, this method of commissioning is one she and her colleagues want to use again in future, where appropriate. She valued the fact that existing practices and methods had to be challenged in order to concentrate on activities which evidence showed would support the achievement of the desired outcomes; and that both commissioners and providers had the flexibility of being on new ground, with the room to test out fresh ideas.

Brendan O’Keefe recalls that, despite everything that was done to secure senior management commitment from the outset, he and his colleagues might have done more to reinforce the message with support services, as management board approval had to work its way through the detailed stages of implementation. Hence his message above about identifying and communicating constantly with stakeholders.

Who can I contact?

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Other useful information

www.epiccic.org.uk

<https://www.gov.uk/government/groups/mutuals-information-service>