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Southampton City Council

Alternative options for delivering adult social care provider services

September 2012

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Section one

Executive summary

Who we have met, and what we have seen and read

We have received a great deal of information and heard a number of different perspectives

We have met..

Cllr Rayment, Cllr Stevens, Cllr Noon, Alistair Neill, Margaret Geary, Dawn Baxendale, Andy Lowe, Jane Brentor, Carol Valentine, Stephanie Ramsey, Rob Harwood and Dave Cuerden.

Service managers/senior workers from the services listed below.

We have seen..

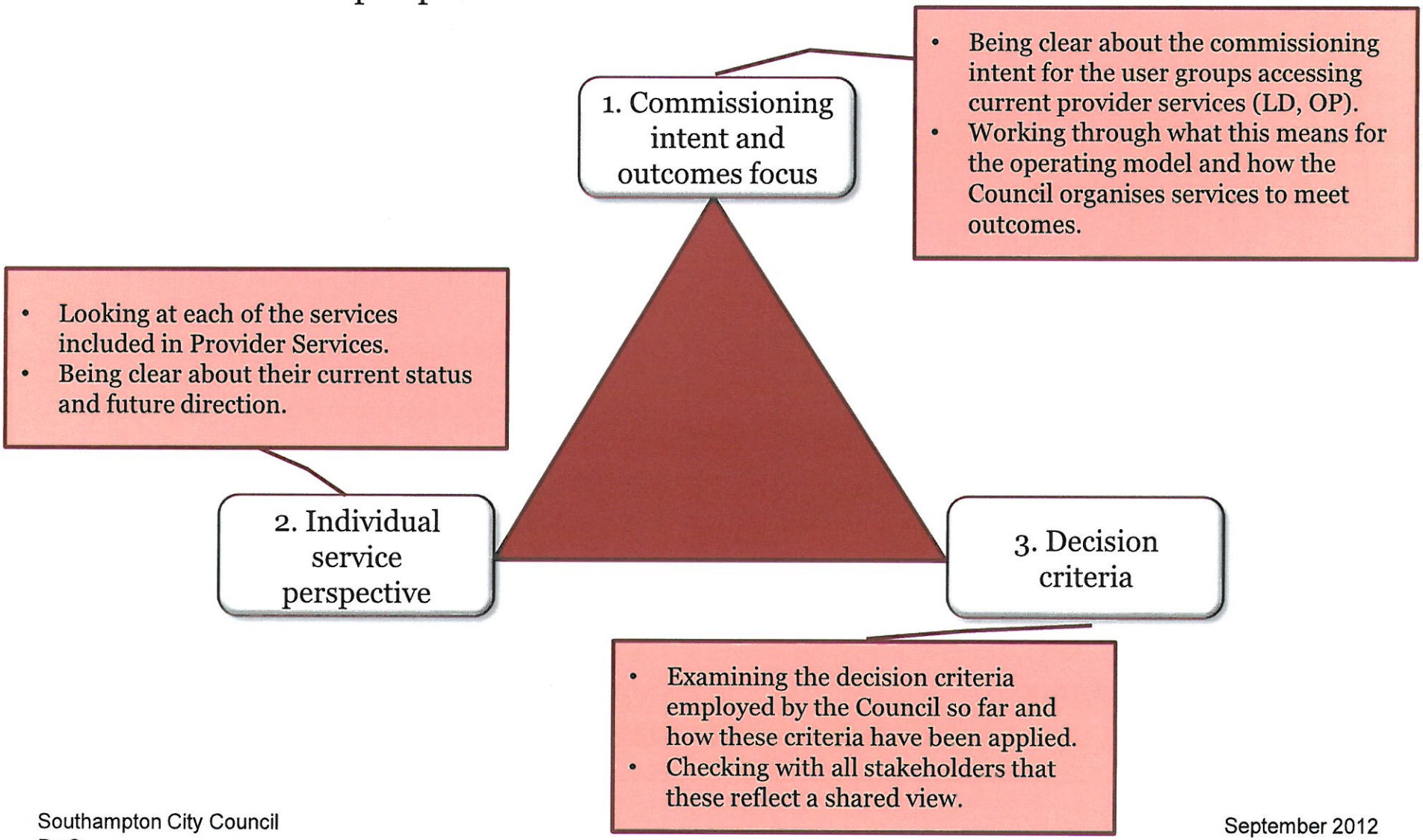
Brownhill residential rehab, Nutfield horticultural day service, City Care reablement and Glen Lee residential service for people with moderate/severe dementia needs.

We have read..

Independent options appraisal (May 2011), continuing to provide within the City Council business case (Aug 2011), Care and Health LATCo business case (Sept 2011), draft Council report (Oct 2011), options appraisal (June 2012), best/worst case financial model (July 2012), provider services options appraisal (Aug 2012) and draft commissioning framework and project brief (Aug 2012).

How we have approached this work – our 3 lenses

We have approached this work by looking at the question from a commissioning, service and decision criteria perspective.



Lens 1: commissioning intent and outcomes

This is about following through the evidence basis for service development.

The Council already has work underway on this..

- An overall commissioning framework is being developed jointly with the NHS.
- When developed, the commissioning strategies will take a future view on which outcomes the Council and partners are looking to deliver in each target population (LD, OP).
- The strategies should take account of how services need to change, leading practice from elsewhere.

This work is due to conclude in the next 2-3 months..

- The work is already beginning to examine different models for delivering effective commissioning.

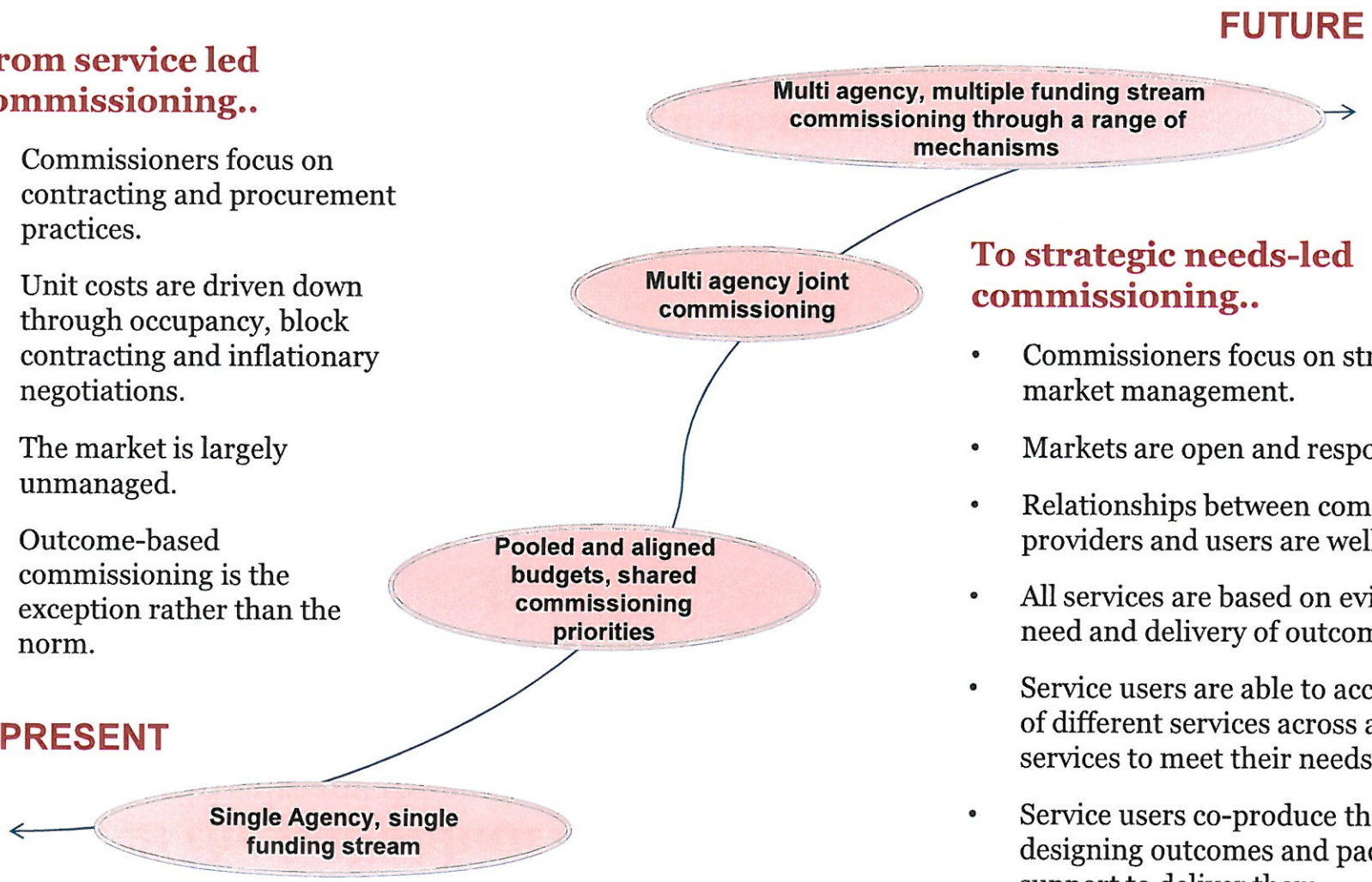
A commissioning framework

Lens 1: commissioning intent and outcomes

A perspective on a "typical commissioning journey"

From service led commissioning..

- Commissioners focus on contracting and procurement practices.
- Unit costs are driven down through occupancy, block contracting and inflationary negotiations.
- The market is largely unmanaged.
- Outcome-based commissioning is the exception rather than the norm.



To strategic needs-led commissioning..

- Commissioners focus on strategic market management.
- Markets are open and responsive.
- Relationships between commissioners, providers and users are well developed.
- All services are based on evidence of need and delivery of outcomes.
- Service users are able to access a range of different services across all statutory services to meet their needs.
- Service users co-produce throughout – designing outcomes and packages of support to deliver them.

Lens 2: the individual service perspective

The Council is already discussing different service priorities in each area

In older people's services for people with moderate/severe need and dementia..

Residential care
- Traditional model of delivery
- High cost per head
- High infrastructure costs/aged buildings

Extra care housing, floating support, assistive technologies
- Personalised, outcomes focussed
- Requires investment but delivers lower unit costs
- Innovative, sustainable in the face of increasing demand

In reablement and intermediate care..

Standalone reablement
- Niche not mainstream
- Variable results with variable costs
- Mostly single agency view
- Mix of skills and disciplines
- Roles and responsibilities sometimes unclear

Integrated intermediate care
- Mainstream, not ancillary
- Flexible, innovative, person-focussed
- Brings together full range of stakeholders
- Focuses on support planning rather than interventions

In day services for people with learning disabilities..

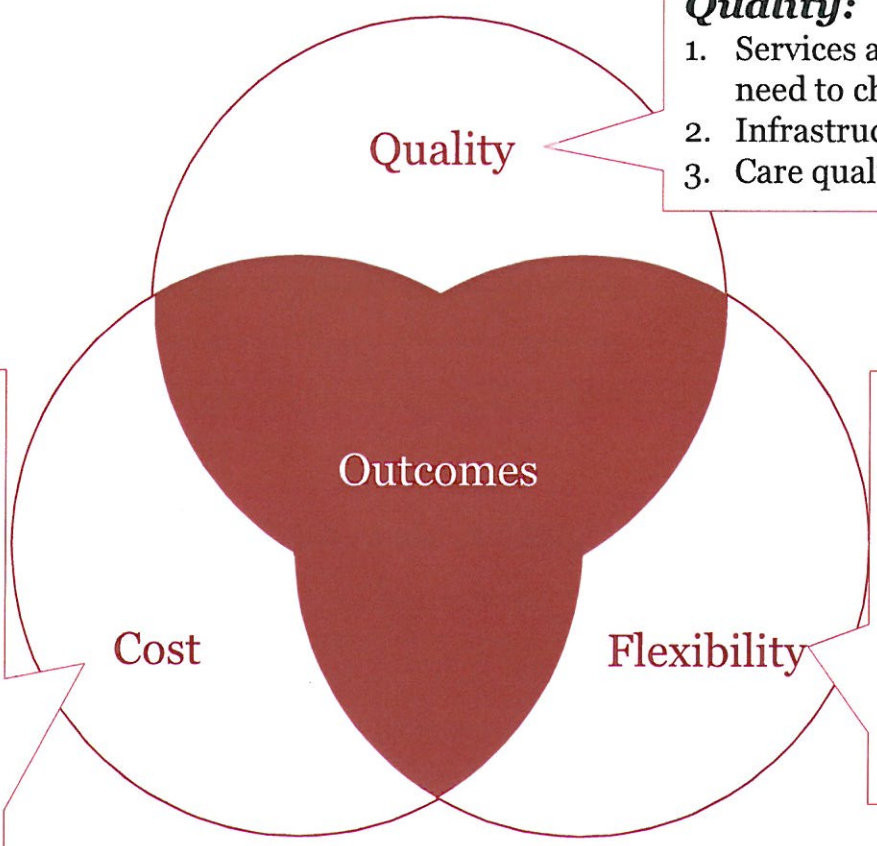
Buildings based support
- Individuals are given things to do
- Service for users vs carers
- Economies of scale
- Fixed populations supported

Person centred approaches
- Flexible and floating support for carers
- Person/outcomes-focussed support outside of traditional service boundaries
- Choice and control is exercised as part of maximising life choices/experiences

We need to keep talking about the future of each service, rather than all of them together

Lens 3: the Council's decision criteria on the LATCo

There is broad agreement that the principal decision criteria for deciding whether or not a LATCo is the right option for the Council are quality, cost and flexibility – focussed on better outcomes.



Quality:

1. Services are "good" but traditional. They need to change.
2. Infrastructure issues affect quality.
3. Care quality is well regarded.

Cost:

1. Services are comparatively expensive.
2. Ongoing capital (building) and revenue (staff, pensions) requirements.
3. Fixed operating costs exacerbated by self-directed support and personal budgets.

Flexibility:

1. Services cannot stay the same.
2. They are not homogenous and need to develop differently.
3. A LATCo would need to be established with a reasonable expectation of clarity/consistency.

Addressing the Council's business case for the LATCo

We have read and discussed the various business cases/options appraisals for the LATCo

We understand why the business case has been prepared in the way it has

- It has been prepared on the basis of direct cost assumptions and "known" elements.
- Negative costs (including through prevention) have been excluded.

The business case is really about how the current services would move into a LATCo model

- The business case takes the existing budget and projects this forward.
- The only real variable is how capacity in current services can be maximised, through unmet need and trading.

This means the business case is based on a series of underpinning assumptions

- One of the key assumptions is that LD clients will not be able to access services if they remain in-house. The next assumption is that they will continue to want to. In this cohort we are already seeing some movement away from direct provision.
- The business case also assumes some unmet demand – from clients currently excluded from service provision (eligibility) as well as from elsewhere (private clients, other local areas).
- Some financial elements are also potentially under-represented (e.g. redundancy costs, cost of change, cost of client function within the City Council).

The Council's business case for the LATCo

The result is a business case with an upside which is marginal at best

We have focussed our value for money discussions on the "Best Case" financial model

1. The business case assumes a continuing budget – in effect ringfencing current funding levels. This is not sustainable in a very high cost area.

2. It also makes assumptions that VAT will not be charged.

3. Costs of change are not included. These would be material for the Council

4. Redundancies do not include pension entitlements.

LATC - Best Case

	12/13 £	13/14 £	14/15 £	15/16 £	16/17 £	5 year Total £
Current Budget	9,273,400	9,273,400	9,273,400	9,273,400	9,273,400	46,367,000
Pressures						
VAT Exempt inputs (From Model)						0
Additional Costs (From Model)	95,000	95,000	95,000	95,000	95,000	475,000
Additional Board costs (From Model)	8,000	8,000	8,000	8,000	8,000	40,000
Additional costs not in model	0	0	0	0	0	0
Cost of Day clients transferring to Direct Payments	93,852	375,408	809,474	1,055,835	1,055,835	3,390,404
VAT on Agency Staff not included in Model						0
VAT on Units Rent (if SCC Opt to Tax)						0
Community Centres Charge for hire LATC	0	0	0	0	0	0
Potential Redundancies	125,000	0	0	0	0	125,000
Set up Costs beyond Original Project evaluation	150,000	0	0	0	0	150,000
Total Pressures	471,852	478,408	912,474	1,158,835	1,158,835	4,180,404
Savings						
Income from Private Clients Day Care (From Model)	0	0	(50,000)	(50,000)	(75,000)	(175,000)
Income from Private Clients Day Care / savings required to offset DP clients	(93,852)	(375,408)	(809,474)	(1,055,835)	(1,055,835)	(3,390,404)
Income from Private Clients OP Res Care (From Model)	(62,500)	(125,000)	(125,000)	(125,000)	(125,000)	(562,500)
Income from Private Clients LD Respite Care (From Model)		(50,000)	(50,000)	(50,000)	(50,000)	(200,000)
Income from private clients City Care (From Model)	(50,000)	(100,000)	(100,000)	(100,000)	(100,000)	(450,000)
Staff Savings (From Model)	(170,000)	(230,000)	(310,000)	(380,000)	(460,000)	(1,550,000)
Supply Savings (From Model)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(140,000)
City Limits Income	0	0	0	0	0	0
Total Savings	(404,352)	(908,408)	(1,472,474)	(1,788,835)	(1,893,835)	(6,467,904)
(Saving) / Pressure	67,500	(430,000)	(560,000)	(630,000)	(735,000)	(2,287,500)

5. The business case assumes new demand for services. Where from?

6. This demand is expected to equal movement away from the service.

9. A risk adjusted business case is unlikely to break even

7. High occupancy levels are assumed but demand is not evidenced.

8. In the main savings are anticipated through two tier working – which assumes agreement on terms as well as staff turnover. In practice this is difficult to achieve within a reasonable period.

Key messages from the business case analysis

We have discussed our headline conclusions drawn from this with the key stakeholders involved

The services need to change. Locking them into a LATCo is not the right option

- The Council need to accelerate the evidenced-based service development process.

In financial terms the business case is marginal at best once you remove the protected benefits of two tier working

- Two tier working makes up the majority of the savings potential. This is dependent on staff churn, as well as sign up from the Council.

The business case also rests upon assumptions about income maximisation

- There is no proven demand or investment built in to deliver on these additional income opportunities.

At present the case for a LATCo is not made on a typical value for money judgement

- There would need to be other, more subjective reasons for pursuing this option.

But the Council has initiated early work on commissioning and recognises the potential to do more for citizens

- This is about thinking from an outcomes perspective and doing the best the Council can for people in its care.

Deciding what to do next: the decision tree

There are broadly two options now – wait for the evidence based (commissioning) or press on anyway. Either way, the services need to be transformed

Now

Decision 1: Will commissioning drive service development ?

Assumption 1:
The commissioning strategies will define the Council's future requirements sufficient to enable future decision making

→

Decision 1:
Wait for the completion of the commissioning strategies and then revisit the options for Provider Services.

Decision 2: Do we want to maintain current services?

Assumption 2:
The Council wishes to deliver the same outcomes through the current set of services

→

Decision 2a:
Retain the services in-house

Decision 2b:
Pursue the LATCo

Next

Decision 3: Are we going to transform the services?

Assumption 3:
The Council wants to fundamentally transform services, requiring investment and active management of the transformation.

→

Decision 3a:
Retain the services in-house

→

Other decisions - eg:
Engage external partners
Manage the market
Drive the change
Engage staff and users

Deciding what to do next: our playback

From our discussions, we think there is a lot of clarity about what needs to happen next. Services need to change, and there are strong ideas for how and in what ways

We think you are clear about..

Services	Future thinking
Residential services for older people	• Continue to drive improvements in the current cost model (eg peripatetic managers) • Use current services as a platform to deliver **extra care** in the community, either in people's homes or using the capital to invest in new provision, increasing capacity (currently 8 beds for 3,000 population). • Make better use of technology – including through hub and spoke dementia support models. • Make more of opportunities across departments (eg children's services) and with partners (such as health).
Reablement	• Develop integrated working arrangements and look to mainstream the current approach – so that everyone (care managers, occupational therapies) has reablement at the centre of their work. • Develop a full, flexible spectrum of intermediate care provision – for step up and step down care.
Learning disability day services	• Focus on outcomes and the support required to deliver those outcomes (eg employment and volunteering support). • Focus current inputs on support planning for outcomes. • Consider inter-dependencies including with health providers (eg Horticultural Day Service) and alternative delivery models as part of "seeding" the market.

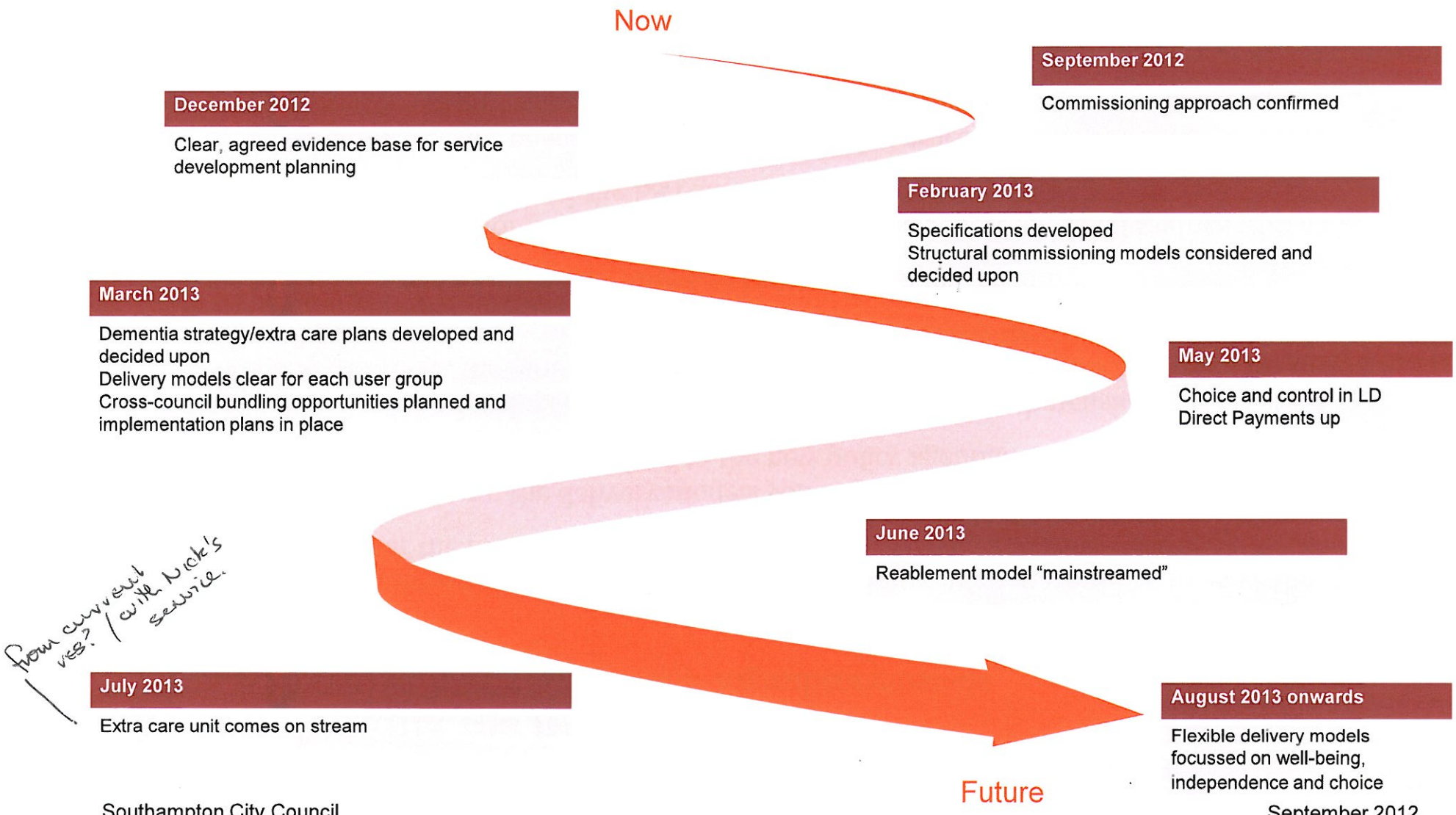
The conclusions we have reached

Working with you, we have reached some logical conclusions

- Applying the commissioning "lens" in particular our recommendation would be to leave the services in-house for the time being.
- The current services are not the delivery models you require going into the future. They are traditional, expensive and do not respond to the new policy agenda.
- The decision criteria as developed and applied by you have multiple dimensions for different stakeholders. However, the most common criteria described by everyone we met was the need to maintain a focus on outcomes and ensure that there was flexibility for the future.
- Moving to a LATCo would not prime facie meet your criteria for flexibility.
- The current business case for moving to a LATCo represents at best marginal savings with some downside risk for the Council and the LATCo.
- The transformation journey needs to be accelerated, with services retained in house and external partners engaged to support specific agendas (eg the development of extra care housing options).

The future – a potential route map

What might the future hold?



Section two

Responding to the key questions raised

Executive summary: responses to key questions

The City Council raised 10 key questions at the outset of this work

No.	Question or area	Summary response
1.	**In which ways would a LATCo be advantageous and disadvantageous to the Council?**	Advantages: enable income generation, provide a market "underpinning", enable a wider pool of individuals to access services (subject to demand). Disadvantages: ringfences budget, inhibits flexibility, does not develop market, requires new skills and change capacity, value for money, unclear expectations, staff and business change required.
2.	**Is the current business case robust?**	The business case does not currently fully address value for money considerations and is based on a set of questionable assumptions.
3.	**Could a LATCo be made to work successfully with a workforce on equal terms?**	If all assumptions are met, on the current financial model without changes to workforce terms cost savings of c.£786k could be delivered. The income assumptions look optimisitc – this is a best case scenario.
4.	**What alternative options would be appropriate?**	The services in scope are very different. Different options might be appropriate for different services. The business case needs to be considered on this basis. Prime facie there appears to be a case for the Horticultural Day Service to consider becoming a social enterprise.
5.	**Are there gaps in the current assessment of the LATCo?**	One of the overriding priorities for everyone involved in this project was being able to maintain flexibility. The LATCo business case also makes assumptions about new demand for current services (including people with lower level needs). The key is compelling evidence to support the income assumptions.

Executive summary: responses to key questions

The responses continue below.

No.	Question or area	Summary response
6.	**What are the risks and opportunities involved in retaining the service in house?**	Risks: institutional issues (bureaucracy, risk aversion), income potential, political and staff buy in to LATCo proposal. Opportunities: maintains flexibility in budgets/quality/provision, easier to transform, reinvest, modernise, personalise, commercialise, invest in outcomes, take an evidence-led approach.
7.	**What are the risks and opportunities in outsourcing?**	Risks: political buy in, lack of knowledge of/under-developed market conditions, staff response to change, unclear specification for services, capital requirements. Opportunities: cost savings, shared risk, inward investment potential, catalyst for change.
8.	**Would a partnership with a health provider be beneficial?**	This needs to be tested further. Some services align well with health provider services (eg reablement); others less so (eg learning disability day services). The cost/benefit of a partnership of this kind has not been fully tested, and needs to be driven by citizen needs.
9.	**Are health agencies a suitable partner for delivery?**	This may be the case in some services (eg an integrated intermediate care service). No business case was provided as part of this review.
10.	**Is the Council's approach to integrating commissioning across children's and adult social care a sound one?**	Fundamentally the approach is sound. The key is to build capability and capacity in the Council and place the commissioning strategies at the heart of the strategic agenda. No business case for delivering this was put forward as part of this review.

Q1: In which ways would a LATCo be advantageous and disadvantageous to the Council?

Advantages

1. A LATCo will be able to generate surplus income for reinvestment in the service or the wider Council, and become, whereas in-house services are only permitted to recover full costs. The Council's financial projections assume that a LATCo would be able to increase income by over £4m over 5 years (worst case), which would overcome the circa £1m additional costs (over 5 years) required to establish a LATCo.

2. Establishing a LATCo for social care services would enable the Council to establish a clear commissioner-provider split, and to focus on commissioning the most effective service provision for the local population.

3. A LATCo would enable the Council to retain arms-length control over a set of strategically important services to the local community and ensure that services will continue to be provided in areas (under the existing Council brand if desired) where the market is insufficiently developed. Moreover, it would be legally possible to establish a LATCo under a Teckal arrangement, in which the authority could continue to commission services from the LATCo without the need for a full procurement procedure, provided that LATCo remained financially dependent upon the authority.

4. The new organisation would be less dependent upon local authority support and have the freedom and incentive to operate more commercially and innovatively to extend service provision and attract new customers, including in partnership with other providers (e.g. NHS).

5. Existing staff could be retained under TUPE in a new LATCo, but would have the opportunity to operate in a more flexible and rewarding environment, with more effective reporting and accountability arrangements. This option may also be more acceptable to trade unions as it falls short of outsourcing.

Disadvantages

1. Under a LATCo, the social care budget would effectively become ring-fenced, with the Council losing the ability to redirect this significant resource to other parts of the organisation as efficiencies are made and priorities change. The ability to pool resources flexibly with other services and other organisations to address needs more holistically may also be diminished.

2. With its increased operational autonomy, it may become more difficult to include social care in Council-wide shared service programmes, and the benefits case for Council-wide transformation could be eroded as a result.

3. Establishing a LATCo would still inhibit market development, as private and third sector providers would continue to find it difficult to compete with the resources and expertise of such a body. Establishing a LATCo under a Teckel arrangement would shield the new body from competition and reduce the incentive to make efficiencies.

4. A further opportunity cost of establishing a LATCo instead of fully outsourcing is that existing people, processes and technology are simply retained under a new banner, and it may take longer to lever in new expertise and thinking, and bring about more efficient ways of working.

5. Setting up a LATCo would involve significant investment and change for the service, and a strong business case and programme management approach will be required in order to implement the new service. In particular a separation of existing teams, assets and contracts would be required so that the new organisation had its own resources, and also VAT would become payable in relation to particular activities. The decision to establish a LATCo still represents a significant risk to the Council, particularly if the VAT impact cannot be mitigated as fully as anticipated.

Q2: Is the current business case robust?

The LATC business case prepared by CHS (September 2011) provides a good basis for considering the opportunities and risks associated with this option. It includes a detailed set of assumptions behind the income and cost projections. However, this only appraises a single option in detail – the establishment of a LATC covering all provider services – rather than a full set of options, and therefore there is a risk that this document lacks balance.

In addition, a separate internal business case (August 2011) found that the status quo was financially unsustainable, but that it was equally difficult to make a strong case for moving to a different model. This document is a briefer piece of work.

We have also reviewed the latest financial model and would highlight a number of key issues with the current financial model (September 2012 version):

1. The current financial model only considers two options, whereas there may be potential for more aggressive cost reduction and income generation under other options (eg engaging alternative providers).

2. It is unclear whether the model is underpinned with a detailed set of assumptions and supporting evidence.

3. It is assumed that current budget of £44.6m will remain the same over the following five years, however this will need to reduce in order to help meet the Council's efficiency savings as the service becomes leaner.

4. The model significantly understates the ability of the Council to transform its own operations. Staff savings for the LATC option (£1.5m best) are far in excess of the In-House option (£100k best), and also no supply savings are assumed for the in-house model. Also no redundancy costs have been included for the In-House option.

5. For the LATC option, there is no variation in staff or supply savings for the LATC option between the best and worst scenarios.

6. In terms of income forecasts:

- The model assumes that there will be a significant increase in income from private clients under the LATC option. What up to date evidence is there of this new demand, have all new sources of income (e.g. contracts with other public bodies) been taken into account, and would this type of income generation be permissible under a 'Teckal' arrangement?

- Under the in-house option, it may be possible to generate additional income through ensuring full cost recovery across all discretionary service areas if this is not being achieved at present.

Q3: Could a LATCo be made to work successfully with a workforce on equal terms?

This is a difficult argument to make and is based on a series of assumptions which have not been fully tested as part of this short review – namely:

- There is an assumption that two tier working would not be permissable for the current administration, although the business case does not clearly set out the advantages and disadvantages of considering it.
- The majority of the cost savings identified in the current financial model supporting the LATCo option are, however, predicated on being able to deliver two tier working.
- However, the model does assume that, in a reportedly very stable workforce, there will be some movement of staff which will enable the Council to employ staff on new terms and conditions. This assumption does not appear to be borne out by the Council's own qualitative evidence about staff movement and churn in the service overall.

In addition, alternatives need to be considered further. For example, part of the transformation of the service could include an evaluation of the types and skills required of staff in the future. This would be aligned to evidence about what the Council's commissioning intelligence would specify the future services should deliver. For example, if users with learning disabilities are to be supported to make informed decisions about the choices available to them (exercising their own independence, choice and control) this may mean more of a focus on support planning activity within the current day services staff group. Equally the Council may take a decision that a support planning role should – as far as practical – be carried out by an arm's length organisation, and (in common with other areas) commission further independent support and advocacy from user led organisations based (and if necessary "seeded") in Southampton.

•Fundamentally, the question about equal terms is based on a premise that the workforce required in the future will be similar in nature to the workforce required now. There are benefits to be realised for staff and users in understanding and embracing changes in adult social care – freeing staff up to focus on what matters to the people they are working with (and their carers) and potentially reducing the time spent on tasks which might be considered of lower value.

The other important factor to bear in mind is that the Council's workforce does not exist in a vacuum. The Council is already a major user of local agency staff, who are required in regulated services to maintain levels of care and are also used in non-regulated services to provide capacity and capabilities not currently employed in-house. Wider issues of recruitment and retention need to be considered. Southampton is, in a sense, operating in direct competition with other neighbouring boroughs for highly skilled and experienced social care staff. Pay, terms and conditions are important considerations to bear in mind in this competitive landscape – but they are by no means the only considerations potential and existing staff will have in mind when deciding on their employment prospects.

Q4: What alternative options would be appropriate?

The services in scope are very different, therefore different options might be appropriate for different services. We believe there are two alternative options that should be considered for some or all of the services currently within scope:

Transfer to a social enterprise

Services could either be transferred to an existing social enterprise specialising in social care or a new one would need to be created. In particular there appears to be a prima facie case for the Horticultural Day Service to consider becoming a social enterprise.

The main advantages of such a model would be that

- The organisation would have the agility to operate more commercially and implement efficiencies, however social enterprises are required to reinvest all surpluses back into the organisation and do require more capital start up than private sector endeavours.
- The Council could retain a degree of control over the new organisation through a governance or commissioning relationship. There are a number of legal models available depending on the objectives and functions of the new organisation.
- Many social enterprises and mutuals have succeeded in delivering a more rewarding working environment for staff, and achieved greater staff affiliation to their place of work and lower levels of absenteeism as a result.

The disadvantages are that:

- The distinctive set of management skills required to drive forward a social organisation successfully may be difficult to attract, and may not be currently available to the Council.
- It may be more difficult to implement transformational change in the new organisation, given that it could comprise existing managers and staff and there is a temptation in these organisations to hark back to established ways of working. New management would probably be required.
- A new social enterprise may struggle to compete with more established commercial competitors in procurement processes run by the Council (although it might be possible to avoid procurement processes through using the Teckal exemption).

Collaborate with neighbouring local authorities or local NHS partners

Adult social care services could be delivered in partnership with one or more neighbouring local authorities or NHS partners.

The advantages of such an arrangement would be that:

- Democratic influence would remain over the service, although local control would need to be reduced.
- Synergies in front and back office functions may be found, whilst front line service delivery teams could be brigaded more efficiently.
- The Council would be able to call on a larger resource pool when service pressures are greatest, and would be able to use shared specialist resources.
- If the service was established at arms-length of the sponsoring Councils, it would have the power to make surpluses for reinvestment in the service.
- It may be possible to bring a private sector organisation (e.g. professional services firm) into the partnership in order to modernise systems, processes and ways of working.

The disadvantages would be that:

- Local government collaborations are often slow to develop owing to differences in local priorities, changes in political control and the length of the decision making process. Agreeing a compelling case for collaboration with senior members and officers early in the process would be imperative.
- Transformation of service delivery and front and back office processes may be difficult to achieve without the involvement of an external third party

Q5: Are there gaps in the current assessment of the LATCo?

One of the overriding priorities for everyone involved in this project was being able to maintain flexibility. The LATCo business case makes assumptions about new demand for current services (including people with lower level needs).

Assessing the LATCo through the Council's decision criteria, we would highlight the following questions that may not have been considered sufficiently so far:

Cost

- Will the LATCo have sufficient skills and capabilities to transform the social care operations it will inherit and drive down unit costs?
- Will the LATCo have sufficient incentive to drive down costs when it will remain closely aligned to the authority, and well placed to secure large local authority and health contracts awarded through joint commissioning?
- There is a risk that the Council's ability to effect transformational change in social care has been under-estimated. The scope of the Council's wider change initiatives to make savings in social care has not been sufficiently considered.

Quality

- Is the current assessment of the LATCo sufficiently outcome-led, and focused on the way that service provision will need to change in future in response to changing need, the changing legislative content and reducing public funding? A clearer set of service drivers are required to determine the most appropriate service delivery model.
- Has the current performance of the service in terms of its ability to effect outcomes and achieve high levels of customer satisfaction been sufficiently through use of benchmarking, reference to current customer research etc.

Flexibility

- The establishment of a LATCo would be likely to diminish the level of flexibility the Council currently has over adult social care resources, including its ability to pool resources with other services and partners to address needs more holistically.
- A LATCo may risk stifling rather than promoting local competition in social care services, and therefore constrain future commissioning options in particular service areas.

Evidence

- The LATCo business case makes several key assumptions about the ability to maximise capacity to drive additional income. This is not underpinned by compelling evidence or clarity about the marketing and business development strategies and costs that would be required to realise these opportunities.

Q6: What are the risks and opportunities involved in retaining the service in-house?

Opportunities

1. The Council would retain control over the strategic direction and operation of social care services, and can therefore ensure that resources can be fully focussed on achieving key outcomes. Services would still be clearly delivered under the SCC brand.

2. The Council would still be able to transform the service, and social care services would be able to take full advantage of pan Council shared services for front and back office. The Council would also pursue new delivery models in partnership with other providers (e.g. Health)

3. Retaining social care services in house would not necessary preclude more parts of the service (e.g. residential care) being externally commissioned or delivered more commercially and collaboratively with other public, private and third sector providers.

4. Costs required to externalise the service further (e.g. legal, HR, procurement, property) would be largely avoided. Resources could be focused on maintaining service quality and continuity, rather than being split up and reallocated to an external body. Full recovery of VAT costs would continue.

5. It is likely that the Council would still be able to generate additional income under an in-house solution through ensuring that full cost recovery is achieved for all discretionary service provision

6. A good deal of staff uncertainty and potential union opposition would be largely avoided with an in-house option, making it easier for staff to be retained in key areas which are difficult to recruit.

Risks

1. There is a risk that the pace of transformation would not be as rapid compared to other more external delivery models, and as a result it would take longer for the Council to realise savings in a significant area of spend. Outdated processes, systems and HR practices would continue.

2. The service would continue to have limited incentive to operate more commercially, and would remain financially dependent on Council resources. Unit costs would remain relatively high, and the service would continue to be subsidised by taxpayers.

3. Whilst the service would be able to supply services to external organisations it would only be able to recover full costs from fees and charges, rather than generate a surplus with which to invest in improving the service. As the current financial case indicates, there is a significant amount of untapped revenue which would likely be forgone with this option.

4. Continuing with in-house provision would make it more difficult for the Council to establish a commissioning-provider split within social care, given that the same teams and individuals current deliver both of these functions. Such a split would be required, for instance, for service users to buy-back services with direct payments and reduce the doubling funding of services that currently persists.

Q7: What are the risks and opportunities in outsourcing?

Opportunities

1. An external provider would be able to deliver adult social care services more efficiently than the Council through more efficient front and back office processes, and more modern ways of working. An outsourced provider would be able to invest in the service in order to build capacity and generate more income. Also, experience within local government shows that successful outsourcing arrangements can often provide a catalyst for change for the wider organisation.
2. The Council can decide how much strategic and operational influence it wishes to retain over the service, and select an appropriate outsourcing model to deliver this. Critically outsourcing will enable the Council to share delivery risks with an external provider.
3. It is likely that the Council would be able to enter into an outcomes-based contract with an external provider, with built in incentives to increase personal independence, strengthen the amount of community-based care and reduce unit cost. It would also be possible to include a profit share arrangement so that the Council could benefit from additional income generated.
4. Existing staff and assets could be transferred to the new provider through established processes

Risks

1. The Council takes on a contract/performance management role in respect of the operations of the provider – which it may not yet be resourced to do.
2. An outsourced provider may not wish to take on all social care areas, meaning that the service may be split up. There was particular reluctance to splitting services up in this review.
3. If the contract agreed with a provider is unclear or commercially unfavourable, the Council and the local could be seriously disadvantaged until the contract could be renegotiated, or the service brought back in-house. However, this is a responsibility for the Council to take.

Q8: Would a partnership with a health provider be beneficial?

The costs and benefits of a partnership with a health provider would need to be tested further in a business case and need to be driven by evidence about citizen needs.

The opportunities and risks for partnering with a health provider would be similar as for outsourcing more generally, except that this would narrow down the range of possible providers, and the Council would need to confirm through a tender exercise that the health body selected had the required capacity and strength to deliver a contract.

In determining whether a partnership with a health would deliver net benefits, the key issues that need to be considered are:

1. What are the advantages of delivering in partnership? – commissioning strength, economies of scale, sharing of systems and processes, people utilisation. Are all key stakeholders (e.g. elected members) on board?
2. What is the scope of services to be included? – some services align well with health provider services (e.g. reablement), whilst others are less aligned (e.g. learning disability day services). What outcomes need to be delivered?
3. Is there a good understanding of the operational baseline in both the Council and NHS services?
4. What are the options for delivering in partnership?
5. How will the new partnership operate in terms of business functions, processes, people, systems and data?
6. What is the most appropriate governance model and legal structure for the partnership? What is permissible within current legislation?
7. How will the partnership be implemented, in terms of timescale (e.g. pilot, phased or big bang). What investment would be required?
8. What is the overall case for change? Would there be net financial and non-financial benefits, and over what timescale would they be required?

Q9: Are health agencies a suitable partner for delivery?

No business case or evidence was advanced on this point as part of this review. However we would pose the following questions in assessing the delivery suitability of health agencies, which would need to be addressed as part of a business case (see response to question 8):

1. Which adult social care services could be delivered by a health agency? For instance, there is a prime facie argument in support of integrated intermediate care services

2. What types of health agencies would have the required levels of capability and experience to deliver particular types of adult social care services? What does the Council perceive the main advantages of collaboration with a health body to be? Are these views shared by the health partner?

3. Are there particular types of health agencies that the Council would be interested in partnering with – Clinical Commissioning Groups, NHS Trusts, private sector bodies, social enterprises, third sector bodies?

4. What type of partnerships would the Council be willing to establish – joint commissioning, outsourcing, joint venture, joint committee etc?

5. Is the timing right in a period of intense uncertainty in the NHS?

Nationally, in other areas, partnering arrangements between health and social care are at different stages. Care Trusts are well established in some areas (eg Solihull) but the results of these partnerships are not well researched. There are also some cases where these arrangements have not worked and had to be unpicked.

Local authorities and NHS providers are looking anew at some of these questions and emerging evidence is being shared across the sector. Part of the prompting for this is the new models of delivery available through NHS reforms.

Qu 10: Is the Council's approach to integrating commissioning across children's and adult social care a sound one?

There is further work to do to fully understand this thinking and the underlying rationale and business case in support of it. The key challenge posed to the Council in this review has been in making structural change before deciding on the evidence base for service development and aligning this with the organisation and service departments' own visions of success.

This question is also dependent upon a number of factors, including definitions and scope. During this review different stakeholders had different definitions of commissioning. Some of the areas where there is prime facie a case to be considered are in:

- The commonality of core capabilities and skills – in terms of forecasting, modelling, needs analysis, budget management, commissioning at the micro and macro scales.
- Other areas of commonality, such as performance management, performance reporting, the ability to move support staff across services and functions at points of acute stress or pressure.

However, there are also weaknesses in this outline argument, including:

- Children's and adult services work with fundamentally different cohorts of residents. The bulk of citizens supported in adult social care are older people with few familial connections. The majority of children and families supported in children's services departments are families with children at risk of harm. The circumstances, numbers and needs of each are quite different.
- There may be overlaps in some areas, and the government's Troubled Families agenda is exposing some of these. These areas of cross-over tend to focus on issues such as mental ill health, housing, substance misuse and child protection. These are core cost drivers for children's services and the NHS, but are less so for adult social care.
- This argument can pre-suppose a focus on procurement skills, which are one part of the commissioning cycle. If the Council is looking to share skills around commercial negotiation, contract management and other similar areas, it may not need to consider structural alternatives.
- Fundamentally there needs to be enough "tension in the system" to pull the right skills into play at the right points in the service delivery journey. This means deferring to skill sets around commercial relationships at the right point in the service delivery cycle. What is important is to be able to maintain an adeptness in commissioning – picking up local trends and being able to manage the market to meet these trends, maintaining budgetary control in typically very difficult demand-led areas and other benefits of effective commissioning.