

REPORT FOR DECISION



DECISION OF:	CABINET
DATE:	1 October 2014
SUBJECT:	Future Service Options for Social Care Provider Services
REPORT FROM:	Cllr Rishi Shori, Deputy Leader of the Council and Cabinet Member for Health and Wellbeing
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TYPE OF DECISION:	KEY DECISION
FREEDOM OF INFORMATION/STATUS:	Main report in the public domain Options Appraisal supplementary document is exempt pursuant to Paragraph 3 Schedule 12A Local Government Act 1972 (as amended), namely, information relating to the financial or business affairs of the Council
SUMMARY:	<p>The report concerns the findings from an options appraisal and stakeholder consultation in respect of a group of adult social care related services. The options appraisal considered three options from a range of perspectives; financial, Political/organisational, procurement, workforce, customer, and assets. The stakeholder engagement has involved briefings and feedback from staff, trade unions, customers, families and groups/individuals with an interest in this area.</p> <p>Regardless of which option is progressed the Council will continue to fulfil its duties to safeguard those who are most vulnerable whilst targeting the resources the Council will have available from 2015/16 onwards.</p> <p>The report puts forward a recommended option to create an alternative delivery model for these services. This recommendation is based on the results of the options appraisal and stakeholder feedback. The report also</p>

	<p>outlines the next steps required to develop more detailed proposals in respect of this option.</p>
<p>OPTIONS & RECOMMENDED OPTION</p>	<p>1. Closure of some services Customers would need to be found alternative provision if the service they use was chosen for closure. Staff would be at risk of redundancy.</p> <p>2. Externalisation The service including staff and customers would transfer to a different provider following a competitive tender exercise.</p> <p>3. Alternative Delivery Model e.g. social enterprise or local authority traded company The services would be developed into a new organisation separate to the Council and customers and staff would transfer into this new organisation.</p> <p>4. Do Nothing Savings would not be achieved and would have to be met elsewhere within the Council.</p> <p><u>Recommended Option</u></p> <p>1. Option 3 Alternative Delivery Model e.g. social enterprise or local authority traded company</p>
<p>IMPLICATIONS:</p>	
<p>Corporate Aims/Policy Framework:</p>	<p>Do the proposals accord with the Policy Framework? Yes</p>
<p>Statement by the S151 Officer: Financial Implications and Risk Considerations:</p>	<p>The services in question have already experienced significant cuts, and more will be required in 2015/16 and beyond.</p> <p>Benchmarking has highlighted that the costs of the service are high compared to other providers.</p> <p>Maintaining the current service design is not financially sustainable going forward, and the service will be unlikely to adapt to meet the increasing demands of customers.</p> <p>A range of different delivery options have been considered, balancing financial return with staff and customer impact. Another important factor is the extent to which the Council can continue to influence and control provision / standard of services going</p>

	<p>forward.</p> <p>Following Cabinet approval to undertake an optional appraisal, work has taken place to get the views of staff and stakeholders, and evaluate options in a number of key areas, e.g. Finance, Property, Procurement.</p> <p>This work is now complete and it is recommended that option 3 is taken forward with the development of a full business plan for further Cabinet approval.</p>
Health and Safety Implications	Option 3 does not present any health and safety issues in respect of physical demands. Health and safety matters would continue to be managed in the same way as currently within the services concerned.
Statement by Executive Director of Resources and Regulation (including Health and Safety Implications)	Wider resource implications e.g. Procurement, IT, Staffing and Property considerations will be addressed in the development of the Business Plan for the preferred option.
Equality/Diversity implications:	Yes (see paragraph below)
Considered by Monitoring Officer:	<p>Yes JH</p> <p>If option 3 is approved, the Council will need to consider compliance with public procurement rules. The way any assets are dealt with will also need to be assessed, to ascertain if that structure involves any form of financial support from the Council. If it does, state aid rules will need to be carefully considered. At this stage there is not enough detail to fully assess the impact of the legal implications on the project. For example, state aid considerations and procurement risk scores are largely "neutral" in the options appraisal, as it is not possible to determine whether or not there is an issue until a preferred structure has been chosen and developed.</p> <p>Whilst it is important to note these issues at this early stage, it is necessary to design the structure in a way that serves the Council's aims and objectives.</p>
Wards Affected:	All
Scrutiny Interest:	

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TRACKING/PROCESS

DIRECTOR:

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny Committee	Cabinet/Committee	Council	

1.0 Background

The Services

- 1.1 This report is concerned with a group of adult social care provider services currently delivered in-house. The services concerned are Short Stay (Elmhurst and Spurr House), Shared Lives, Supported Accommodation (Community based), Day Services for Older People (Grundy, Pinfold), Day Services for Physical Disability (ReStart at Castle Leisure), and Day Services for Learning Disabilities (various community bases).
- 1.2 The budget for the services concerned was £12.3 million gross in 2013/14.
- 1.3 The majority of this budget funds the 286 FTE staff (approx 400 people) who work in these services.
- 1.4 108 customers are supported by Supported Accommodation 22 customers are supported by Shared Lives, and 192 customers are supported in Learning Disability and Physical Disability Day Services. There are 75 places per day at Grundy Day Centre, 40 customers per day at Pinfold Lane Day Centre, and 66 short stay beds available per night in short stay. These are accessed by a large number of customers on a flexible basis at around 80% occupancy or more dependent on the service area and seasonal variations.

Why things can't stay the same

- 1.5 Savings achieved by these services in the past 3 years equate to more than £1.4 million. A further £450k reduction is targeted to be achieved in 2014/15.
- 1.6 The Council is required to reduce cost by £16 million in 2015/16 with potential for similar levels of cuts thereafter.
- 1.7 The services concerned within this report represent approximately 15% of the Communities and Wellbeing budget. If future savings were targeted on a proportionate basis this would result in an allocation of 15% for this group of services which equates to £1.2m in 2015/16.
- 1.8 The level of saving that would be required in 2015/16 could not be achieved without making a significant change to the service. As the majority of the budget is allocated to staffing this would mean a reduction in staff. However, customers still need to receive a service and there is no capacity to deliver the service with reduced staffing. Therefore if the saving was to be achieved in this way it would mean that to achieve £1.2m of savings there would have to be an

assumption of £720k costs of the care being provided by a different provider (60% assumption for external provision). Therefore the full saving required would be approximately £1.92m which on an average salary of £15k equates to 128 job losses (32% of the workforce in this area). The savings achieved would need to be further offset by one off costs of redundancy or alternatively if staff were transferred under TUPE to a new care provider for example, this may impact the contract price increasing costs further.

- 1.9 Despite the reductions achieved over recent years the in-house services are still provided at significantly greater cost than external providers. Work undertaken around establishing unit costs for the services in 2013/14 has indicated that external providers are on average 60% of the cost of equivalent in-house services.
- 1.10 Demand for social care is rising due to demographic and lifestyle pressures and this means that budget allocated for social care services not only needs to reduce to enable Council budget pressures to be met, it also needs to be able to accommodate increased demand.

Report to Cabinet 16 July 2014

- 1.11 A report was considered by Cabinet in July 2014 which outlined three options for the future of these service; Closure of some services; Externalisation of services; Developing an Alternative Delivery Model.
- 1.12 The report made a series of recommendations:
 - i. Proceed to seek staff and employee representatives' views on all of the possible options
 - ii. Proceed to consult with customers, carers and families on all of the possible options
 - iii. Identify any potential external funding that could be relevant
 - iv. Undertake further work including identifying issues in relation to legal form, governance and procurement
 - v. Establish a project board to oversee the work undertaken
 - vi. Endorse the proposed approach and project milestones

2.0 Work Completed

- 2.1 A project team comprising Council experts in a range of disciplines has been established. This group is chaired by the Assistant Director of Resources & Regulation (Finance) and comprises experts from Legal and Democratic Services, Asset Management, Human Resources, Procurement, Finance and Equalities.
- 2.2 A project structure including a project governance structure, project initiation document, equality analysis and communication plan have been developed.
- 2.3 The project team developed an options appraisal in order to score and RAG rate the three options against a range of questions covering procurement, finance, workforce, customer, Political/organisational and asset considerations. All questions were scored on a scale of 1 – 5 with 1 Strongly Negative through to 5 Strongly Positive. Oversight of the completed options appraisal was undertaken with the Assistant Director Legal and Democratic Services. Councillors involved in project assurance undertook scoring in respect of Political/organisational questions.

- 2.4 Further work has been undertaken to research technical considerations and appropriate legal advice sought. Research of other organisations has also been undertaken.
- 2.5 Further work has been undertaken to better understand the potential forms available within Option 3 Alternative Delivery Models.
- 2.6 Contact has been made with the Cabinet Office Mutual Support Program to identify the process to bid for support in the event that Option 3 was the chosen approach. Research into funding/support in respect of Option 1 and 2 has not identified any sources of support.
- 2.7 Extensive and detailed engagement and consultation activity has been undertaken with staff, trade unions, customers and families, and groups/individuals with an interest in these services. Despite the limited timescales this has generated significant feedback. Engagement involved production of information packs with the opportunity to then attend briefings with officers and politicians in over 19 separate sessions in venues across the Borough at different times of the day. Following these sessions all stakeholders were provided with feedback forms and answers to the questions which had been raised at the briefing sessions.

3.0 Options Appraisal

- 3.1 The finding from the options appraisal was that Option 3 – Development of an Alternative Delivery Model e.g. social enterprise or local authority traded company was the preferred option.
- 3.2 The full detail of the options appraisal is exempt pursuant to Paragraph 3 Schedule 12A Local Government Act 1972 (as amended), namely, information relating to the financial or business affairs of the Council. However, the summary results were as follows:

Option 1 Closure	Option 2 Externalisation	Option 3a Alternative Delivery with Tender process	Option 3b Alternative Delivery without tender process	Option 3c Alternative Delivery with a partner	Option 3d Alternative Delivery via a LATCO
13.71	16.83	20.75	21.25	20.88	21.38
6 th	5 th	4 th	2 nd	3 rd	1 st

- 3.3 Option 3 appears in four variations due to different scores in relation to the Procurement questions dependent on the model used.
- Option 3a is alternative delivery model where a competitive tender process is required to award the work to the new organisation
 - Option 3b is alternative delivery model where a direct award of contract can be made to the organisation, removing the need for competitive tender to award work
 - Option 3c is alternative delivery with a partner organisation involved e.g. a joint venture
 - Option 3d is a Local Authority Traded Company model
- 3.4 The distinction was made in respect of Option 3 as the outcomes in respect of procurement would be different depending on the approach.

- 3.5 The options appraisal indicates that Option 3 is the preferred option based on scoring against a range of areas. Within this it suggests that LATCO is the better option from a procurement perspective followed by alternative delivery without a tender process and then alternative delivery with a partner.
- 3.6 The options appraisal was benchmarked against the scoring in the process of Warrington who undertook a similar process in 2013 and the results were broadly similar with the top three options being forms of alternative delivery both at Bury and Warrington.

4.0 Stakeholder Engagement

- 4.1 Information packs were distributed to 421 staff and 920 customers/carers/people with an interest.
- 4.2 The 19 briefing sessions were attended by 181 staff and 133 customers/carers/family.
- 4.3 Feedback form responses were received from 184 staff, 131 customers and 96 carers.
- 4.4 Stakeholder feedback in respect of staff indicated that the majority supported Option 3 (86%) with a further 10% indicating that they specifically favoured the LATCO variation of Option 3. The total support for option 3 was 96% of staff who responded. A breakdown per team is available in the feedback report.
- 4.5 The trade union response has been to provide information in respect of Unison's views in general to Local Authority Traded Companies and Social Enterprises (Option 3). This indicates a number of areas that they would expect to see satisfied if either of these options were to be implemented. In addition, verbal feedback has been that Unison would prefer an option which retained services in-house.
- 4.6 Stakeholder feedback in respect of customers indicated that 52% declined to give any preferred option and 44% supported Option 3. A breakdown per service area is available in the feedback report.
- 4.7 Stakeholder feedback in respect of family/carers indicated that 71% declined to give a preferred option with the remaining 29% opting for Option 3. A breakdown per service area is available in the feedback report.
- 4.8 In addition to indicating a preferred option stakeholders were asked to give qualitative feedback in respect of the options. Much of the feedback centred on the same themes:
- Wanting things to stay as they are and not change. People on the whole felt that the services they receive are good and should not be changed.
 - Concern that savings are being targeted at vulnerable people and views that these services should be protected and savings found elsewhere.
 - Concerns that services may be withdrawn and the impact this would have on customers and their carers.
 - A perception that care which is provided by private, profit making organisations is not such good quality as in-house services.
 - Concerns about how quality would be maintained in the future.

- Comments about the quality, commitment and care of existing staff teams and acknowledgement of the value this has in terms of quality and continuity of care. Fear that changes may disrupt this.
- Acknowledgement of the cost of staff but fear that changes to terms and conditions could impact quality of service as staff would not be as committed.
- Concern about the decision making process and change in general.

4.9 In addition, some suggestions were received about other approaches which could be taken. These included:

- Charging for services where we do not currently.
- Allocating savings elsewhere.
- Creating a local authority traded company initially which then becomes a social enterprise later in time.
- Increasing council tax.

4.8 Overall if staying as we are is not a possibility based on stakeholder feedback Option 3 appears to be the preferred option.

5.0 Research

5.1 As both stakeholder engagement results and options appraisal outcomes indicate that Option 3 is the preferred option, initial research into the variations available within Option 3 Alternative Delivery Models has been undertaken.

5.2 The options of Local Authority Traded Company and Social Enterprise are two ends of the spectrum in respect of control and risk. However, research indicates that there are options within the spectrum as shown below;

- a) Local Authority Traded Company
- b) Local Authority Traded Company with consultancy support from a commercial organisation or an organisation who has taken this route
- c) Local Authority Traded Company with partnership with another organisation who has taken and proved successful in this way (joint venture)
- d) Local Authority Traded Company initially with review after a period of time with the potential to then create a social enterprise if appropriate
- e) Social Enterprise with partnership with another organisation who has taken and proved successful in this way (joint venture)
- f) Social Enterprise with consultancy support from a commercial organisation or an organisation who has taken this route
- g) Social Enterprise

6.0 Equality and Diversity

6.1 The equality analysis identifies that in respect of customers, people with disabilities, older people and carers are groups which would be affected by changes within these services. In addition, for older people's short stay female

customers are significantly higher than males. Overall Option 3 may involve some short term disruption but in the longer term should be positive for customers as a result of creating a more sustainable solution for service delivery which is specifically aimed at supporting people in these groups.

- 6.2 The equality analysis in respect of staff identified that the workforce in this areas has a significantly higher number of females than males. Figures are similar to that of the Council as a whole. Overall Option 3 may be unsettling for staff but it avoids large scale redundancy (as with option 1) and should be a more sustainable option in terms of retention of employment. It may pose a greater risk in respect of Equal Pay as the new organisation would be deemed an 'associated employer'.

7.0 Risk

- 7.1 Details of the risk of each option have been considered as part of the options appraisal. None of the options is without risk but it is clear that staying as we are is potentially one of the highest risk options in the light of savings requirements.
- 7.2 There are risks associated with Option 3. If this is confirmed as the preferred option the next phase of work will focus on identifying how to minimise the risks as far as possible. This approach will help to inform which variant of alternative delivery is right for Bury and manages the risk most effectively.
- 7.3 There are risks in terms of timescales for further work. Budget pressures mean that a solution needs to be implemented as close to 1 April 2015 as possible. However, this needs to be balanced with the need to meaningfully engage and communicate with stakeholders and to develop a robust business and transition plan.

8.0 Project Plan and Milestones

- 8.1 The overall project milestone is as follows:

Phase 2: October 2014 – December 2014

- Risk analysis and identification of a preferred alternative delivery approach which is right for Bury
- Agreement of the approach
- Development of the business plan
- Agreement of the business plan

Phase 3: January – June 2015

- Project management and transitional arrangements for implementation
- Regular communication with stakeholders and progress reports

9.0 Conclusion

The Options Appraisal and Stakeholder feedback both indicate that Option 3 Development of an Alternative Delivery Model is the preferred option. Research indicates that alternative delivery can take a number of different forms and further work would need to be undertaken to establish which form would be most appropriate to these services and to Bury.

10.0 Recommendations

- 10.1 To confirm the Option 3 Development of an Alternative Delivery Model as the preferred option.
- 10.2 To agree to the next phase of work to establish the business plan for the potential new organisation and the form to be taken to deliver this.
- 10.3 To continue to involve, engage and consult with stakeholders in respect of development of the model.
- 10.4 To continue to engage with the Cabinet Office Mutual Support Program in respect of support available to proceed with Option 3.

List of Background Papers:-

- 1. Customer Information Pack
- 2. Staff Information Pack
- 3. Stakeholder Feedback Report
- 4. Options Appraisal (Exempt pursuant to Paragraph 3 Schedule 12A Local Government Act 1972 (as amended), namely, information relating to the financial or business affairs of the Council)

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