

AGENDA ITEM: 12 Page nos. 71 – 90

Meeting Cabinet Resources Committee
 Date 24 May 2011
Subject Adults In-House Service Review : Initiation of Full Business Plan
 Report of Cabinet Member for Adults
 Cabinet Member for Customer Access and Partnerships
 Summary This report asks the Committee to approve the business case for the Adults In House Service Review project, allowing the set up of a local authority trading company structure, incorporating Barnet Homes

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 Status (public or exempt) Public with separate exempt part
 Wards affected All
 Enclosures Appendix A: Business Case
 Appendix B: Community Equalities Impact Assessment
 Appendix C: Employee Equalities Impact Assessment
 Appendix D: Joint TU Interim Report
 Appendix E: Response to Joint TU Interim Report
 Appendix F: GMB TU Interim Report
 Appendix G: Draft Response to GMB TU Interim Report
 For decision by Cabinet Resources Committee
 Function of Executive
 Reason for urgency / exemption from call-in (if appropriate) Not applicable

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2002-2003
Improving Urban Green Spaces
Libraries as a Community Resource
2002-2004
Community Cohesion

1. RECOMMENDATIONS

1.1 That Cabinet Resources Committee approves the Adults In House Services Business Case, in order that the Council can:

- **Appoint a LATC shadow board to begin contract negotiation between the Council and LATC**
- **Set up a holding company in the form of Local Authority Trading Company (LATC), of which Barnet Homes would be a subsidiary**
- **Set up a subsidiary LATC for the management of those Adults Social Services currently provided in-house**
- **Transfer the adult social care service provision as set out in paragraph 6.2 from the management of the Council to the LATC following approval of the business plan**

1.2 That Cabinet Resources Committee approves the structure set out at 9.19

2. RELEVANT PREVIOUS DECISIONS

2.1 The Learning Disability Commissioning Strategy approved by Cabinet in June 2007 (decision item 12), set out an objective to establish the in house learning disability services within the Council as a separate business unit within the Council at arms length from Adult Social Services to enable it to operate as an independent provider. The business unit was created in 2009 as part of the Council's approach to the delivery of the vision for Adult Social Services of Choice and Independence.

2.2 On 7 April 2008, General Functions Committee approved a new staffing structure and terms and conditions for in-house staff (decision item 14). The structure removed pay and grade inconsistencies and modernised the in-house services in line with the wider Council.

2.2 The Housing Strategy was agreed by Cabinet on 12 April 2010 (decision item 8). This included the following:
"The Council views Barnet Homes as a potential vehicle for providing additional services on its' behalf, as well as extending its role as a provider of housing related services, and we will explore options for progressing this through the Future Shape programme."

2.3 The One Barnet Overview & Scrutiny Panel considered a presentation outlining the key points of the options appraisal on 11 August 2010 (decision item 10). The Panel highlighted the risk that some services, such as care homes, might be forced to close due to a decline in client numbers as a consequence of increasing use of personalised budgets. It was resolved that;

- (i) the presentation be noted

- (ii) the Panel support the option for Adult Social Service in-house provisions and staff to be transferred to a Local Authority Trading Company and
- (iii) the One Barnet Programme Board take into consideration the Panel's comments on the following:
 - The long-term future of Barnet Homes be carefully assessed when exploring options for establishing a Local Authority Trading Company with Arms Length Management Organisation;
 - Instituting Service Level Agreements to ensure that current high levels of service provision are maintained;
 - Providing appropriate services during the transition from Children's to Adult Social Services (18-19 years); and
 - In recognition of the diversity of Barnet's residents, equalities considerations should be given due consideration in the development of service specifications.

2.5 Cabinet (29 November 2010, item 6) approved the One Barnet Framework and the funding strategy for its implementation.

2.6 Cabinet (29 November 2010, item 8) approved the decision to develop a business case for the implementation of a LATC, which would result in the transfer of Learning Disability Services, Physical and Sensory Impairment Disability Services and Mental Health in-house provider services to the LATC.

2.7 The Pension Fund Committee (21 March 2011, item 6) noted the Designated Body Status proposed for the LATC and approved in principle Admission Body Status in the event the LATC does not meet the Designated Body Status criteria.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:

- Better services with less money;
- Sharing opportunities, sharing responsibilities; and
- A successful London suburb.

The overarching aim of the One Barnet programme is:

- to become a citizen centred organisation

To be delivered through the adoption of three key principles:

- *A new relationship with citizens*
 - service users and their carers will have choice and control over the services they buy to meet their individual needs and be supported and encouraged to do this
 - service users and carers will be able to take an active role in the governance of the LATC and influence the design of services
 - through greater flexibility in the way individual needs can be met, service users and carers will be encouraged to self help
 - build a richer understanding of service user preferences and aspirations to inform the design of services and help shape the market

- *A one public sector approach*
 - develop collaborative leadership with Barnet Homes and use the synergy of skills and experience to take a more strategic and commercial approach to service development
 - identify opportunities with Barnet Homes and the wider public sector to provide integrated support and a more seamless customer experience to enable people to live as independently in the community as possible, for example joint housing and specialist support and advice for adults with mental health needs
 - target opportunities to collaborate with Barnet Homes and the wider public sector on tackling strategic issues with a community focus, such as worklessness, through the LATC's role in supporting people to access employment and volunteering opportunities

- *A relentless drive for efficiency*
 - Freedom and flexibility to respond more swiftly to changes in service demand and the market, particularly as there are many unknowns about how the market will change and purchasing patterns inherent with personalisation
 - An opportunity for the council to focus on its strategic commissioning role
 - Maximise opportunities to work with and commission from alternative private, public and voluntary sector partners to lower costs
 - Operating within the wider competitive market, the services will have a sharper focus on lowering costs to deliver value for money to its customers which will include the Council.
 - Services will have greater flexibility than within the Council to trade services and invest revenue in service development
 - Being a wholly Council company allows for surplus or dividend to be paid back to the Council

- 3.2 The aim of the proposal to implement a LATC is aligned within the One Barnet objective of “a new relationship with citizens”. Changing the way the Council is structured to provide Adult Social Services will promote choice and independence for residents. This is a strategic fit with the personalisation agenda to roll out personal budgets and direct payments as identified as a key service improvement objective in the Adult Social Services 2010/11 business plan.
- 3.3 This enabler for citizens will empower service users to select the services they require from the open market and by implementing an LATC we will ensure the Council can compete in the free market and continue to offer Adult In—House Services registered by the Care Quality Commission rated as ‘Excellent’ or ‘Good’. In turn this will leave the Council free to focus on becoming a commissioner of Adult Social Services as the core business of the authority thus providing a relentless drive for efficiency with the services which remain in-house.

4. RISK MANAGEMENT ISSUES

- 4.1 **Risk:** Commercial risk such as venture failure and financial loss ultimately resides with the council.

Planned Mitigation: This risk will be covered in the business plan which will model several scenarios and flexibility for potential service modification in response to market conditions. Barnet Homes will be represented on the project board to share their learning and feed into the Business Plan. The full Business Plan will be presented to this committee for approval upon completion of the transition phase.

- 4.2 **Risk:** There is a risk that setting up an LATC which incorporates Barnet Homes will affect the tax exemption status of the existing Arms Length Management Organisation (ALMO). This could result in Barnet Homes becoming liable for Corporation Tax. The potential liability would have been £187k for 09/10 as stated in Barnet Homes accounts. This figure is the tax which Barnet Homes were not liable to pay in 09/10 byway of the tax exemption in respect of their activities with the Council.

Planned mitigation: The loss of this status is not necessarily significant enough to prevent progress however; the Council and Barnet Homes are jointly seeking advice from HMRC via KPMG to fully understand if the risk is valid and the full implications. If received before the date of the Cabinet Resources Committee meeting, it will be presented at the meeting. This could be off set by potential trading activities Barnet Homes could undertake on the market.

- 4.3 **Risk:** Housing Needs Resources are conducting an Options Appraisal to propose a TUPE transfer of 87 staff from the Council to the proposed Barnet Homes subsidiary of the LATC by April 2012. This may impact how the Housing Revenue Account (HRA) operates potentially leaving the council open to substantial losses if the self-servicing debt is not managed sufficiently stringently. This could also increase the potential taxation liability should Barnet Homes lose their tax exemption status.

Planned mitigation: The Housing Needs Resources Project Manager will need to ensure that any option chosen demonstrates that robust governance structures are in place and that commercial / financial expertise is adequately in place to competently manage and control the HRA debt. Any additional work managed by Barnet Homes will give rise to an increase in Barnet Homes management fee which is subject to VAT. The subsequent increase in profit for Barnet Homes will have Corporation Tax implications whereby any increase in profit would incur corporation tax at 20%. Should the proposal for transfer be agreed, taxation implications will need to be managed and could be offset by potential trading activities of the LATC.

- 4.4 **Risk:** Establishing a LATC to specifically deliver in-house services is not a well-trodden path in terms of Local Authority organisational design.

Planned Mitigation: Lessons learned are to be acquired from Local Authorities that have already implemented / are in the process of implementing a LATC. Whilst some have already been included in section 5 of the business case, further research will be undertaken in order to inform the development of the business case/plan.

- 4.5 **Risk:** Change and upheaval can, if not managed properly, impact on the quality of service delivery during a period of transition and post-change establishment.

Planned Mitigation: If the decision is taken to proceed with the LATC as the future delivery model, it will be important to supply sufficient resource to support the new company to establish itself as a new entity. This support is reflected in the business case (change costs).

- 4.6 **Risk:** TUPE transfer cannot take place until there is sufficient representation for the LATC to issue consultation and measure statements.

Planned Mitigation: An interim shadow board will be formed with appropriate representatives nominated by the Council, these representative roles will act in the interests of the LATC. Upon recruitment of LATC board members the shadow board will cease to exist. The Project Board will represent Barnet Council to ensure the LATC meet the statutory obligations of the Council.

- 4.7 These risks will be assessed and managed in accordance with the Council's project management methodology.
- 4.8 The Project Board and the One Barnet Programme Board will continue to provide appropriate escalation routes.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 From 6th April 2011 the previous separate equality duties on public authorities covering race, disability and gender were replaced by a single Public Sector Equality Duty. Section 149 in Chapter 1 of Part 11 of the Equality Act 2010, is the new public sector equality duty. These include a 'general duty', which obliges public authorities to have due regard to the need to:
- a) eliminate unlawful discrimination, harassment, victimisation;
 - b) advance equality of opportunity between those covered by the Equality Act and those not covered, e.g. between disabled and non-disabled people;
 - c) foster good relations between these groups.

By section 149(2) of the Equality Act 2010, the 'general duty' also applies to 'a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty.

- 5.2 The purpose of the project is to empower vulnerable adults to make choices about, and take control over, the social services they receive. Consequently creating an organisation which can support the implementation of the Personalisation Agenda should increase choice and control for individuals.
- 5.3 An initial Community Equalities Impact Assessment has indicated 'Neutral Impact' and will be revisited at each major project milestone. It has however been recognised that as the authority move to a more consumer led model services could be subject to change if demand decreases in the long run. In this case we will conduct further Equalities Impact Assessments as part of any proposed change in order to mitigate potential risk of inequality.
- 5.4 Service users may choose support that is more appropriate for their individual preferences and/or needs, including some that may relate to their age, disability, ethnicity and Religion or belief. This may have a positive impact on meeting equality obligations.
- 5.5 Due to the nature of the services, equalities and diversity issues are high on the agenda. An 'Easy Read' version of community communications and presentations has been produced for service users with learning disabilities.

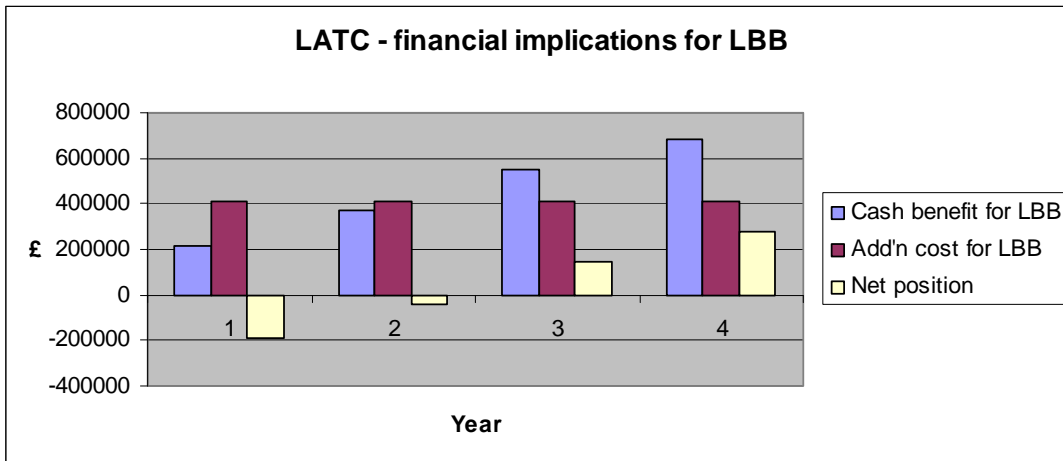
Similarly, communications will be produced in alternative formats upon request.

- 5.6 The Employee Equalities Impact Assessment is attached as Appendix C. This presents the workforce profile against the protected characteristics at milestone 1. The proposal set out in the business case is for the full in-scope workforce to transfer to the LATC and therefore it is not envisaged that there should be any adverse equalities impact on any protected characteristic grouping. This will be monitored at future milestones and a revised EIA will be prepared and reported to the General Functions committee that will be considering staffing implications of this proposal if approved by this committee.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Barnet is facing a funding gap of £53m over the next three years, and the Cabinet on 14 February and Council on 1 March 2011 considered a package of measures to balance the Council's budget in 2011/12 and the medium term. Within this budget package, there is a £200k saving in respect of LATC for 2012/13.
- 6.2 The business case sets out the notional unit prices that are currently used to some extent in costing existing care packages. Assuming the LATC continued to deliver the same number of units at the existing price, there would be a significant shortfall at £1.16 million. Details of the current and future financial viability of the services are set out in the part 2 report.
- 6.3 This business case sets out the financial benefits of setting up the LATC. For the Council, they can be summarised as follows:
- a) Reduced expenditure, as a result of cost savings, and increases in clients (and therefore income) for the LATC. The financial benefit for the Council of increased income is only relevant where this income is derived from self funders or clients external to the borough. Internal clients are funded by the Council, so the net benefit is £nil. The benefit of cost reductions and increases in external income is outweighed by VAT and retained client costs in years 1 and 2. In years 3 and 4 there is a net cash benefit to the Council.

<u>Budget reductions for LBB</u>	Year 1	Year 2	Year 3	Year 4
	£	£	£	£
Cost reduction	119,554	167,453	199,465	199,465
Extrl income increase	97,573	203,210	354,347	484,052
	<u>217,127</u>	<u>370,663</u>	<u>553,812</u>	<u>683,517</u>
<u>Budget increases for LBB</u>				
VAT on trading	344,666	344,666	344,666	344,666
Retained client	63,901	63,901	63,901	63,901
	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>
Net Position for LBB	-191,440	-37,904	145,245	274,950



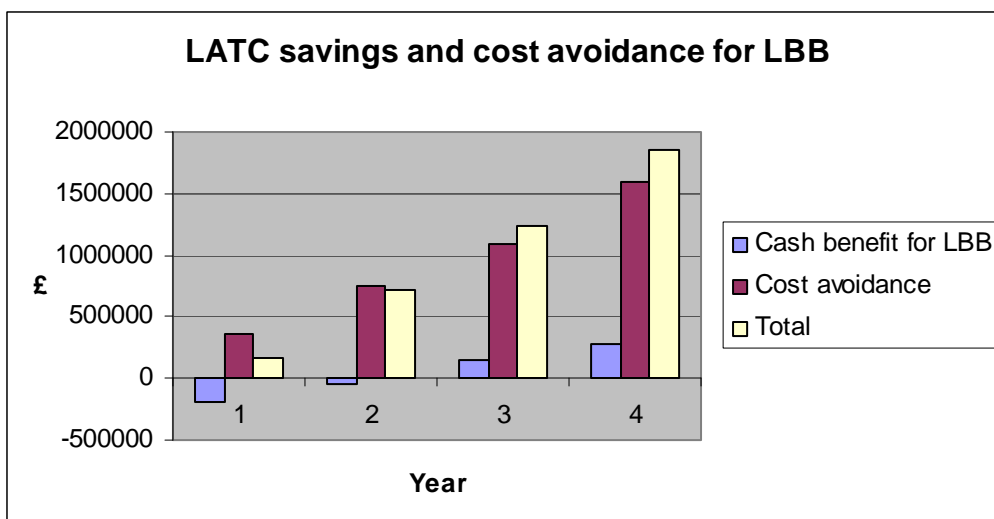
These figures include prudent figures in respect of cost reductions that can be achieved, and also a pessimistic assumption around the scale of VAT costs that could be incurred in the LATC. If these figures improve, then cash benefits for LBB will be realised sooner, enabling the MTFS saving of £200k to be achieved in 2012/13. If this saving is not made in 2012/13, this will be funded from the Adults Social care budget.

Should approval be granted to proceed, further work will be undertaken between now and go-live to investigate further cost reductions.

- b) Cost avoidance of £3.8m in double funding costs as a result of the roll out of the personalisation agenda, as follows:

Year 1	Year 2	Year 3	Year 4	Cumulative
£353,544	£755,837	£1,088,464	£1,586,658	£3,784,685

Even if the cash savings are not generated in year 1, when the cost avoidance figures are taken into account, the financial case for the LATC is clear. The overall position is show in the graph below:



6.4 The main drivers for the financial benefits are as follows:

- Increased income generation, through increases in numbers of units delivered and to whom they are delivered (i.e. to service users with personal budgets from other local authorities, self-funders, other local authorities as the LATC will be able to trade and generate income from persons in receipt of personal budgets, which the Council in house services cannot do;
- Reduction in expenditure through shared management and associated costs with Barnet Homes;
- Change in the unit price; and
- Increased efficiency through reduced employee and property costs.

6.5 There is a solid financial case for the establishment of a LATC, and this is based on confirming that the services as a grouping can be financially viable as a stand-alone entity. The LATC itself will become a profit making entity by year 3. The estimated financial position of the LATC, taking into account the costs associated with VAT and group/board costs are as follows:

LATC	Year 1 £	Year 2 £	Year 3 £	Year 4 £
Operating profit	151,206	385,359	540,131	576,611
Less VAT & group/board costs	(433,466)	(433,466)	(433,466)	(433,466)
Net profit/(loss)	(282,260)	(48,107)	106,665	143,145

6.6 There have been some assumptions built into the financial model, including that: VAT will be payable on all non-employee expenditure; support staff will

be employed by Barnet Homes; 20% of Chief Executive and Finance Director roles, plus costs for the running of the Board will be recharged to LATC; a 1% assumption for core costs

- 6.7 Within the first four years it is unlikely that corporation tax will be paid due to the net effect of cumulative losses in years one and two.
- 6.8 The cost to the Council of the implementation is estimated at approximately £200,000. The project is being funded from the Council's Transformation Reserve, as approved at Cabinet on 29 November 2010 (item 6).
- 6.9 The business case sets out the potential savings for the Council through reduced corporate overhead costs, at a total of £1.2 million (Figure 14 in Appendix A). However, these secondary recharges are not 'real' budgets, and savings can only be realised and cashed through adjustments in staffing and corporate management arrangements at source.
- 6.10 It is possible that the structure, as shown at 9.19, could change the tax exemption status of the ALMO. It may no longer benefit from this status, meaning an additional cost to Barnet Homes, or this would have to be borne by the Council. It has been calculated that, based on 2009/10 figures, if corporation tax had had to be paid by Barnet Homes in the that financial year, the cost would have been £187,000
- 6.11 As a separate legal entity to the Council, the LATC will be subject to tax, including corporation tax on chargeable profits and gains arising to the LATC. In contrast, the Council is not liable for corporation tax. As of 1 April 2011 the main rate of Corporation Tax is 26%. For profits under £300k, the Corporation Tax rate is 20%. According to HRMC guidance there may be a review of Corporation Tax rates in April 2012.
- 6.12 The LATC will be subject to the normal VAT recovery regime. However, the provision of care services is usually exempt from VAT. In light of this, any VAT incurred by the LATC in line with the provision of VAT exempt care services will not be recoverable by the LATC. This is unlike the Council, which is generally able to recover VAT incurred in respect of exempt supplies.
- 6.13 Registration of the Adult Social Care LATC subsidiary with the Care Quality Commission (CQC) as a state regulated private welfare institution or agency will enable supplies to be exempt from the normal VAT recovery regime where eligible. Any services which may be ineligible for CQC registration will result in potential services to incur irrecoverable VAT costs in respect of the provision of adult social care services deemed ineligible by the CQC.

- 6.15 In order to facilitate the offsetting of any Corporation Tax losses, and VAT on supplies within the group, a VAT and tax loss relief group incorporating the LATC Holding Company and LATC subsidiary, will be formed.
- 6.16 The business case sets out the financial rationale for the creation of a local authority trading company structure, incorporating Barnet Homes. The success of the LATC will be significantly dependant upon the engagement of the transferring LBB staff and the corporate culture of the new local authority trading company structure. Although Barnet Homes will not be delivering the Adult Social Care, its significant experience and success in establishing the Barnet Homes ALMO will provide a vital platform of knowledge about how to harness staff engagement to deliver the innovation to take this new structure forward. In preparation LBB has already undertaken significant staff engagement via workshops; newsletters and other events. This activity will continue throughout the transition period to ensure that the new LATC has the best possible foundations to enable its success.
- 6.17 The Council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon the Council's staff. In the context of One Barnet Programme this means that all internal re-structures will be managed in compliance with the Council's Managing Organisational Change Procedure. Where the change results in a TUPE transfer the council will meet all of its statutory obligations.
- 6.18 Trade Unions have been engaged throughout this process. The report attached at Appendix D is the Trade Unions interim response to the business case. Officers have provided comments on this Trade Union response (see Appendix E). Similarly, a further interim response from GMB can be found in Appendix F with officer comments attached as Appendix G. The Trade Union's full response will be included in the agenda papers for the Cabinet Resources Committee meeting on 24 May 2011.

7. LEGAL ISSUES

- 7.1 Legal advice has been given by the external Legal Advisors to the One Barnet Programme on whether the option of a LATC for the provision of the 'Adult Social Care In-House Provider Services' is valid, without having to engage in a full EU Procurement exercise, on the basis of the Teckal exemption.
- 7.2 That advice noted that the Courts will interpret the Teckal exemption strictly and the onus will be on a public authority to establish that the exemption applies. This means that every detail of the LATC should be pre-planned to ensure it reflects the key features accepted by the courts in recent cases as being compatible with the Teckal exemption. The advice also recognised that

over a period of time, there will be less reliance placed upon following the Teckal exemption as the Council becomes merely a funder of services rather than a procurer.

- 7.3 In order for the Teckal exemption to apply, the Council will need to demonstrate that it has satisfied the two-pronged test relating to 'control' and 'essential activity' established by the European Court. In essence, this means that the Council must exercise control, in the sense of exercising decisive influence over the company and secondly, the company must provide the majority of its services to the Council, with other activities being non material. It should also be noted that the social care service is categorised as a "Part B" service in procurement terms to which the full tendering regime does not apply.
- 7.4 Legal advice also been sought from the external Legal Advisors on the structural options explored during the development of the business case. This advice looked at each of a number of possible structural options from a legal viewpoint, especially in terms of the application of the Teckal exemption.
- 7.5 As well as the procurement issues, there are a number of specific provisions relating to the setting up of a LATC under section 95 of the Local Government Act 2003 (the Act), regarding support from the Council and the need to have a business plan in place. These have been factored into the business case.
- 7.6 Section 95(1) of the Act authorises the Secretary of State to make an order allowing Local Authorities to "do for a commercial purpose anything which they are authorised to do for the purpose of carrying on any of their ordinary functions".
- 7.7 This has been exercised most recently through the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the "**Order**"). Previous application to only the better performing Local Authorities (as assessed under the CPA or CAA) has been removed and the power is generally applicable to Local Government. (This last point is important, because the Council does not have to plan for the loss of status to the arrangements it puts in place).
- 7.8 There are a number of restrictions in the scope of the Order. Whilst expressed as restrictions or liabilities on the Order itself, they should be seen as similarly restricting or limiting the Council from achieving certain ends through the LATC. The three principle restrictions are:
- The Authority cannot do in relation to a person anything which it is required to do in relation to that person under its ordinary functions

(Section 95(2)(a)). In other words, the Council cannot convert a service which it has a duty to provide into a traded service.

- The power cannot be used where the Council is already specifically authorised to act for a commercial purpose (Section 95(2)(b)).
- The power is only exercisable through a company (defined to include an industrial and provident society) (Section 95(4)).

7.9 Under Section 96 of the Act, the Council is obliged to have regard to guidance issued by the Secretary of State. Such guidance has been issued by ODPM in July 2004, which was partially amended by DCLG in April 2007. The guidance is titled "General Power for Local Authorities to Trade in Function Related Activities through a Company" and it is confirmed within its text that it is statutory guidance to which the Council must have regard.

7.10 The Order also contains two important provisions:

- Before exercising the power, the Council is required to prepare a Business Case in support of the proposed exercise of the power which must be approved by the Council.
- Where the Council provides the company with assistance in the way of accommodation, supplies, staff, etc, it shall recover the costs thereof.

8. CONSTITUTIONAL POWERS

8.1 The Council's Constitution, in Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee including "approval of schemes not in performance management plans but not outside the Council's budget or policy framework".

9 BACKGROUND INFORMATION

9.1 Since 2007 work has been undertaken to prepare the transfer of adult social care to an ALMO. These service changes have necessitated changes to Adult Social Care in-house staffing structures and terms of conditions, removing inconsistencies in pay and grading and flattening the management structure.

9.2 The report to General Functions Committee on 7 April 2008 stated in para 9.10 that "The ultimate goal is that this group of services will become an autonomous stand-alone organisation, at arm's length from the Council. It will be important to have a strong business framework to enable the new organisation to maintain quality standards and compete for business in the marketplace. The services currently compare favourably to other local

authority provision, in terms of value for money and the new structure will help to maintain value for money unit costs. (Cost comparison exercise Personal Social Services Research Unit – University of Kent)".

- 9.3 Work began on the Adults In-House (More Choices) project in April 2010.
- 9.4 The high level options appraisal was approved in November 2010, which allowed officers to proceed to business case production.
- 9.5 **The Business Case** (attached at Appendix A)
- 9.6 The business case seeks to determine whether the services in-scope can be improved and achieve necessary cost reductions via an alternate model of delivery: a Local Authority Trading Company (LATC) that incorporates Barnet Homes, the Council's Arms Length Management Organisation (ALMO) for the management of the Council's housing stock. It seeks to articulate the financial and non-financial case for change, including how it aligns to the council's key One Barnet principles
- 9.7 The introduction of personal budgets means individuals can purchase a wider range of services that they can choose on the basis of both their quality and cost. Whilst the in-house provision is of quality and highly regarded, due to proportionately high corporate overheads, the services would be less attractive from a cost perspective. The challenge is, therefore, to reduce the cost of these services whilst maintaining or improving the quality of the service received.
- 9.8 In addition to this, tightening of public spending has also highlighted the need to reduce costs in the way in which services are provided, and Barnet Council as a whole are looking at alternative delivery models for a range of its services to achieve better value for money.
- 9.9 The growth in the number of individuals managing their personal budget in the form of a direct payment presents real challenges for the council's in-house services, as in-house services cannot be purchased using direct payments.
- 9.10 This gives rise to a number of implications:
- The potential for double funding through meeting the fixed costs of the in-house service provision whilst also committing to provide funding via direct payments that are subsequently spent elsewhere. This makes the services unviable on the grounds of cost.
 - A reduction in the number of people accessing the services, will in turn, have an impact on the quality of the service being provided. Unjustifiable

costs can lead to: necessary redundancies or staff choosing to leave for other roles; declining support and staff morale; both impacting on the quality of service received.

- Undermining choice for people with direct payments, who cannot continue to access the range of high quality specialist services that are currently provided in-house.
- The current in-house services have a lack of legal freedoms to trade commercially with service users in a way which would enable service user led transformation and service re-design through the use of personal budgets and direct payments.

9.11 The following list sets out the financial and non-financial benefits sought from the recommended alternate delivery model:

- maintaining or improving the quality of the services delivered
- social care service users can buy the services directly from the LATC
- social care service users want to buy the services
- service users at the heart of the LATC governance arrangements, co-producing the design and delivery of services
- services are financially viable within a competitive environment
- savings generated through reduced corporate and support costs
- reduction in costs to the Council for the longer term
- speed of implementation to be line with the roll-out of personal budgets
- flexibility and ability to respond to a changing market
- realise potential to reach a wider group of service users
- increase income and additional income streams
- rebalancing of top management priorities for the Adult Social Care and Health Directorate to be a commissioning led organisations
- provision of an alternate delivery vehicle for the London Borough of Barnet services in a pseudo-commercial setting

9.12 The non financial benefits of a successful transfer of services out of the council to a local authority trading company are in some ways more important than financial savings to the existing and future service users, given the 'choice' agenda. Whilst the proposed LATC is not likely to achieve cumulative profitability in its first four years of operation, the business case model predicts cost avoidance of circa £3.8m in double funding costs as a result of the roll out of the personalisation agenda.

9.13 The 2010/11 revised budget data has been used as a basis to calculate the cost of the service. Revised budget data has been used to ensure incorporation of a number of changes within the service during the year.

- 9.14 Assumptions have then been made with regards to the following:
- retained Client Function costs based on blanket 1%¹
 - corporate and back offices services cost an extra 6% of the gross expenditure²
 - efficiencies / budget savings planned for 2011/12
 - relative apportionment of £517k group level costs

Assumptions have been made in a number of One Barnet projects. These assumptions have covered similar areas however, the assumed figures may differ due to the current and future nature of each service and delivery vehicle. In all circumstances, these assumptions have been determined by or agreed by the Strategic Finance team.

- 9.15 The revised 2011/12 expenditure has been used as a baseline against which to model the current and future viability of the service. As a service grouping, a gross expenditure of £6.4m and an income of £5.2m would generate a total shortfall of approximately £1.2m.

- 9.16 To demonstrate how the gap can be bridged, assumptions derived by the service have been built into the model based on the application of three 'improvement levers':
- reduction in gross expenditure, which could be achieved through the following means³:
 - reducing the support service costs
 - changing to a more efficient delivery model
 - reducing the management costs
 - increase of the number of units delivered, and to whom they are delivered (i.e. to service users with personal budgets from other local authorities, self-funders, other local authorities, etc.)
 - change of the unit price

- 9.17 The business case also looks at the viability of the service, including the potential for growth and innovation. There is an expectation that the LATC will generate business from a wider group of services users including other local

¹Determined by Corporate Finance, agreed by Adult Social Services. This is a decrease on the 2-3% recommended by the Audit Commission, and reflective of the need for minimal roles and functions to be retained within the Council.

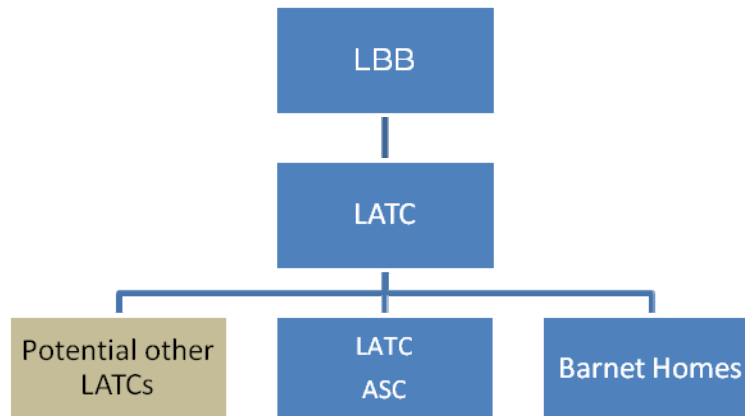
²Determined by Corporate Finance.

³There is also the opportunity to reduce the service cost through reducing the numbers of staff or implementing more competitive terms and conditions for staff. However, no associated assumptions or recommendations have been made within this business case.

authority areas, self-funders, and other vulnerable people. This proportion grows over the four years from 3% to 9% of target income. The LATC could also get new business from existing adult social care service users, whose needs have previously been met by other external providers

9.18 The structure

9.19 The business case recommends that the company structure should be as per the picture shown below:



9.20 The board of directors of the LATC will need to be formed and it will manage the day-to-day decision making of the LATC. The Council, being the sole shareholder of the LATC, will appoint (and remove) directors to run the company. There will be no private interests in the LATC. The directors will be appointed with the relevant skills and experience to deliver both Housing Management and Adult Social Care services.

9.21 It is recognised that there is a need for the service user to be at the heart of the solution provided for which commercial arrangements and delivery frameworks should be built upon.

9.22 Transition plan

9.23 A high level plan has been set out in the business case. Included are the following work streams:

- Governance and relationship management
- Legal and contractual management
- Staff and Employment Management
- Communications & engagement
- Business Planning
- Financial management
- Logistics
- Business Continuity

- 9.24 If approval is given to proceed, a detailed business plan will be developed jointly between the in-house services and Barnet Homes. This detailed business planning activity will happen during the transition period and should involve staff from within the in-house services and Barnet Homes, but should also be co-produced with service users and carers.
- 9.25 The plan provides a high level view of the key phases and goals required to establish the operational and performance basis of the new organisation. Many of these will need to be implemented and managed in parallel. The key challenge will be to achieve consolidation and integration of the services and alignment of cost and efficiency with income and revenue as early as possible in year one

9.26 Next Steps and the Democratic Process

- 9.27 Members are asked to approve the business case in order that the LATC (holding company) and its subsidiary holding company (which would provide the current in house services) are incorporated.
- 9.28 If the above structure is approved, a report will be taken to Pension Fund Committee to confirm the Designated Body status or if required Admitted Body status for the local government pension fund scheme of the newly established bodies as well as Barnet Homes and to confirm the level of control. And as stated at paragraph 5.6 above, a report on the staffing implications of the proposal will also be taken to the General Functions Committee.
- 9.29 The full business plan will be presented to this committee for approval upon completion of the transition phase. This will set out the legal requirements and confirm the level of control for the structure illustrated in 9.19.

10. LIST OF BACKGROUND PAPERS

- 10.1 N/A

Legal: PJ

CFO: JH

Appendix A

London Borough of Barnet

Future of Adult Social Services in-house provider services project

Business Case

Final v1.12 for public issue

May 2011

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1 Executive Summary

1.1 What is the council trying to achieve?

The “More Choices” project is part of the One Barnet Programme, and seeks to determine whether the services in-scope can be improved and achieve necessary cost reductions via an alternate model of delivery: a Local Authority Trading Company (LATC) that incorporates Barnet Homes, the Council’s arms-length management organisation (ALMO) for delivering Housing Management.

The implementation of a flexible trading company that could be utilised to deliver additional services in the future, combined with Barnet Homes’ evolution into a broader strategic delivery vehicle for the Council, is a key feature of this business case.

This business case seeks to articulate the financial and non-financial case for change, including how it aligns to the Council’s key One Barnet principles of:

- A new relationship with citizens;
- A one public sector approach, and;
- A relentless drive for efficiency.

This business case builds upon the findings and recommendations contained within the options appraisal that was undertaken in the June 2010, and has been developed in line with the legal advice commissioned by London Borough of Barnet (LBB) and provided by Trowers & Hamblins held in a separate document by LBB.

This business case is a dynamic document, and as such will be updated at appropriate points in time over the next six months. Initial feedback on these proposals has already been incorporated from staff, service users, and carers alike.

1.2 What are the services in scope?

The in-house service provision in-scope is currently managed in two service groupings: Learning Disability and Physical & Sensory Impairment services. Learning Disability provides seven individual services, and Physical & Sensory Impairment services each provide an individual service.

Learning Disability

- Rosa Morison: building based day opportunities for people with profound, multiple learning disabilities
- Flower Lane Autism Service: building and community based day opportunities for people with Autistic Spectrum conditions
- The Space: building and community based day opportunities
- Agatha House: a small, six bedded residential home

- Valley Way: a short breaks respite service
- Barnet Supported Living Service: daily living support for people with their own tenancies
- The Community Support Team: community based day opportunities to promote inclusion, skills development and access to employment.

Physical and Sensory Impairment Services

- Barnet Independent Living Service (BILS): building and community based day opportunities to promote inclusion and independent living

From Adult Social Services, the current learning disability in-house Service Manager post, and the learning disability Business Development Unit (currently known as the Business Support Unit) are also within scope of this proposed transfer, as well as the cost and budget of £294k per annum for the Notting Hill Housing Group contract in relation to the provision of buildings. 'Back office' support staff and other management/corporate overheads are within scope as a cost, based on the Council's current secondary recharge system.

Lastly, because this business case covers the option of a LATC that incorporates Barnet Homes, the ALMO is also within scope, but due to the nature of its role it is not necessary to subject it to the same level of expenditure and performance analysis as the in-house services.

1.3 Which services are out of scope?

The mental health service grouping is managed by Barnet Enfield and Haringey NHS Mental Health Trust (BEH-MHT) on behalf of the council. The service is a combination of health and council professionals with council professionals seconded to the BEH-MHT for service delivery.

Mental Health Services

- The Network: an enablement service for people with a mental health diagnosis following an episode in hospital

A decision was taken by the Mental Health Partnership Management Group on 4 February 2011. This joint decision between the council and health was underpinned by the nature of The Network. Enablement services in general have a positive impact on Council spend for the longer term, in so far as it helps reduce either the number of people requiring on-going social care support, or the size and subsequent cost of care packages. However, as a mainly an enablement service, direct payments cannot be used to purchase this type of service. Consequently, The Network is currently out of scope for transfer to the LATC and will not form part of the first wave of services for transfer.

1.4 Summary of costs and staffing

The table below sets out the core cost and staffing data for each of the in-house services in scope. The 2010/11 planned gross expenditure is used as a basis for the service cost. A true gross expenditure is also calculated inclusive of the secondary recharges for corporate and support service costs. Employee data is shown as establishment.

Service	Gross expenditure (2010/11 Revised Budget)	Corporate recharges (2009/10)	Gross expenditure (inclusive of corporate recharges)	Establishment (FTE)
Agatha House ¹	£444,486	£137,190	£581,676	9.5
Flower Lane Autism Service	£1,107,291	£246,634	£1,353,925	26.1
The Space ²	£752,465	£171,008	£923,473	19.2
Rosa Morrison	£982,923	£255,068	£1,237,991	24.7
Valley Way	£563,936	£186,005	£749,941	12.6
Barnet Supported Living Service	£1,079,320	£353,041	£1,432,361	26.3
Community Support Team	£479,839	£109,390	£589,229	12.8
BILS	£561,461	£115,543	£677,004	11.8
Business Development Unit	£100,653	£30,835	£131,488	3.0
TOTALS	£6,072,374	£1,604,714	£7,677,088	145.6

As a grouping, these services form approximately six per cent of the Adult Social Services budget, but fifty per cent of the staff. Consequently, the majority of the service costs are attributed to staffing costs.

1.5 What is the financial case for change?

The financial case for the new delivery model has a two pronged approach:

1. Financial benefit for the LATC
2. Financial benefit for the Council

¹As of 1 April 2011, Agatha House became part of Barnet Supported Living Service

²As of 1 April 2011, The Space and Community Support Team merged to form Community Space

Financial case for the LATC

There is a solid financial case for the establishment of a LATC, and this is based on confirming that the services as a grouping can be financially viable as a stand-alone entity. If the LATC achieves the targeted improvements, it would start making a net profit in year 3 of £107k that grows to £143k in year 4, as shown in the table and graphic below:

LATC	Year 1	Year 2	Year 3	Year 4
Gross spend ³	£ 6,270,562	£ 6,222,663	£ 6,190,651	£ 6,190,651
Income	£ 6,421,768	£ 6,608,022	£ 6,730,782	£ 6,767,262
Operating profit	£ 151,206	£ 385,359	£ 540,131	£ 576,611
Add irrecoverable VAT on trading ⁴	£ 265,000	£ 265,000	£ 265,000	£ 265,000
Add VAT on support services ⁵	£ 79,666	£ 79,666	£ 79,666	£ 79,666
Group & Board arrangement costs ⁶	£ 88,800	£ 88,800	£ 88,800	£ 88,800
Net profit/(loss) before tax	£ (282,260)	£ (48,107)	£ 106,665	£ 143,145
Corporation tax ⁷	£ -	£ -	£ -	£ -
Net profit/(loss)	£ (282,260)	£ (48,107)	£ 106,665	£ 143,145
Cumulative profit/(loss)	£ (282,260)	£ (330,367)	£ (223,701)	£ (80,556)

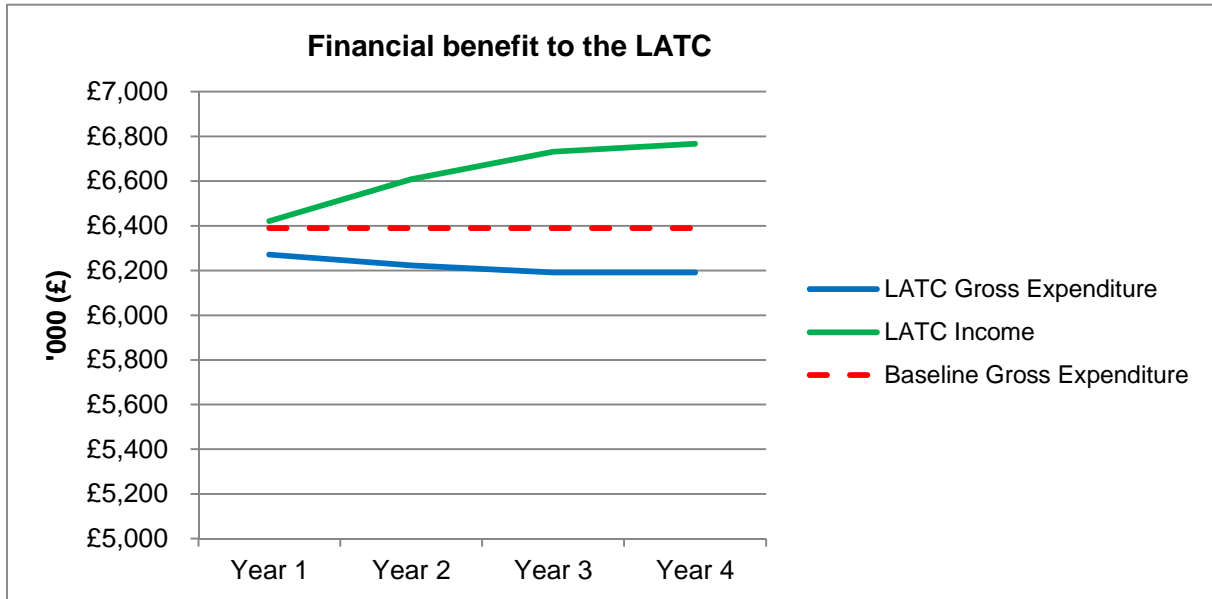
³ The business case provides for £358,303 (6%) in support costs. This sum will need to be revisited when the specific operational arrangements for LATC have been determined, as further reductions / economies of scale may be achievable.

⁴ VAT is assumed as a worst case to be payable on all non-employee expenditure.

⁵ It is assumed that the support staff will be employed by BH. If LATC employed all support staff and recharged BH, then VAT on services would be recoverable.

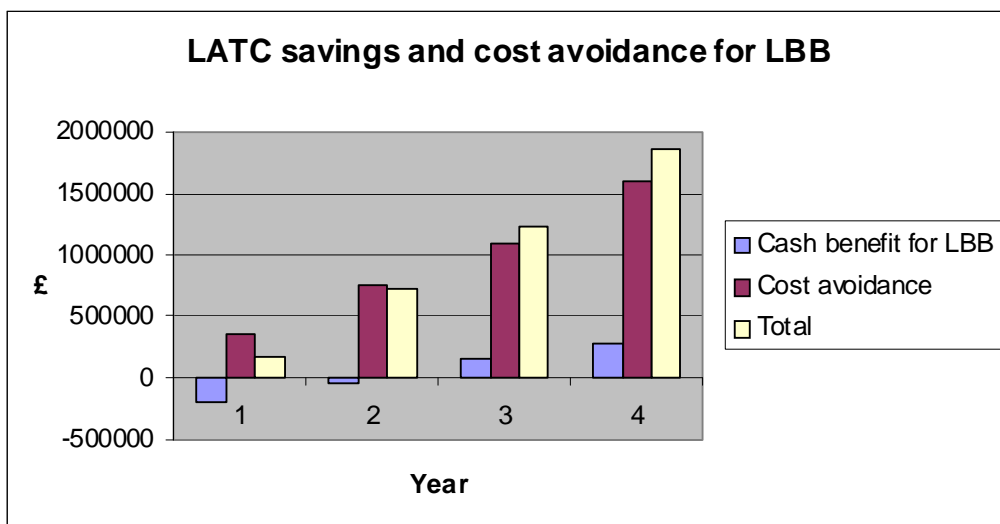
⁶ It is assumed that a proportion (20%) of Chief Exec and FD roles, plus costs for the running of the Board will be recharged to LATC. It may be possible that after the specific support service arrangements have been determined, some or all of these costs may be accommodated within the support services provision.

⁷ Within the first 4 years it is unlikely that corporation tax will be paid due to the net effect of cumulative losses in years 1 & 2.



Financial case for the Council

The financial case for the Council has two key elements: cash benefit and cost avoidance, as demonstrated in the graph below. The potential cost of doing nothing and retaining the services in-house, is based on a 'double funding' risk attributable to covering both the fixed costs of the in-house services but also committing funding for personal budgets that are subsequently spent elsewhere, because service users cannot directly purchase the in-house services. Over a four year period this 'double fund' cost could equate to £3.8m. To mitigate these rising costs, LBB would need to significantly reduce the in-house service costs and/or close the services, which the option appraisal activity in June 2010 concluded is not a viable option.



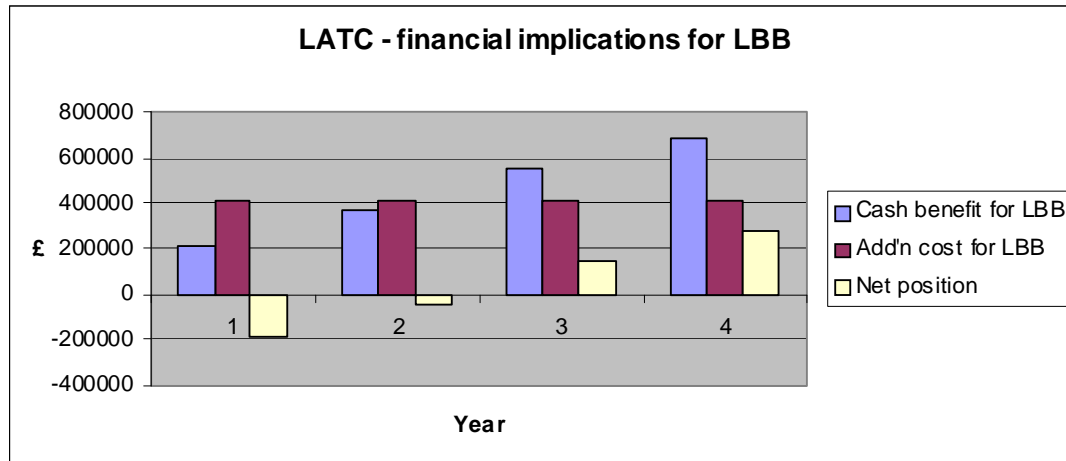
Additionally, the potential double funding costs are based on assumptions about the take up of direct payments, which is significantly dependent on LBB's ambition for personalisation in this area. The Government's target is for all social care users to have a personal budget, and direct payments should be the prime deployment mechanism. The assumptions in this business case are currently based on a low to moderate target take up of direct payments,

and if LBB were to increase its target, it would subsequently increase the potential double funding risk if the services were retained in-house.

This business case sets out the financial benefits of setting up the LATC. For the Council, they can be summarised as follows:

- a) Reduced expenditure, as a result of cost savings, and increases in clients (and therefore income) for the LATC. The financial benefit for the Council of increased income is only relevant where this income is derived from self funders or clients external to the borough. Internal clients are funded by the Council, so the net benefit is £nil. The benefit of cost reductions and increases in external income is outweighed by VAT and retained client costs in years 1 and 2. In years 3 and 4 there is a net cash benefit to the Council.

<u>Budget reductions for LBB</u>	Year 1	Year 2	Year 3	Year 4
	£	£	£	£
Cost reduction	119,554	167,453	199,465	199,465
Extl income increase	97,573	203,210	354,347	484,052
	<u>217,127</u>	<u>370,663</u>	<u>553,812</u>	<u>683,517</u>
<u>Budget increases for LBB</u>				
VAT on trading	344,666	344,666	344,666	344,666
Retained client	63,901	63,901	63,901	63,901
	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>
Net Position for LBB	-191,440	-37,904	145,245	274,950



- b) Cost avoidance of £3.8m in double funding costs as a result of the roll out of the personalisation agenda, as follows:

Year 1	Year 2	Year 3	Year 4	Cumulative
£353,544	£755,837	£1,088,464	£1,586,658	£3,784,685

Even if the cash savings are not generated in year 1, when the cost avoidance figures are taken into account, the financial case for the LATC is clear.

There is further potential for cost reductions should the Council wish to gain dividends as a result of the LATC's surplus, or command year-on-year efficiency savings through its contracting approach and negotiation on unit price.

1.6 What are the financial and non-financial benefits?

The following table sets out the financial and non-financial benefits sought from the alternate delivery model for the adult social services in-house provider services; a LATC that incorporates Barnet Homes.

Key benefit targeted	Method assumption	Measurement ⁸
Maintaining or improving the quality of the services delivered	Joined up working with Barnet Homes, sustained or improved quality of service delivery	Customer satisfaction, achievement of individual outcomes as stated in Support Plans
Social care service users <u>can</u> buy the services directly from the LATC (they cannot purchase in-house services)	Establishment of LATC, development of pricing and user friendly, efficient payment systems	Monitoring to confirm effective and efficient systems in place to ensure individuals can purchase LATC services
Social care service users <u>want</u> to buy the services: at least 30% of income comes from individuals with direct payments/self-funders	Market and competitor analysis, marketing activity, offering niche/specialist provision, co-production of services	Take up of services, particularly provision commissioned by individuals/carers (or trusted other. i.e. those with direct payment form of personal budgets and self- funders.
Service users at the heart of the LATC governance arrangements, co-producing the design and delivery of services	Service users and carers represented on Board, building on Barnet Homes' success in engagement, co-production of plans	Service user/carer representation at Board level, Business plans are co-produced.
Services are financially viable within a competitive environment	Operating commercially, market analysis, grouping the services as a collective, specialist /niche provision	Balance sheet, market comparisons

⁸ KPI's will be negotiated as part of the contract and SLAs between the LATC and Barnet Council for inclusion within the business plan

Key benefit targeted	Method assumption	Measurement ⁸
Savings generated through reduced corporate and support costs (£1.2m potentially non-cashable savings)	Freedom to purchase better value for money support services, shared services with Barnet Homes, negotiation of any SLAs	Outturn information showing percentage of total expenditure on corporate and support service costs, value of SLAs
Reduction in costs to LBB for the longer term	Removing 'double funding' risk, reducing management requirements, reducing need to cover corporate and support service requirements	Outturn information, contracts, SLAs, corporate costs
Speed of implementation to be in line with the roll-out of personal budgets	Joint arrangements with Barnet Homes, simplistic company structure and governance model, change management	LATC 'go live', contracts finalised, TUPE transfer
Flexibility and ability to respond to a changing market	Utilising experience of Barnet Homes as an ALMO, ability to be smarter, quicker in delivering change and responding to demand	Customer satisfaction, take up of LATC services, activity data
Realise potential to reach a wider group of service users	Utilising 'spare' capacity, trading with individuals within other boroughs/other local authorities and self-funders, enablement model	Percentage increase of 'new' service users accessing LATC services
Increase income and additional income streams	Partnership working with Barnet Homes, LATC flexibility to respond to market, Business Develop Reinvestment of profits into service development,	Percentage new income (£)
Rebalancing of top management priorities for LB Barnet	Freeing up of management capacity through having a smaller workforce to manage, enabling greater focus on strategic improvement and commissioning	Time spent on strategic vs. operational activities Quality of strategy and commissioning
Provision of an alternate delivery vehicle for LBB services in a pseudo-commercial setting	Flexible company and associated governance arrangements, time-limited period to demonstrate service sustainability	Financial viability of incumbent services via balance sheet(s) & market comparisons

1.7 What approach to delivery is recommended?

As outlined in the preceding options appraisal, the business case analysis indicates that a LATC incorporating Barnet Homes represents the most beneficial option for the Council, particularly in terms of the financial risk associated with retaining the services in-house; the financial benefits of sharing support services, management arrangements and commercial expertise with Barnet Homes; the opportunities for co-production in the design, delivery and management of the LATC and its service provision; and the opportunities to generate new business and additional income streams. Additionally, it creates a 'future proof' legal structure for the Council to incorporate further services under the LATC umbrella should it be proven beneficial to do so. This aligns with the wider strategic direction for alternate service delivery models and the Council's aim to be a commissioning led organisation.

In order to maximise the potential for benefits realisation, in line with the aspirations of the Council's Medium Term Financial Strategy (MTFS), it is recommended that transition planning and delivery commences immediately, with a view to appropriate shadow operation and transfer of the services during the autumn of 2011.

2 Introduction

2.1 Background and purpose

On 29th November 2010, Cabinet approved the development of a business case for the establishment of a Local Authority Trading Company (LATC), as the preferred option for an alternative delivery model of the Adult's Social Services in-house provision. Subject to legal restraint, this LATC would be established with Barnet Homes, the Council's existing Arms-Length Management Organisation (ALMO). This decision was based on a previous options appraisal exercise that was undertaken in June 2010. Seven options for the future of the in-house services were explored:

- Closure and the non-provision or reprovision of service
- Remain In-House
- Tender (or trade sale)
- Social Enterprise
- Local Authority Trading Company (LATC)
- Transfer to the LBB's ALMO(Barnet Homes)
- Joint Venture Company (with other independent organisations or other partners)

A LATC is a company established by the local authority in order to offer its services on a commercial basis. Local authorities can establish LATCs through the powers in section 95 of the Local Government Act 2003, and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

The options appraisal recommended that the in-house services as a grouping are transferred to an external provider, with the most appropriate solution being that the services are delivered by a LATC that also incorporates Barnet Homes and an Adult Social Care trading company as separate subsidiary companies.

The purpose of this document is to set out the case for implementing the LATC delivery model with Barnet Homes, based on the estimated cost of the change, and the anticipated financial and non-financial benefits to be gained. This includes a validation of the potential savings identified in the options appraisal through more detailed analysis.

The business case will be used to determine the final scope of the project, and will be kept up-to-date throughout the life of the project to reflect any changes to costs or expected benefits. The on-going viability of the project will be monitored by the Project Board by reviewing the updated business case. In addition to this, it will be reviewed by the One Barnet Programme Council Director's Group at appropriate intervals.

2.2 Drivers for change

The business need to change the delivery model for the adult social services provider services is grouped under two linked themes: personalisation and efficiency.

A fundamental element of the Government's transformation agenda for Adult Social Care is to give people greater choice and control in meeting their care and support needs, including through the provision of Personal Budgets for individuals eligible for social care services. The purpose is to put individuals in control of commissioning their own support, meaning that social care budgets will follow the individual. This is a radical change given the history of a vast proportion of social care budgets is held within block contracts for care services commissioned by the local authority.

London Borough of Barnet (LBB) has set a target that by December 2011 all adult community care service users will have a Personal Budget, and, through the Choice and Independence programme, LBB is on track to deliver this. However, on 16th November 2010, the Department of Health's vision for Adults Social Care "Capable Communities and Active Citizens" presses for councils to not only provide personal budgets for everyone eligible for ongoing social care by April 2013 but also states that budgets should be deployed as a direct payment. In context for Barnet, currently eligible social care service users can choose how their personal budget is managed in one of three ways:

1. Self-management or with a trusted other, usually parent/carer, in the form of a direct payment
2. The council manages it on behalf of the individual in the form of a 'council managed budget'
3. By a combination of a council managed budget and a direct payment

Analysis carried out in November 2010 shows that 20% of personal budgets across all the client groups are managed as a direct payment, 65% are 'council managed' and 15% are a combination of the two management options. To effectively respond to the Department of Health's vision these proportions will need to shift quite significantly.

Paradoxically, the target growth in the number of individuals managing their personal budget in the form of a direct payment presents real challenges for LBB's in-house services, as in-house services cannot be purchased using direct payments. This gives rise to a number of implications:

- The potential for **double funding** through meeting the fixed costs of the in-house service provision whilst also committing to provide funding via direct payments that are subsequently spent elsewhere. This makes the services unviable on the grounds of cost.
- A reduction in the number of people accessing the services, will in turn, have an impact on the **quality of the service** being provided. Unjustifiable costs can lead to: necessary redundancies or staff choosing to leave for other roles; declining support and staff morale; both impacting on the quality of service received.
- **Undermining choice** for people with direct payments, who cannot continue to access the range of high quality specialist services that are currently provided in-house.

- The current in-house services have a **lack of legal freedoms** to trade commercially with service users in a way which would enable service user led transformation and service re-design through the use of personal budgets and direct payments.

The introduction of personal budgets means individuals can purchase a wider range of services that they can choose on the basis of both their quality and cost. Whilst the in-house provision is of quality and highly regarded, due to proportionately high corporate overheads, the services would be less attractive from a cost perspective. The challenge is, therefore, to reduce the cost of these services whilst maintaining or improving the quality of the service received.

In addition to this, the very present national tightening on public spending has also highlighted the need to reduce costs in the way in which services are provided, and LBB as a whole is looking at alternative delivery models for a range of its services to achieve better value for money. Beyond social care provision, these proposals provide LBB with an opportunity to implement a flexible corporate delivery vehicle that can be used to assess the commercial viability of other services before any longer-term decision is taken regarding their divestment. Whilst each initiative would need to be considered on its individual merits, such a “test-bed” would provide an excellent opportunity to seek a level of assurance regarding the likely profitability and sustainability of an externalised service over an agreed period of time. This is a significant corporate benefit, and should be given appropriate consideration alongside the other factors outlined in this document.

2.3 Strategic fit

The One Barnet framework sets out a clear strategic direction for the Council’s transformation. As well as delivering (the required) financial savings and benefits. One Barnet’s ambition is to deliver wider qualitative benefits, ensuring that citizens get the services they need to lead successful lives, and Barnet is a successful place.

With an overarching aim to be a customer centric organisation, the One Barnet framework has three core principles, shaping the design of services and the future of the organisation:

1. Developing a new relationship with citizens: enabling residents to access information and support and to do more for themselves
2. Establishing a one public sector approach: working together in a more linked up way with our public sector partners to deliver better services
3. Pursuing a relentless drive for efficiency delivering more choice for better value

A wide range of projects and activities are being managed by the One Barnet programme to deliver the desired change, and the development of a new delivery model for adult social care services is a key component of this programme. The following gives an illustration of the way in which this particular project aligns with and supports the One Barnet principles:

A new relationship with citizens

- Service users and their carers will have choice and control over the services they buy to meet their individual needs and be supported and encouraged to do this
- Service users and carers will be able to take an active role in the governance of the LATC and influence the design of services
- Through greater flexibility in the way individual needs can be met, service users and carers will be encouraged to self help
- Build a richer understanding of service user preferences and aspirations to inform the design of services and help shape the market

A one public sector approach

- Develop collaborative leadership with Barnet Homes and use the synergy of skills and experience to take a more strategic and commercial approach to service development
- Identify opportunities with Barnet Homes and the wider public sector to provide integrated support and a more seamless customer experience to enable people to live as independently in the community as possible, for example joint housing and specialist support and advice for adults with mental health needs
- Target opportunities to collaborate with Barnet Homes and the wider public sector on tackling strategic issues with a community focus, such as worklessness, through the LATCs role in supporting people to access employment and volunteering opportunities

A relentless drive for efficiency

- Freedom and flexibility to respond more swiftly to changes in service demand and the market, particularly as there are many unknowns about how the market will change and purchasing patterns inherent with personalisation
- An opportunity for the council to focus on its strategic commissioning role
- Maximise opportunities to work with and commission from alternative private, public and voluntary sector partners to lower costs
- Operating within the wider competitive market, the services will have a sharper focus on lowering costs to deliver value for money to its customers which will include the Council.
- Services will have greater flexibility than within the Council to trade services and invest revenue in service development
- Being a wholly Council company allows for surplus or dividend to be paid back to LBB

The argument for a LATC as the preferred alternate delivery model for the current in-house provider services was set out in the options appraisal and Cabinet report on November 29th

2010, and formed the basis of the Cabinet decision to proceed with this business case for a LATC. However, to reference some of the specific benefits of the LATC model in the options appraisal:

- The model can facilitate a review of central overheads and back office service level costs resulting in both organisations having freedom to purchase services either from LBB or open market to achieve best value and a competitive edge.
- The LATC model can be a relatively cheaper solution compared to other delivery solutions in terms of the transformation costs and reduced risk pricing, as the relative mutuality through ownership of the business and the “special relationship” facilitates risk sharing, especially regarding potential for future service changes and redundancies.
- For the LATC, the LBB ownership should help to instil confidence from the public in the credibility of the Trading Company and the quality of its services. As the major shareholder there is a link for LBB influence and branding.
- The LATC model allows LBB to keep its longer term options open with a future tender exercise to the open market remaining an option at the end of the contract term.
- The model will generate a formalised contractual relationship between LBB, commissioning, care management and the provider arm based on a clear and transparent specification that can include performance outcomes.
- The services can adopt commercial disciplines to increase productivity and develop a culture of continuous improvement.
- With ownership of the LATC, LBB could put additional services into the LATC as and when it was most appropriate. As the forecast benefits of the LATC business model manifest themselves, other services could be identified as suitable for this vehicle and amalgamated accordingly.
- The LATC can retain the vital function of being the provider of “last resort” in cases of emergency or market failure, and allow LBB to satisfy its statutory duties.

3 Scope and existing service delivery arrangements

Currently, the in-house service provision is managed in three service groupings: Learning Disability; Mental Health, and; Physical & Sensory Impairment services. Learning Disability provides seven individual services, and Mental Health and Physical & Sensory Impairment services each provide an individual service. The mental health in-house service is managed by Barnet, Enfield and Haringey Mental Health Trust on behalf of the Council through a section 75 partnership agreement.

Learning disability

- Rosa Morison: building based day opportunities for people with profound, multiple learning disabilities
- Flower Lane Autism Service: building and community based day opportunities for people with Autistic Spectrum conditions
- The Space: building and community based day opportunities
- Agatha House: a small, six bedded residential home
- Valley Way: a short breaks respite service
- Barnet Supported Living Service: daily living support for people with their own tenancies
- The Community Support Team: community based day opportunities to promote inclusion, skills development and access to employment

Physical and Sensory Impairment Services

- Barnet Independent Living Service (BILS): building and community based day opportunities to promote inclusion and independent living

From Adult Social Services, the current learning disability in-house Service Manager post, and the learning disability Business Development Unit (currently known as the Business Support Unit) are also within scope of this proposed transfer. 'Back office' support staff and other management/corporate overheads are within scope as a cost, based on the current Council's secondary recharge system.

Lastly, because this business case covers the option of a LATC that incorporates Barnet Homes, the ALMO is, therefore, also within scope. More detailed service descriptions are set out in Appendix 1.

3.1 Out of Scope

The mental health service grouping is managed by Barnet Enfield and Haringey NHS Mental Health Trust (BEH-MHT) on behalf of the council. The service is a combination of health and council professionals with council professionals seconded to the BEH-MHT for service delivery.

Mental Health Services

- The Network: an enablement service for people with a mental health diagnosis following an episode in hospital

A decision was taken by the Mental Health Partnership Management Group on 4 February 2011. This joint decision between the council and health was underpinned by the nature of The Network. Enablement services in general have a positive impact on Council spend for the longer term, in so far as it helps reduce either the number of people requiring on-going social care support, or the size and subsequent cost of care packages. However, as a mainly an enablement service, direct payments cannot be used to purchase this type of service.

It was concluded that BEH-MHT and the Network need more time to embed the Network service into the care pathway of the recovery/enablement model which covers three council boroughs. Whilst it has been identified that there is a need for there to be clear specification that clearly identifies how the links into the mental health system and supports social inclusion, it was determined that a move to the management of the LATC would be premature thus the Network will remain within the management of BEH-MHT and will be managed within the Trust along with other service lines. Consequently, The Network is currently out of scope for transfer to the LATC and will not form part of the first wave of services for transfer.

3.2 Costs and Staffing

Over the last three years work has been undertaken to prepare the provider services for transfer to an arms-length organisation⁹. The changes have consisted of significant service redesign across the learning disability services through the New Choices programme, and specifically at Barnet Independent Living Service (BILS) to support greater user and carer empowerment and an enablement approach. There has been significant investment in the re-provision of the buildings for many of these services providing modern high quality environments for service delivery.

There are currently plans to dispose of the site at Station Road which accommodates the Network. The intention is to establish a Centre for Independent Living (CIL) which will be managed by a user-led organisation known as Barnet Centre for Independent Living (BCIL). This will provide an opportunity to improve service provisions to citizens with the development of a bespoke, fully accessible facility that meets service users' requirements. This also represents an opportunity to co-locate current services in one facility, enabling improved collaborative working. The vision is to co-locate BILS, the Network, information and support services for people with disabilities currently delivered through voluntary sector and related provision.

⁹In line with Cabinet approval of the Learning Disability Commissioning Strategy in June 2007, which included a specific objective to establish the in-house learning disability services as a separate business unit at arms-length from Adult Social Services.

The majority of the buildings are owned by an LBB partner organisation, Notting Hill Housing Association (NHHA). With a transfer of the services to a LATC, it is anticipated that the contractual relationship with NHHA or any other property providers would move from Adult Social Services to the LATC.

The table below sets out the core cost and staffing data for each of the in-house services within scope for transfer. The 2010/11 projected gross expenditure is used as a basis for the service cost. A true gross expenditure also is calculated inclusive of the secondary recharges for corporate and support service costs. Employee data is shown as establishment.

Figure 1: Summary of costs and staffing

Service	Gross expenditure (2010/11 Revised Budget)	Corporate recharges (2009/10)	Gross expenditure (inclusive of corporate recharges)	Establishment (FTE)
Agatha House ¹⁰	£444,486	£137,190	£581,676	9.5
Flower Lane Autism Service	£1,107,291	£246,634	£1,353,925	26.1
The Space ¹¹	£752,465	£171,008	£923,473	19.2
Rosa Morrison	£982,923	£255,068	£1,237,991	24.7
Valley Way	£563,936	£186,005	£749,941	12.6
Barnet Supported Living Service	£1,079,320	£353,041	£1,432,361	26.3
Community Support Team	£479,839	£109,390	£589,229	12.8
BILS	£561,461	£115,543	£677,004	11.8
Business Development Unit	£100,653	£30,835	£131,488	3.0
TOTALS	£6,072,374	£1,604,714	£7,677,088	145.6

As a grouping, these services form approximately six per cent of the Adult Social Services budget but fifty per cent of the staff. Consequently, the majority of these services' costs are attributed to staffing costs.

¹⁰ As of 1 April 2011, Agatha House became part of Barnet Supported Living Service

¹¹ As of 1 April 2011, The Space and Community Support Team merged to form Community Space .

4 Benefits case

4.1 Approach

Developed by the service, LBB's success criteria for an alternate delivery model for the Adult Social Services in-house provider services is set out in the table below and includes:

- whether the targeted benefit is of financial or non-financial relevance (or both)
- which of the One Barnet principles it contributes to, as set out in section 2 of this report
- a description of what it means in principle

Figure 2: Description of benefits sought from the alternate delivery model

Success criteria	Benefit type	Link to One Barnet	Description
Ensuring financial viability	Financial	<ul style="list-style-type: none"> • A relentless drive for efficiency 	<ul style="list-style-type: none"> • Financial viability within a competitive environment • Reduced corporate overhead costs • Reduction in costs to the Council for the longer term
Maintaining or improving quality	Non-financial	<ul style="list-style-type: none"> • New relationship with the citizens • One public sector approach 	<ul style="list-style-type: none"> • Maintain or improve the quality of provision, particularly for people with high and complex health and social care needs.
Delivering personalisation	Financial/ non-financial	<ul style="list-style-type: none"> • New relationship with citizens • One public sector approach • Relentless drive for efficiency 	<ul style="list-style-type: none"> • People can and want to buy the services with their personal budget • Service users and carers are at heart of the governance arrangements
Achieving pace of change	Financial/ non-financial	<ul style="list-style-type: none"> • A relentless drive for efficiency • One public sector approach 	<ul style="list-style-type: none"> • Speed of implementation to be line with the roll out of personal budgets • Flexibility and ability to respond to a changing market
Innovation and growth	Non-financial/ financial	<ul style="list-style-type: none"> • New relationship with citizens • One public sector approach • Relentless drive for efficiency 	<ul style="list-style-type: none"> • Potential to reach a wider group of service users • In the future, additional new business and subsequent income generation

The following sections set out how these benefits can be realised through the delivery of services through a LATC with Barnet Homes. Suggested measures (KPIs) with timeframes are included to provide a starting point for the LATC's business planning.

For ease of reference, all the financial benefits have been explained within section 4.1 where the outputs of the financial model are discussed.

4.2 Ensuring financial viability of the services

4.2.1 Approach to the financial model

The approach taken to calculate delivery costs and financial benefits associated with the establishment and transfer of the in-house services to a LATC, is demonstrated diagrammatically at Appendix 2. Essentially, there are four main components to the financial model:

1. Establishing the true service cost (figure 4)
2. Assessing current and future financial viability of the service, based on the application of specific improvement levers, and profiling how quickly the improvements should happen over a four year period. The sources of income are also profiled to demonstrate the direct impacts of:
 - The roll out of personal budgets, and LBB's response to the Government target to increase the numbers of individuals managing their budget as a direct payment (figure 18)
 - The LATC's ability to trade with other local authorities, self-funders, individuals from new service user 'groups', and individuals from other boroughs with personal budgets (figure 23)
3. Articulating the financial case on an individual service basis, showing the gross expenditure, income generation and overall balance.
4. Articulating the financial case on a service group basis

The new LATC should use this financial model to help determine its first year financials, prices and charging systems, as part of the business planning process. The model can also be used to help determine how much LBB would want to pay for the services it commissions from the LATC and/or what it expects in the form of dividends. It should not be used however as a budgeting tool for LBB.

4.2.2 Establishing the service cost

The 2010/11 revised budget data has been used as a basis to calculate the cost of the service. Revised budget data has been used to ensure incorporation of a number of changes within the service during the year.

Assumptions have then been made with regards to the following:

- Retained Client Function costs based on blanket 1%¹²

¹² Determined by Corporate Finance, agreed by Adult Social Services. This is a decrease on the 2-3% recommended by the Audit Commission, and reflective of the need for minimal roles and functions to be retained within the council.

- Corporate and back offices services cost an extra 6% of the gross expenditure¹³
- Efficiencies / budget savings agreed for 2011/12
- Relative apportionment of £517k group level costs :
 - The Notting Hill Housing Contract (£294k)
 - The Managing Director and Personal Assistant (£114k)
 - The Business Development Unit (108k)

The revised 2011/12 expenditure has been used as a baseline against which to model the current and future viability of the service, these figures are set out in the table below. These figures are compared with the gross service expenditure (inclusive of secondary recharges) projected outturn for 2010/11.

Figure 4: Revised baseline expenditure for financial modelling

Service	Gross service expenditure (2010/11 Revised Budget)	Revised baseline expenditure (2011/12)
Agatha House	£581,676	£431,976
Flower Lane Autism Service	£1,353,925	£1,276,635
The Space	£923,473	£723,970
Rosa Morrison	£1,237,991	£1,085,933
Barnet Supported Living Service	£1,432,361	£1,160,635
Valley Way	£749,941	£650,182
Community Support Team	£589,229	£460,771
Barnet Independent Living Service	£677,004	£600,014
TOTALS	£7,545,600	£6,390,116

4.2.3 Assessing the current and future financial viability of the services

Service activity data has been used to form a baseline for the current volume of units being delivered. All of the in-house services have an existing notional unit price that are currently used to some extent in costing existing care packages.

¹³ This figure is based upon bench-marking activity undertaken on national data from Small and Medium Enterprises, the 2009 Treasury report entitled "Benchmarking the Back Office", and general market intelligence. For example, HR costs for an entity of this size should not exceed 1% of gross expenditure, the public sector average for Finance costs is 1.27%, and IT costs will be low considering the minimal hardware and software utilised by the services in question. A 1% assumption was also agreed with Corporate Finance regarding core costs.

Further analysis conducted for the assessment of the current and future viability of the services can be found in the associated part 2 exempt report.

4.2.4 The financial case for the LATC at individual service and group level

The financial model includes a financial summary for each service, outlining the revised service costs and taking account of all data and assumptions used earlier in the model. Financial changes and benefits are illustrated over a four year period to show the viability of the service over time, as set out in the table below:

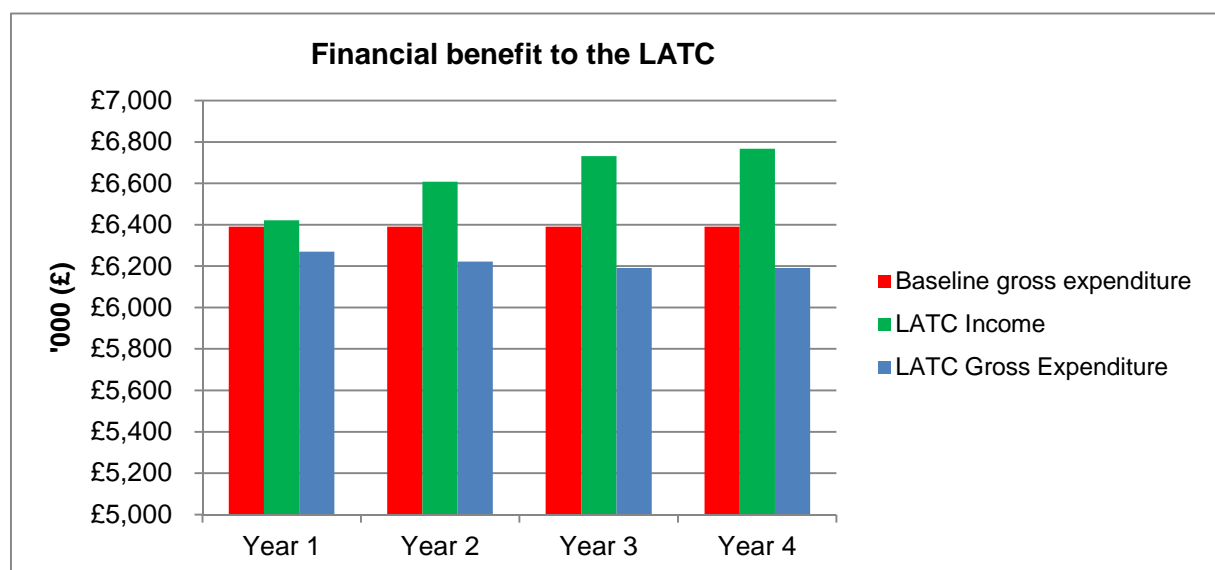
Figure 12: Financial benefit for the LATC

		Year 1	Year 2	Year 3	Year 4
Agatha House	balance	£ 55,704	£ 39,817	£ 39,817	£ 39,817
BILS	balance	-£ 2,732	-£ 47,986	-£ 47,986	-£ 47,986
Community Support Team	balance	-£ 31,709	-£ 31,709	-£ 31,709	-£ 31,709
Flower Lane	balance	-£ 188,828	-£ 188,828	-£ 188,828	-£ 188,828
Rosa Morrison	balance	-£ 137,167	-£ 137,167	-£ 137,167	-£ 137,167
Supported Living	balance	£ 268,315	£ 181,583	£ 113,091	£ 76,611
The Space	balance	-£ 83,470	-£ 169,750	-£ 256,030	-£ 256,030
Valley Way	balance	-£ 31,320	-£ 31,320	-£ 31,320	-£ 31,320
SERVICE GROUP SUB TOTAL	gross expenditure	£ 6,270,562	£ 6,222,663	£ 6,190,651	£ 6,190,651
	income	£ 6,421,768	£ 6,608,022	£ 6,730,782	£ 6,767,262
	balance	-£ 151,206	-£ 385,359	-£ 540,131	-£ 576,611

In year 1, the LATC would generate a surplus of £151k but would then grow to delivering a potential surplus of £577k by year 4 (net of VAT and corporation tax liabilities). As indicated above, the LATC as a service grouping would need to cover the losses made by Agatha House and the Supported Living Service.

The graph below demonstrates delivery of the improvements over the four year period, with the largest surplus being achieved during year 4.

Figure 13: LATC four year spend and income profile



In conclusion, from the potential LATCs position there is a strong financial case for the creation of a LATC, with potential to generate a surplus.

4.2.5 Reduced overheads

One of the advantages of delivering services independently from the Council is the potential to enhance financial viability and achieve savings on the back of reduced 'back office' support costs and corporate overheads. In 2009/10 the recharge to the in-house services for their share of the 'back office' support and corporate costs was £1.67m, 19% of total costs. A high proportion of this was attributed to IT, which does not seem an accurate reflection of cost given that the vast majority of staff within the services does not use IT as part of their role.

A major advantage of establishing a Local Authority Trading Company with Barnet Homes is that there is the potential to capitalise on the existing infrastructure in place within the ALMO. Barnet Homes already has its own Board, finance, human resources, performance and information, surveys co-ordination, resident involvement, communications, health and safety, business planning, complaints, and information technology functions. Barnet Homes also has some Service Level Agreements (SLAs) with the Council to 'buy back' some of the other support service functions. Those most relevant to this project are set out in Appendix 1.

Barnet Homes has the flexibility to source its support services from external providers to secure value for money back office functions. The ALMO currently purchases external legal advice (related to employment matters and pensions, and contractual procurement), consultancy for specific pieces of work, and constructural design. Barnet Homes is currently reviewing its SLA arrangements with LBB with a view to sourcing better deals from the external market, particularly around accommodation, facilities management and Information Technology. In order to maximise its chances of achieving financial sustainability, the LATC should also be able to benefit from the freedoms to purchase support services from the provider offering the best value for money, regardless of whether they sit outside of the council or any future provider for New Support Services (NSO).

To facilitate the above, this business case assumes that support service cost requirements for LATC services can be secured for 6%¹⁴ of each service's gross expenditure, and due to the nature of the services in scope for transfer, this figure is a more probable reflection of the true requirements than the current 19% (and also the 8% utilised for some other One Barnet projects). It is also assumed that some support services will be shared with Barnet Homes, which has some capacity to absorb additional staff and functions. Whilst this would have VAT implications, this would in effect be additional income to Barnet Homes, and would give rise to further scope for reducing management costs from Barnet Homes to the LATC, which in turn could reduce LATC costs.

Further clarity on the corporate stance on the sourcing and costing of support functions, is expected from the ongoing NSO project, and the content of this business case will need reconsidering once the NSO business case has been completed.

¹⁴ This figure is based upon bench-marking activity undertaken on national data from Small and Medium Enterprises, the 2009 Treasury report entitled "Benchmarking the Back Office", and general market intelligence. For example, HR costs for an entity of this size should not exceed 1% of gross expenditure, the public sector average for Finance costs is 1.27%, and IT costs will be low considering the minimal hardware and software utilised by the services in question.

The table below sets out the potential savings for the Council through reduced corporate overhead costs, at a total of £1.2 million. However, these secondary recharges are not ‘real’ budgets, and savings can only be realised and cashed through adjustments in staffing and corporate management arrangements at source.

Figure 14: Indicative savings to be achieved through reduced corporate overheads

	Current recharge value	% of gross expenditure	Target support service cost	Reduction in support costs	Potential ‘saving’
Agatha House	£ 137,190	24%	£ 26,669	81%	£ 110,521
BILS	£ 115,543	17%	£ 33,688	71%	£ 81,855
Community Support Team	£ 109,390	19%	£ 28,790	74%	£ 80,599
Flower Lane	£ 246,634	18%	£ 66,437	73%	£ 180,197
Rosa Morrison	£ 255,068	21%	£ 58,975	77%	£ 196,093
Supported Living	£ 353,041	25%	£ 64,759	82%	£ 288,282
The Space	£ 171,008	19%	£ 45,148	74%	£ 125,860
Valley Way	£ 186,005	25%	£ 33,836	82%	£ 152,168
Business Support Unit	£ 30,835	23%	£ 6,039	80%	£ 24,796
TOTALS	£ 1,604,714	19%	£ 364,342	77%	£ 1,240,372

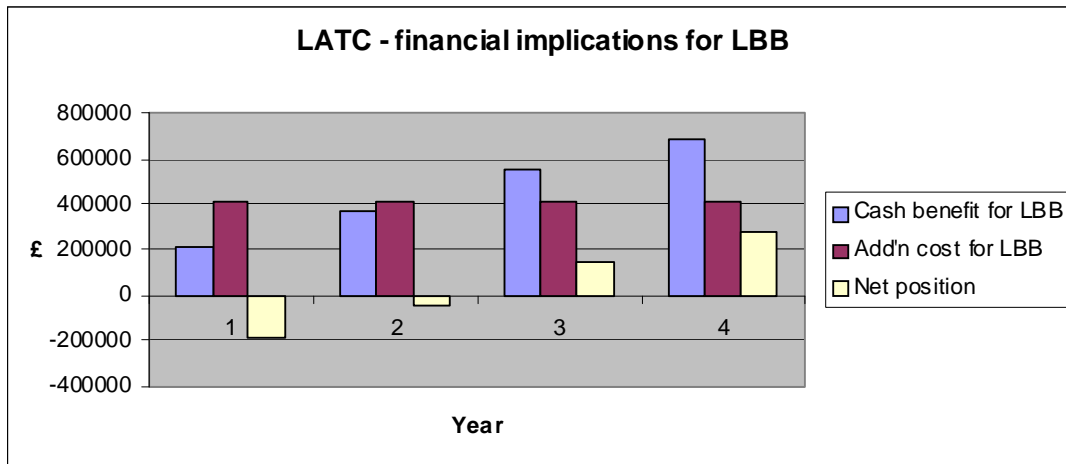
4.2.6 Reduction in costs to LBB for the longer term

Moving to a LATC model for the delivery of Adult Social Services should reduce the costs for LBB for the longer term.

The financial benefits for setting up the LATC for the Council may be summarised as follows:

Reduced expenditure, as a result of cost savings, and increases in clients (and therefore income) for the LATC. The financial benefit for the Council of increased income is only relevant where this income is derived from self funders or clients external to the borough. Internal clients are funded by the Council, so the net benefit is £nil. The benefit of cost reductions and increases in external income is outweighed by VAT and retained client costs in years 1 and 2. In years 3 and 4 there is a net cash benefit to the Council.

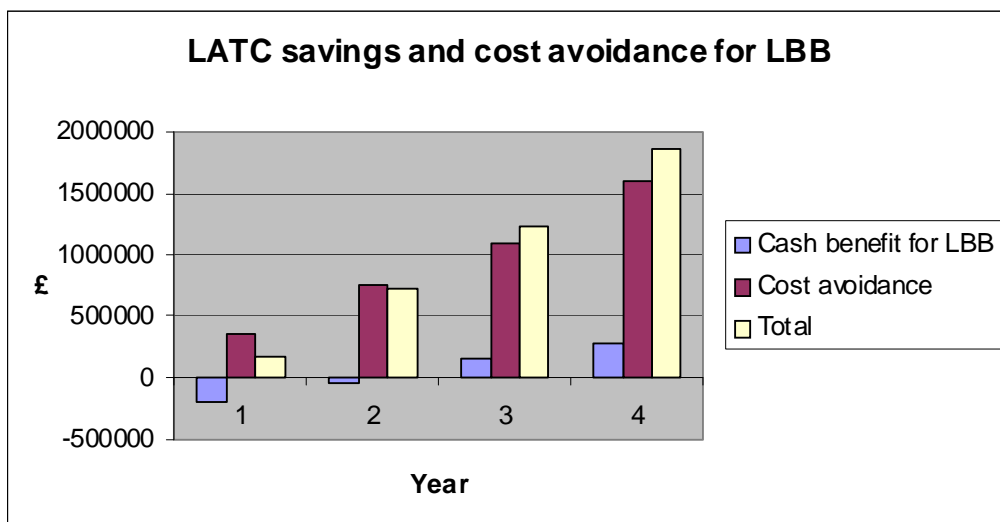
<u>Budget reductions for LBB</u>	Year 1	Year 2	Year 3	Year 4
	£	£	£	£
Cost reduction	119,554	167,453	199,465	199,465
Extl income increase	97,573	203,210	354,347	484,052
	<u>217,127</u>	<u>370,663</u>	<u>553,812</u>	<u>683,517</u>
<u>Budget increases for LBB</u>				
VAT on trading	344,666	344,666	344,666	344,666
Retained client	63,901	63,901	63,901	63,901
	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>	<u>408,567</u>
Net Position for LBB	-191,440	-37,904	145,245	274,950



Cost avoidance of £3.8m in double funding costs as a result of the roll out of the personalisation agenda, as follows:

Year 1	Year 2	Year 3	Year 4	Cumulative
£353,544	£755,837	£1,088,464	£1,586,658	£3,784,685

Even if the cash savings are not generated in year 1, when the cost avoidance figures are taken into account, the financial case for the LATC is clear.



This model is heavily dependent on other factors out of its direct control, such as the roll out of personal budgets (see above) and the behaviour and purchasing patterns of individuals (see section 4.4.2).

The table below sets out the potential costs with respect to the LATC for the Council. The bottom line figures feed into the income figures for the LATC in paragraph 1.5 earlier in this report. The LATC will collect the remaining income from other local authorities, health authorities and self-funders.

Figure 15: LATC potential costs for LBB

LATC potential costs for LBB

LATC expenditure				
Council managed personal budgets	5,412,048	5,090,371	4,729,185	4,137,947
Council commissioned services (non-PBs)	88,920	88,920	88,920	88,920
Sub total	<u>5,500,968</u>	<u>5,179,291</u>	<u>4,818,105</u>	<u>4,226,867</u>
Retained Costs				
Retained client function	63,901	63,901	63,901	63,901
Direct payment funding	353,544	755,837	1,088,646	1,586,658
Change costs	197,060	0	0	0
Sub total	<u>614,505</u>	<u>819,738</u>	<u>1,152,547</u>	<u>1,650,559</u>
LATC: potential costs for LBB	6,115,473	5,999,029	5,970,652	5,877,427

Whilst this could appear to be the worst case scenario for potential double funding costs if the services were retained in-house, it potentially is not. The Government has set a target that all eligible social care users should have a personal budget, and direct payments should be the prime deployment mechanism. The assumptions in this business case are currently based on a low to moderate target take up of direct payments, and if LBB were to increase its target, it would subsequently increase the potential double funding risk if the services were retained in-house. To mitigate these rising costs, LBB would need to significantly reduce the in-house service costs and/or close the services, which the option appraisal activity in June 2010 concluded is not a viable option.

The table above shows that expenditure with the LATC slightly reduces over time, primarily due to a targeted increase in LATC income from sources other than the Council. LBB would need to determine whether this could result in a budget reduction for Adult Social Care or just means there is a budget shift.

There are annual savings to be derived from implementing the LATC model, surmounting to a cumulative total of £1.6m over the four years. Additionally, the £200k savings identified in the medium term financial strategy plans, is achievable as desired in year 2.

However, the savings have not incorporated any target efficiencies or price reductions that LBB may wish to impose on the LATC, or any potential dividends to LBB as shareholder. In short, there is potential to generate further savings through the LATC model through the contracting approach and shareholder relationship.

Included within the LBB costs for the LATC scenario, are initial change costs¹⁵ of around £200k for the LATC implementation, and an ongoing retained client function (£63k per annum).

Although the service grouping includes learning disability and physical and sensory impairment (PSI), due to proportionately less management time currently apportioned to the PSI services, the respective service manager is not in scope for TUPE transfer. It is assumed the retained client function will cover any management from a contract/performance perspective. If appropriate, the Council should address subsequent capacity arising within its own retained service management if financial benefit is sought in this area.

Figure 16: Benefits plan for ensuring financial viability

Benefit	Method assumption	Suggested measure	Timeframe
Services are financially viable within a competitive environment	Operating commercially, market analysis, grouping the services as a collective, specialist /niche provision	Services as a grouping are operating on balance or at a profit	Balance: Year 1: £151k Year 2: £385k Year 3: £540k Year 4: £577k
£1.2m ‘savings’ generated through reduced corporate and support service costs	Freedom to purchase better value for money support services, shared services with Barnet Homes, negotiation of any SLAs	Percentage of total expenditure on corporate and support service costs	Year 1: £1.2m ‘savings’
Reduction in costs to LBB for the longer term, in terms of cost avoidance	Removing ‘double funding’ risk, reducing management requirements, reducing need to cover corporate and support service requirements, dividend	Monitoring of spend, cost avoidance, savings and LATC dividends.	Cost avoidance: Year 1: £353k Year 2: £756k Year 3: £1.089m Year 4: £1.587m

¹⁵Implementation costs as identified in the One Barnet Framework

Benefit	Method assumption	Suggested measure	Timeframe
	arrangements		

4.3 Maintaining or improving quality

4.3.1 Maintaining or improving the quality of provision

The in-house services are good quality and highly regarded services, by service users, inspectors, council staff and other boroughs. This quality derives from the experience and in-depth specialist knowledge of the current team, who exhibit a genuine motivation to support individuals in a way that best meets their needs and promotes their independence.

Being part of a LATC potentially allows both existing and a new, wider, group of service users to continue to or start to benefit from these quality services. Continued or enhanced take up of the service would create the potential for revenue streams to be established and protect the services from the impact of unsustainable costs, and a subsequent decline in quality.

In line with personalisation, individuals commissioning their own specific support from the LATC will arguably act to increase the quality of the service they receive. This is because the control is in the hands of the service user, ensuring the support they receive is what they want and is tailored to their individual needs. Additionally, ensuring service users and carers at the heart of the governance arrangements for the LATC will promote co-production in service design and delivery, undoubtedly key to successfully delivering quality.

Establishing a LATC with Barnet Homes capitalises on the synergies with client group, and presents opportunities to better co-ordinate and join up the engagement, design, delivery and co-production of services. These include ASSIST telecare, and the sheltered plus initiative both provided by Barnet Homes for young and older adults in need. A large proportion of clientele are likely to be Adult Social Service users. Similarly, a number of Barnet Homes' tenants or people in need of council housing are likely to be receiving social care services. This provides opportunities to streamline service contact and delivery to ensure that:

- a) individuals are not passed between organisations, and;
- b) they receive the right support at the right time.

Improvements in the level of integrated working supports the delivery of efficiency, quality, and improves the customer experience.

During the staff and service user engagement events, there was strong feedback that moving to a LATC model provided an opportunity to improve (see appendix 4 for further detail). The most popular suggestions were:

- Improved partnership working; sharing resources across the services and improved communication. Opportunities to work with the voluntary sector.
- Increased service user input to design services to ensure needs are met.
- Increased capacity and flexible hours to provide more services.

- Potential to offer services and more activities during evenings, weekends and in the community.

Another advantage of establishing a LATC with Barnet Homes is that the ALMO and its staff have experience a similar change process and have succeeded in driving up performance and quality of the services being delivered. The lessons learnt from Barnet Homes transfer will be key in ensuring that the adult in-house services transfer is as smooth as possible, and most importantly, that there is not a negative impact on the quality of the services being delivered. New LATCs or other arms-length organisations are particularly vulnerable to failure in the first year of operation and the coterminosity with Barnet Homes should protect against this.

Figure 17: Summary benefits plan for maintaining or improving quality

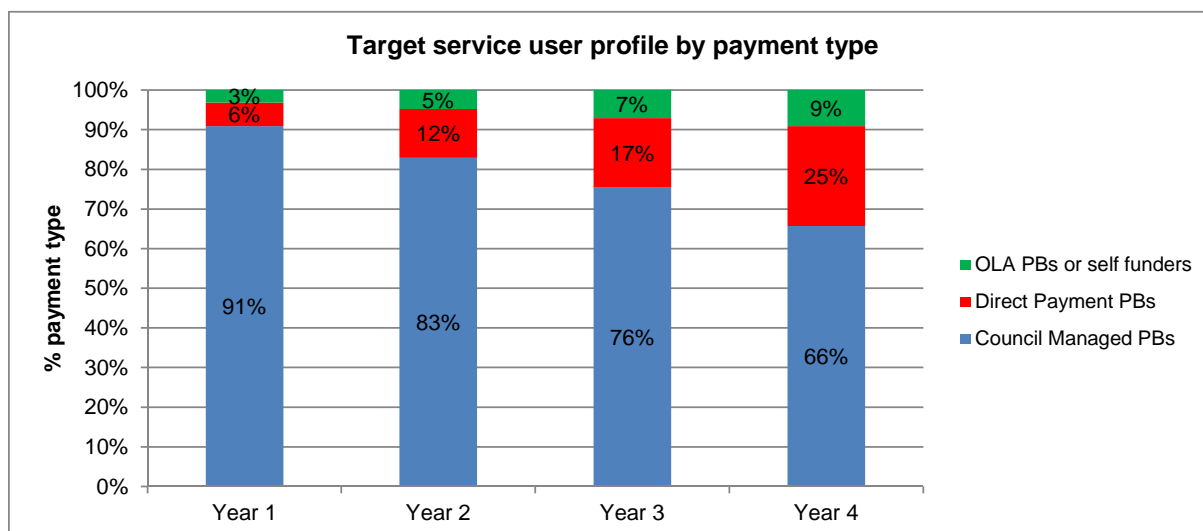
Benefit	Method assumption	Suggested measure	Timeframe
Maintained or improved quality of service provision, particularly for people with high and complex health and social care needs	Joined up working with Barnet Homes, sustained or improvement quality of service delivery	Customer satisfaction	Baseline to be established prior to transfer, subsequent six-monthly measurement
		Achievement of individual outcomes as stated in Support Plan	Support plan review, aggregation quarterly

4.4 Delivering personalisation

4.4.1 People can buy the services

Individuals who manage their personal budget as a direct payment, cannot purchase the in-house services, but they can from a LATC. Similarly, people with council managed budgets can access LATC services purchased by LBB on their behalf. Individuals from other boroughs with direct payments can also purchase services from a LATC, as can self-funders (people who purchase their social care privately). The graph below demonstrates the targeted profiled change in payment mechanism utilised by service users accessing the LATC services:

Figure 18: Target profile of LATC service users



In a similar way that LBB has a risk of double funding as a result of personal budgets, the LATC also has an 'at risk' element to its income source. There is not any guarantee that people with direct payments will purchase LATC services.

Figure 19: Impact of losing 'at risk' income

	Year 1	Year 2	Year 3	Year 4
Gross expenditure	£ 6,270,562	£ 6,222,663	£ 6,190,651	£ 6,190,651
Income	£ 6,068,224	£ 5,852,185	£ 5,642,136	£ 5,180,604
Balance	£ 202,338	£ 370,479	£ 548,515	£ 1,010,047
Difference in balance by loss of DP service users i.e. additional shortfall	-£ 353,544	-£ 755,837	-£ 1,088,646	-£ 1,586,658

In this table, the income stream discounts the target income from direct payments, showing a large increase in shortfall, particularly in year 4. Without this income, the LATC would struggle to be viable and would need to source income from elsewhere or significantly reduce its running costs. However, the LATC can mitigate this risk by ensuring its products are attractive, marketed appropriately and co-produced to ensure the meet the needs of users and carers.

Similar to the potential double funding costs for LBB if the services are retained in-house, the LATC's 'at risk' income is dependent on the Council's ambition for the take up of personal budgets as direct payments. The current targets within this business case as low to moderate, and are more ambitious approach could put a greater proportion of LATC income at risk.

4.4.2 People want to buy the services

In considering whether people want to buy the services, as discussed in the previous section the services as a collective and individually, are highly regarded and in demand.

As a collective, the services can provide a range of support and opportunities for people to pick and choose from to meet their needs in the way that best suits them. By removing some of the barriers associated with being within a large and arguably more bureaucratic organisation such as the Council, the LATC enables the services to work more cohesively and flexibly as a grouping. Transfer to a LATC also provides opportunities to work more

closely with Barnet Homes' staff and its client group, to improve service user engagement, streamlining support, and creating joined up solutions to promoting independent living and community inclusion.

Due to their mostly unique provision, the in-house services are likely to hold the monopoly for their service offering within the free market. Service User turnover is low within all the services, an indication of the level of satisfaction but also an indication of scarce opportunities for people to 'move on' from the services, particularly for those people with profound and multiple disabilities. It is not to say that this situation will not change, but there are currently no or very few affordable and quality choices that better meet individuals' outcomes. Although markets change, the LATC would and could continue to be in a strong position to differentiate its services within the market, and clearly promote its value for money offering. This market position is strengthened by the level of staff expertise and depth of specialist knowledge to enable them to support the complexity and specificity of individuals' needs, upon which the team prides itself.

Furthermore, the advantage of being within a LATC enables the services to market themselves to both an existing and wider target group. There will be a key role for the Business Development Unit in carrying out market research and marketing activities to ensure the services market position is understood and reflective of desired objectives. Additionally, Barnet Homes has experience in business development and innovation, and is in the process of recruiting to the Director of Business Services post to draw in enhanced commercial experience and entrepreneurship, key in supporting the realisation of innovative ideas and new service delivery solutions.

4.4.3 Service users and carers at the heart of the governance arrangements

Fundamental to delivering personalisation and the One Barnet objective for a 'new relationship with citizens' is the co-production of service design and delivery. This provides impetus to the objective for service user and carer involvement at the heart of the governance arrangements for the future service delivery model. There are lessons to be learnt from Barnet Homes which currently includes tenants on its Management Board, and has a dedicated Resident Involvement team and survey co-ordinator to ensure resident engagement in the delivery of services, and in the decision-making and running of Barnet Homes itself. The recommended governance arrangements are set out in section 6.3, "Commercial Aspects".

During the staff and service user engagement events, there was strong feedback that service users are keen to be involved with the LATC. The full list is provided in appendix 4 however, some of the most popular suggestions were:

- Service user representation on the board
- Suggestion of a service user forum to discuss the direction of the LATC
- Service users and carers can add value to the LATC by drawing on their personal experiences
- Board meetings to be held at times where service users and carers can attend

Figure 20: Summary benefits plan for delivering personalisation

Benefit	Method assumption	Suggested measure	Timeframe
People <u>can</u> buy the services	Establishment of LATC, development of pricing and user friendly, efficient payment systems	Effective and efficient systems in place to ensure individuals can purchase LATC services	Year 1
People <u>want</u> to buy the services	Specialist, niche provision, market and competitor analysis, marketing activity, co-production of services	Percentage of LATC services commissioned by individuals/carers (or trusted other)	Year 1: 9% Year 2: 17% Year 3: 24% Year 4: 34%
Service users at the heart of governance arrangements	Service users and carers represented on Board, building on Barnet Homes' success in engagement, co-production of plans	Service user/carer representation at the Board	On LATC establishment
		Business Plans are co-produced	Annual

4.5 Achieving pace of change

4.5.1 Speed of implementation to be line with the roll-out of personal budgets

Creating a LATC that incorporates Barnet Homes supports the speedier delivery of change than if a wholly new LATC were to be set up. This is based on the principle that the LATC will be working with an established company with proven success. A functioning Board is already in existence, which can be built upon to form a new Board for the LATC holding company (set out in section 6 “Commercial Aspects”) and provide appropriate governance arrangements to support a) continued business for Barnet Homes, and b) experienced team members to support the set up for the Adult Social Care LATC.

4.5.2 Flexibility and ability to respond to a changing market

Being at arms-length from the council has been beneficial for Barnet Homes’ business, particularly in terms of the enhanced freedom to shape services and delivery in ways the company and residents want. Being an ALMO has also enabled Barnet Homes’ flexibility and speed in implementing change, without the bureaucracy and processes that can be inherent within large local government organisations. Likewise, the LATC will have the ability and freedoms to work smarter, quicker and more flexibility to respond to the choice agenda, ensuring that they are delivering value for money services that individuals want and need.

Figure 21: Summary of benefits plan for achieving pace of change

Benefit	Method assumption	Suggested measure	Timeframe
Speed of implementation to be line with the roll-out of personal budgets	Joint arrangements with Barnet Homes, simplistic company structure and governance model, change management	New delivery model to be in place for full roll out of personal budgets	Autumn 2011
Flexibility and ability to respond to a changing market	Utilising experience of Barnet Homes as an ALMO, ability to be smarter, quicker in delivering change and responding to demand	Achievement of target activity/delivery levels	Monitor quarterly

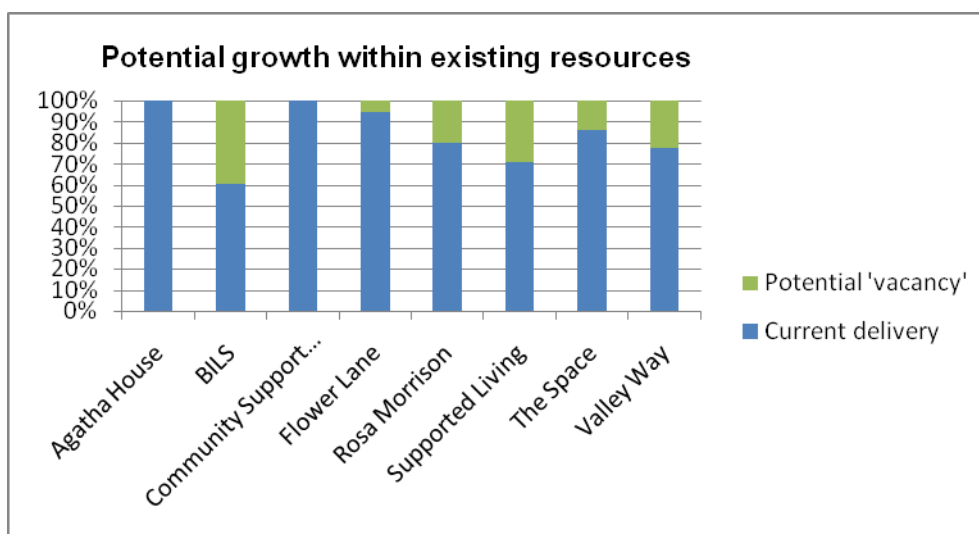
4.6 Innovation and growth

4.6.1 Realising potential to reach a wider group of service users

A LATC has the potential to access wider group of service users, such as current 'self-funders' (people who purchase their own care privately), people with personal budgets from surrounding areas, and other vulnerable individuals who have not previously neatly fitted into a service user 'group' before.

Services are not all currently operating at capacity, particularly BILS, Supported Living, and Valley Way, presenting growth opportunities within existing resources, as set out in the graph below.

Figure 22: Capacity to deliver more within existing resources



In thinking about how the LATC would access more business and service users, both local to LBB and national policy changes will expand the target market for the services within scope of this project. For example, LBB is currently working on a 'move on' project, supporting

around sixty service users to move out of residential care and into community living, most probably in supported living arrangements. This project could have an impact on the numbers of service users, not only on the Barnet Supported Living Service, but also other services such as the Community Support Team and Barnet Independent Living Service to support these individuals' inclusion and involvement within the community itself.

LBB is also a 'Right to Control' Trailblazer, enabling people with disabilities to have greater choice and control of a wider range of funding streams, including and beyond social care. Individuals will be looking for new and creative ways to meet their support needs, and the LATC will be in a prime position to respond to the demand. Nationally, there is a rise in the numbers of people with profound, multiple learning disabilities (PMLD) and also with people with autism.

Additionally, the Government is seeking to reduce the number of individuals claiming incapacity benefit, instead supporting more individuals to get into, and stay in employment. As a result, there will be an increasing number of individuals in Barnet looking for support to gain access to employment and learning opportunities. This highlights a currently untapped market for the services, particularly Barnet Independent Living Services and The Community Support Team to offer support, advice, skills training and guidance for individuals to access work and learning activities.

Furthermore, Barnet Homes has recently set up a charity that is focusing on recycling furniture, which presents an opportunity to link in with the adult social services in-house services to support individuals into volunteering or employment opportunities and skill development. Similarly, there are opportunities to better integrate delivery and share learning on the use of Telecare and floating support between Barnet Homes and the Community Support Team/Barnet Supported Living Service, particularly with the targeted increase in supported living to help people retain or gain independence within the community.

4.6.2 New business and subsequent income generation

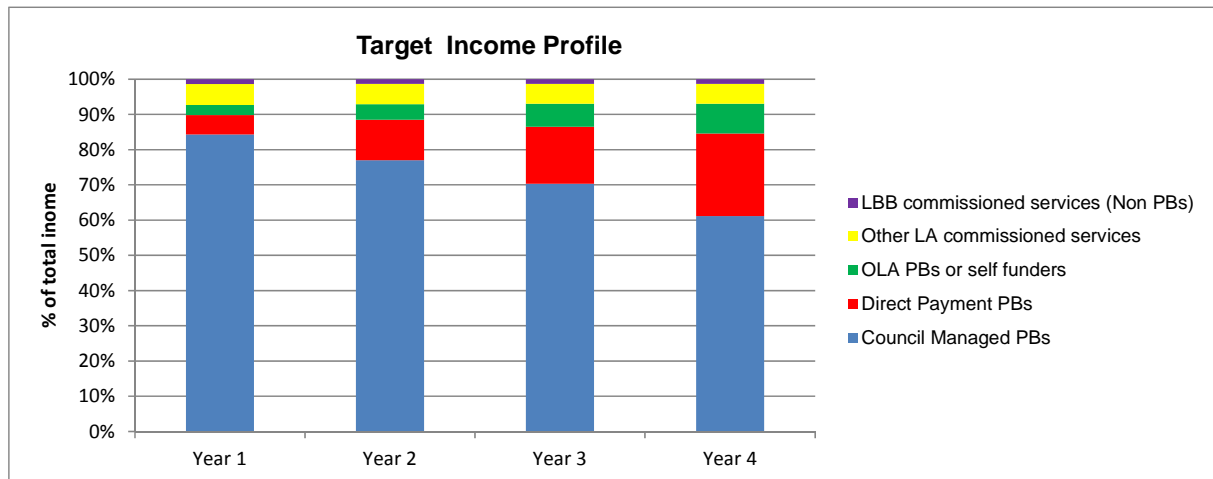
The graph below shows how the income profile of the LATC is expected to change over time. The level of council managed personal budgets will decrease, as more people choose to manage their personal budget as a direct payment. There is also the expectation that the LATC will generate business from a wider group of services users including other local authority areas, self-funders, and other vulnerable people. This proportion grows over the four years from 3% to 9% of target income. The LATC could also get new business from existing adult social care service users, whose needs have previously been met by other external providers.

At the staff and service user engagement events there was a consensus that being part of a LATC will provide an opportunity to reach wider groups of service users and generate income. Feedback from the events generated many suggestions (see appendix 4 for further detail). The most popular suggestions were:

- Potential to generate income from projects such as pottery classes run by users and carers
- There is a market for bespoke services providing more choice for service users services e.g. a befriending service for deaf people

- Better promotion to increase community awareness of what is available
- Training programme to enhance staff skill sets (and subsequently offer more)

Figure 23: Changing income profile for the LATC



The services already have a number of proposals for generation of new business, and it will be important for the new LATC to take these forward within its future business planning.

Potential opportunities for wider service provision and income generation include:

- Offer training and/or accreditation schemes for Personal Assistants
- Provision of mobile units or perform outreach into individuals' homes or locations in the community. This could help reach a wider group of service users.
- Provision of services at different hours of the day, and at weekends
- Hire out the rooms in the buildings utilised by the in-house services
- Hire out the hydrotherapy pool at Rosa Morrison (although the risks associated with this would need to be explored)
- Develop support brokerage services
- Enhance the enablement offering
- Sell services to other partners or teams
- Create membership schemes for services such as BILS and Community Support Team.

Whilst the financial modelling addressed the potential for the current services products and resources, the tool has the facility to model the further business growth, whether utilising a reinvestment of LATC surplus or from other sources.

However, expanding its business and changing the income profile of the LATC has some procurement law implications as referred to in section 6.3.1. LBB may wish to rely on the

Teckal exemption in the early stages of the LATC operation, but the Council will need to monitor this as part of the retained client function. The above graph at figure 24 may provide a useful indicator of the anticipated change in the LATC’s activities.

Figure 24: Summary of benefits plans for innovation and growth

Benefit	Method assumption	Suggested measure	Timeframe
Realise potential to reach a wider group of service users	Utilising ‘spare’ capacity, trading with individuals within other boroughs/other local authorities and self-funders, enablement model	Percentage increase of ‘new’ service users accessing LATC services	Quarterly
Increase income and additional income streams	Partnership working with Barnet Homes, LATC flexibility to respond to market, Business Development Team	Income (£) generated from new business	Quarterly

5 Lessons Learned

This section summarises lessons learned from the PriceWaterhouseCoopers (PwC) review of service outsourcings, 2008¹⁶ and feedback from other Local Authority Trading Companies. There are only three existing LATCs operating within the UK at the time of writing, none of which incorporate an ALMO. However, this review was conducted to understand the key principles for service externalisation and experiences within the market and provide the greatest level of success.

5.1.1 Financial Management

There was a general consensus that the tax implications for the LATC are understood due to the nature of particular services attracting VAT which will need to be reflected in the business plan.

In terms of Corporation Tax, the key consideration is whether the council will request a dividend return and the level of return expected. As the council will be a 100% shareholder it may be that the intention is to allow the LATC to invest and develop. Should this be the case there will be a reduction on corporation tax liabilities and which will also enable the LATC to create a firm asset base. Typically, drivers indicate that savings may define the former years however, understanding the changing market and proactively responding provides potential to develop organically develop new income streams during the latter years. There will need to be a decision as to how if/how the council will financially support the LATC from start-up onwards.

5.1.2 Transition and Business Continuity

Sufficient time should be taken to focus on the complexities and getting the model right first time rather focusing on savings as the first two years can make or break the LATC. If the financial model is incorrect, the anticipated savings will not be realised. A phased approach provides opportunity for culture change to be embedded. The LATC market position is likely to change after the first year of trading as a result of market demand. The freedom to trade presents opportunities to gain business from self-funders and partnership working with agencies such as health. The distinct advantage of a LATC is the opportunity to further understand the community and consequently the service offer potentially leading to considerable take up of new services.

5.1.3 Staff Engagement and Cultural Change

The London Borough of Barnet intend to TUPE transfer staff across to the LATC. Staff involvement and buy-in will be key for the transition and it is crucial staff should be involved throughout the project. Whilst staff are at no greater risk being outside of the council it is understood change can be unsettling particularly when moving towards a commercial model which will involve culture change and potential learning and development for management. There is a need for the service user to be at the heart of the solution provided for which commercial arrangements and delivery frameworks should be built upon.

¹⁶ A lessons learned review of previous outsourcings (2008) and potential partnering vehicles (2008) undertaken by PriceWaterhouseCoopers

There is a need for a staff to have a sense of ownership and branding will be part of the new identity. Solidarity is key as is pay and the change should be given time to develop. There are benefits in embedding the change such as staff retention before striving for new business and/or efficiency savings. Whilst staff could be doing the same job, there needs to be an understanding of the implications of working for a commercial organisation. Strong leadership is recommended as a critical success factor for this type of change.

5.1.4 Business Planning and Contractual Management

As a commercial organisation it is essential the LATC are prepared to sell products and services which the market want to buy and services may need to be tailored for service users including extended hours at a time convenient for service users and families (e.g. – evenings and weekends). It is important to understand the competition and the unique selling point of the LATC, such as price or quality, and the trade-offs.

Service level agreements and performance indicators are an important factor to ensure quality remains the same or improves. For service users this can be linked to the payment mechanism in addition to CQC regulation and Quality Assessment framework standards of the council. It is also important to ensure the safeguarding responsibilities of the council are met before going for efficiency savings.

5.1.5 Governance and Relationship Management

Arms-length does not mean “hands off”. Typically governance and the relationship between the LATC and Local Authority tend to mature as the LATC grows. It has been deemed imperative that the Managing Director of the company has a thorough understanding of financial management and is commercially business savvy to make commercial decisions.

It is critical that ownership, roles and responsibilities are defined and understood to avoid conflict of interests or growing pains. Council relationships with external organisations as suppliers need to remain focussed and functional on attaining core contractual outputs and services. There will need to be clear and robust arrangements with clarity about the way the partnership is structured which values and recognises the contribution of both organisations.

PwC recognise the governance of partnerships stemming from four main areas:

- Relationship with the contracting entity
- Influence within the contracting entity
- Informal governance arrangements
- Relationship with the council as the “parent” local authority

It is the combination of these four areas which will need consideration as part of the governance arrangements, if considered in isolation then the governance arrangements may not be as robust as intended.

Governance arrangements will be highly influenced by the contractual arrangements. Contractual arrangements will also need to cover issues such as risk transfer, payment mechanisms such as financial support for sustainability, dividend returns and the service specifications.

The governance structure will also have an impact on the type and amount of influence that the authority will have with the contracting entity. The minority interest protection would be outlined in the contractual agreement/contract and would be likely to state that unanimous approval should be obtained for certain key issues such as:

- Change of ownership
- Changing the business plan
- Major financial transactions
- The employment of key employees

Furthermore there will need to be clear that the service areas in-scope will no longer be a council department but an independent business although the LATC will be accountable to the council as shareholder. It is important the key personnel to take the LATC forward are identified early on so responsibilities are clear to avoid complications further on down the line. Commitment to role and responsibilities in terms of the council perspective is also required and very important. Where possible there should be a new entity approach which includes regular board meetings for the LATC.

The service areas and corporate functions such as HR and Finance will need to be represented on the project board and take ownership for their respective specialisms. It is important to avoid conflicts of interest and important for all to understand who is representing the LATC and who is representing the council. The earlier this is established the better to achieve a clear distinction prior to contract negotiation. Issues could include locations, sites, leases, state aid, insurance, banking and payroll. It is crucial the key stakeholders are identified and engaged at the earliest opportunity. Regardless of whether a great project plan exists there will be issues so the team will need to be ready for the unknown.

5.1.6 Legal and Contractual

Obtaining legal advice at the earliest opportunity is one of the most critical tasks to enable a continuum going forward. There needs to be strategic level council leadership and direction through a connection between corporate priorities of the council and supplier delivery. However, there are complexities as the local authority principles substantially differ from that of a commercial organisation.

This needs to be understood as early as possible and continuous throughout the project as it is an unavoidable and inevitable that issues will occur therefore the sooner these are identified, picked up and managed, the smoother and quicker the transition. Unfortunately stepping into the unknown and the lack of learning from other LATC's means regular issues should be expected regardless of how the project is planned. Time should be built in to provide adequate time for issues to be worked through such as structures, accounting, governance and relationship which have various implications.

6 Constraints, dependencies and risks

This section seeks to capture the main constraints, dependencies and risks associated with the proposed transfer of in-house services to a LATC. It should be noted that this does not represent a definitive list, and deliberately avoids repetition by not flagging any risks associated with preceding constraints and dependencies.

6.1 Constraints

The three key constraints at this stage of the project are outlined below:

Description	Proposed management
<p>1. Any LATC will be a separate legal entity to the Council, and as such, will be subject to tax in the usual manner and will not benefit from the particular tax treatment afforded to LBB as a local authority.</p>	<p>This issue has been reviewed by a VAT specialist, and the implications are now reflected in this document. Work is ongoing with HMRC to determine whether the tax exemption status currently afforded to Barnet Homes, is affected.</p>
<p>2. The in-house services are currently reliant on other LBB services (particularly transport) to get individuals to and from their home to day centre buildings, and also out and about attending activities within the community. This part of the budget will be out of control of the LATC, a subsequent fixed cost.</p>	<p>Service delivery arrangements will need to reflect the strategic direction of the One Barnet Passenger Transport Project, and an impact analysis should be undertaken in order to understand specifically how this will operate in an environment funded by Personal Budgets.</p>
<p>3. SAP remains the default LBB financial management system, yet this is a somewhat of an over-engineered solution for services of the type and size.</p>	<p>Long-term, consideration will need to be given to procuring an appropriate off-the-shelf product more aligned to LATC requirements. In the short-term, any changes required within SAP to facilitate the implementation of the LATC, are expected to be funded by the One Barnet Programme.</p>

Other constraints to note are as follows:

- Access to SWIFT will be required for one of the services in scope (Community Support Team) however this is on a view-only basis.
- The knowledge as to how individuals are spending their personal budgets is currently not systematically captured at LBB, however, it is understood that the majority of individuals choose direct payments to either purchase Personal Assistants to support their personal care or daily living outcomes, or courses or computers to help to learn

new skills. The Business Plan for the LATC and the services involved, is high-level at this stage. The onus should be placed on the new entity, post any formal decision-to-proceed, to co-produce its business plan with key stakeholders.

- Potential company structures have been developed in this business case, as it's not just a critical document to inform decision-making, it is also required in order to satisfy the legal obligations associated with setting up a LATC. The selected corporate structure needs to permit collaboration and the potential sharing of costs associated with premises, services, supplies, and potentially management.
- Before exercising the power to trade, LBB are required to prepare a Business Case in support of the proposed exercise of the power which must be approved by Cabinet.
- A LATC can only operate as a company limited by shares, a company limited by guarantee, or an Industrial and Provident Society. It cannot be a Limited Liability Partnership or a Limited Partnership (even though such arrangements would carry tax benefits).
- Any structure which displaces Barnet Homes from being the counter party to the Housing Management Agreement with LBB, will need consent from CLG.
- There is a duty to consult secure tenants who are likely to be substantially affected by proposed changes to housing management arrangements. Given the likely scenarios for Barnet Homes, it is more likely to be a duty to inform, but this will require further clarification.
- Existing governance arrangements for Barnet Homes will need to be reviewed, in order to ensure that necessary expertise is present at Board level, but to also ensure broader stakeholder representation.

This list of constraints will need revisiting as part of future business case updates.

6.2 Dependencies

An indicative breakdown of internal and external dependencies is provided below:

Description	Proposed management
1. The Choice & Independence Programme and the Right to Control project – both aim to enable individuals to have greater choice and control over how their care and support needs are met. Specifically the Right to Control covers a range of funding streams (including employment funding and housing support) and provides the opportunity to combine	The profiled transition of service users to new support arrangements needs to be regularly impacted on the financial model under-pinning this Business Case.

<p>funding into one Direct Payment. Understanding the implementation activities and timescales for both of these initiatives is key.</p>	
<p>2. Commercial skills and acumen – staff to be involved in business planning and development activity will need identifying, and equipping with the necessary training and development to support attainment of the commercial and financial viability of the services under the LATC umbrella. It should not be assumed that the prerequisite skills sets exist simply because of an individual’s job title or role description.</p>	<p>A detailed training and support programme should be developed for appropriate staff. Consideration should also be given to the recruiting of suitably skilled individuals to key posts (delivery and governance).</p>
<p>3. Barnet Homes – The tax exemption status currently afforded to the council’s ALMO, is at risk from these proposals. This matter needs resolving before formal implementation activities commence.</p>	<p>The assumptions underpinning the business case may need to be revised to support the development of the business plan. Our analysis has concluded that the loss of the exemption status is not a “show-stopper”.</p>

- Changing the relationship with social work teams - at the moment, the in-house services are effectively part of the core pathway through the social care system for a number of individuals. This will change with the set-up of a LATC, as the services will no longer be the default route for individuals. The changing relationship between the social work function and the in-house teams will need to be understood, particularly as in some instances, the divisions between the two functions are currently not that clear cut, for example in carrying out reviews.
- Both Housing and Barnet Homes should undertake a risk assessment of this proposal.
- Final agreement will need to be sought from the Council’s Pension Fund Committee regarding the pension arrangements and the designated /schedule or potentially admitted body status for staff of Barnet Homes/LATC.
- Implementation of the LATC option will require the investment of resources. Specific considerations include the use of Legal, HR, Finance, Barnet Homes and AdSS SMT and implementation partner time. The estimated resource requirements (and their associated costs) have been embedded in this business case, and will need to be updated at appropriate points in time.
- The Resource Allocation System (RAS) that will determine the level of Personal Budgets, will need to provide sufficient funds to cover the costs of purchasing these services. An embedded variation process will also be required in order to ensure the financial sustainability of this funding source.

- An independent brokerage pilot is currently underway, and if successful, will be fully implemented by the end of 2012/13. The purpose of the brokerage function is to provide advocacy and support to individuals in taking control of their personal budget as a direct payment and in making informed choices and decisions about their care and support. The future demand and popularity of the in-house services is dependent on the behaviour of individuals and how the patterns of purchasing will change as a result of the support infrastructure in place to enable individuals' to have and make choices. It will be key for the business case to be updated as the impact of support brokerage, information and advice initiatives are better tried, tested and understood.
- The processes and systems in place for obtaining a personal budget are relatively new in LBB and need to get slicker. Although personal budgets are increasingly becoming mainstream as the deployment method for the community care budget, direct payments are not yet the default option. During 2011, however, it is expected that there will be significant improvements to the process of obtaining and managing a personal budget, so that by the time the LATC would 'go live' a greater number of individuals will be in a position to purchase the services themselves.
- Transport Project – As part of the One Barnet Programme, this project is reviewing current LBB provided transport arrangements, including provisions made for adult social care day centre based activity. This may have an impact on both access to services, but also carry budget implications for the in-house services, and these will need to be understood.
- Fairer Contributions consultation – This is currently taking place, and focuses on the change from service user 'charges' to a contributions based policy whereby individuals will contribute a share of their personal budget. Subject to the outcome of this work, there may be implications for the take up of Personal Budgets and subsequent purchasing of services.
- New Support Organisation (NSO) Project – The NSO activity seeks to deliver a revised delivery model for a range of corporate support services, so that they are better aligned with customers' needs, can be delivered more efficiently, and are more flexible in terms of being able to meet the changing requirements of the Council going forward. Whilst initial estimates have been incorporated in this business case, the data set will need to be updated as more detail emerges from the NSO Project.
- Retained client function(s) – The requirement needs to be understood across One Barnet activity as a whole, and not just for the purposes of this project. Whilst initial estimates of the cost and size of the function have been included within this business case, the data set will need to be updated as corporate thinking progresses.

This list of dependencies will need revisiting as part of future business case updates.

6.3 Risks

The main corporate, service and market-related risks are outlined below:

Description	Proposed management
<p>1. Change and upheaval can, if not managed properly, impact on the quality of service delivery during a period of transition and post-change establishment.</p>	<p>If the decision is taken to proceed with the LATC as the future delivery model, it will be important to supply sufficient resource to support to allow the new company to establish itself as a new entity. This support is reflected in the business case (change costs).</p>
<p>2. Housing, Needs and Resources is added to Barnet Homes' remit at the same time as the Adult Social Services, and costs of change and benefits are either double-counted or eradicated.</p>	<p>An all-encompassing business case should be developed, and existing project governance arrangements extended. Resourcing implications should be considered as part of formal One Barnet change control procedures.</p>
<p>3. Establishing a LATC to specifically deliver in-house services is not a well-trodden path in terms of Local Authority organisational design.</p>	<p>Lessons learned are to be acquired from Local Authorities that have already implemented / are in the process of implementing a LATC. Whilst some have already been included in this document in Section 5, further research should be undertaken.</p>

- Proposed changes to the Housing Revenue Account (HRA) could impact on Barnet Homes' capability to form part of the LATC arrangements.
- Potential lack of flexibility within SLA arrangements for support and other services (e.g. transport) acts as a blocker to efficiencies and benefits realisation.
- Access and security issues relating to the Health information management systems (this has been overcome for existing working arrangements, so would indicate it is not insurmountable).
- The LATC does not put in place appropriate processes to enable people to readily purchase its services with their Personal Budgets.
- Barnet Homes/LATC fails to secure value-for-money commercial arrangements for externally purchased support services.
- The Council does not undertake the effective strategic planning needed to deliver services in a way which continues to meet growing residents' need in a challenging financial climate.

- The Council continues a programme of year-on-year cuts, leading to a decline in the quality of service delivery and customer satisfaction.
- Limited internal and external buy-in of the revised delivery arrangements, due to poor communication and engagement.
- Reputational damage as a result of not delivering anticipated benefits (financial and non-financial).
- A third party challenges contract award under the Remedies Directive – this could have significant financial and reputational implications.
- Staff morale is low and anxiety could be heightened as a consequence of more change.
- Provisions in the Localism Bill (clause 4) introduce limits on what local authorities can do for commercial purposes, and it is unclear how this power interacts with the new General Power of Competence.
- The business case is not agreed by Barnet Homes, due to Housing Act, structural, corporation tax or governance issues.
- Decisions regarding the New Support Organisation could impact negatively on future LATC/Barnet Homes back office support arrangements and costs.
- The impact of medium term financial planning and associated savings on the existing services proposed for transfer, dilutes the content of the Business Case.

These risks will subsequently be assessed and managed in accordance with the Council's project management methodology, and as such will report in to the One Barnet Programme Management Office. The governance arrangements and management of risks specifically relating to transition will be determined in March as part of transition planning. The More Choices Project Board and the One Barnet Programme Board will continue to provide appropriate escalation routes.

7 Commercial aspects

7.1 Specification

Initially, there will be more detailed output based specification for the LATC to support its establishment and success in the early stages of operation. Over time and on proven success of the LATC, it is expected that the approach to specification will change to a more outcomes based and will be less prescriptive to allow for the LATC to flex and innovate.

The quality of the services must be maintained (currently evidenced by the 'Excellent' or 'Good' Care Quality Commission ratings), and the LATC will need to respond to changes in demand and service user expectations.

Following Cabinet approval to incorporate a holding company in the form of a LATC and transfer of the in-house service provision, staff and service users, Barnet Homes and LBB will co-produce the business plan for the first year, to set out how the LATC will realise the targeted benefits set out in section 4. Outline recommendations for the business plan are included in Appendix 3.

7.2 Payment mechanisms

Personal budgets will be a significant part of the LATC funding, whether in direct payment or 'council managed' form. Individuals with direct payments will purchase services directly from the LATC, and the council will contract with the LATC for council managed budgets.

During the transition phase, the LATC and LBB need to establish the detailed contracting arrangements, but it is expected that there will be an element of both spot and block contracting for particular services and groups of people as appropriate. Unit prices will be confirmed for each of the services that LBB will purchase from the LATC, and indicative volumes for council commissioned services (including council managed budgets) to aid the LATC in its business planning and help determine the size of the tapering contract the council will agree with the LATC that reflects LBB's ambition for the implementation of personal budgets with the deployment mechanism as direct payments as the default option.

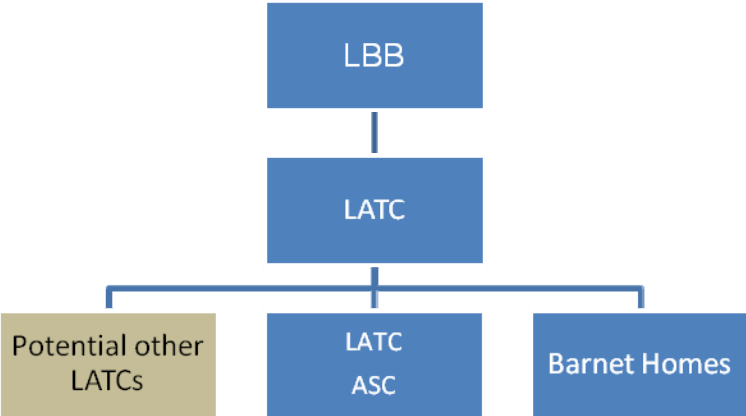
The first year of operation for the LATC will be focused on establishing itself as a viable entity, and with no additional budget for business development, there are no specific expectations from LBB around profit generation. However, in subsequent years there will be an expectation for financial savings or dividends, and an approach to this will need to be devised during the drafting of the LATC's legal documents including the Articles of Association.

7.3 Legal structure, governance, management arrangements

7.3.1 Legal structure

Drawing on the legal advice commissioned by LBB and provided by Trowers & Hamblins LLP it is recommended that the following corporate company structure is adopted:

Figure 25: Structure of the LATC



The Local Authority Trading Company (LATC) will be the parent holding company and this will be formed in accordance with section 95 of the Local Government Act 2003 and the Local Government (Best Value Authorities)(Power to Trade)(England) Order 2009. The Council will contract with the LATC direct for both Housing Management and Adult Social Care services. The LATC will step down its obligations with the Council to provide Housing Management services to Barnet Homes and Adult Social Care services to the LATC ASC.

This corporate company structure allows the Council to incorporate other services under the LATC umbrella, should it wish to do so in the future.

The Council intends to rely upon the Teckal exemption so that when it enters into contracts with the LATC for services it does not have to procure them in accordance with the Public Contracts Regulations 2006 as the Teckal exemption will apply.

The basic premise applying to the letting of contracts for works, supplies or services by contracting authorities is that the provisions of Directive 2004/18/EC, as implemented by the Public Contracts Regulations 2006 (as amended), should be adhered to. For the most part this set of rules (the "Procurement Rules") requires there to be fair and open competition across the European Community for government contracts.

The procurement rules do not require contracting authorities to submit services currently provided in-house to external competition. So long as the services are provided in that way, there is no contract governing their provision and the rules do not apply.

The Teckal exemption originates from a recognition that where a contracting authority contracts with a company which it owns, the position is not that different from the position described above of services being provided in-house.

In order to rely on the Teckal exemption the Council must:

"exercise over the person concerned a control similar to that which it exercises over its own departments and, at the same time, that person carries out the essential part of its activities with the controlling authority or authorities"

The board of directors of the LATC will need to be formed and it will have the normal powers of management of a company. The Council, being the sole shareholder of the LATC, will appoint (and remove) directors to run the company. There will be no private shareholding interest in the LATC. The directors will be appointed with the relevant skills and experience to deliver both Housing Management and Adult Social Care services. The Council will have control over the strategic objectives and significant decisions of the LATC.

In order to rely on the Teckal exemption the Council must ensure that the activities of the LATC are devoted principally to LBB and any other activities are only of marginal significance.

In the first years of the LATC's operation the majority of its activity will be with the LBB. Over time, however, as a consequence of the Coalition Government's personalisation agenda more service may be delivered by the LATC with third parties other than the LBB.

However, by contracting with the LATC for both Housing Management and Adult Social Care services the Teckal exemption could still be relied upon. This is because Housing Management has a significantly larger turnover of £28m than the adult in-house services £6m+.

Based on the financial modelling informing this business case, by year 4 approximately £2.2m of the LATC's activity could be with individual personal budget holders and local authorities/organisations other than LBB. Combined with the value of Barnet Homes' activity (£28m), this £2.2m comprises less than 10% of the LATC's activity and indicates that it is probable that LBB could continue to rely upon the Teckal exemption.

Furthermore, if LBB chooses to transfer additional services to the LATC, the 'third party' activity relating to the adult social care services is likely to be an even smaller portion of the total LATC's activity, strengthening the ability to rely on the Teckal exemption.

The changing activity of the LATC will however continue to be monitored by the LBB in order to ensure that it satisfies the procurement regulations and it should seek legal advice where appropriate.

Within this structure, consideration needs to be given to the changes required for Barnet Homes to move from a wholly owned company to an operating subsidiary for delivery of Housing Management services.

A further three corporate structure options were considered, but discounted, in order to deliver the services in the development of this business case:

1. One option whereby a LATC shares support services and other costs with Barnet Homes, but management at any level is not shared, and the two companies are not part of one wider company structure. This option is not recommended on the prime

reason that it does not meet the requirements of the Cabinet decision to explore the set-up of a LATC that incorporates Barnet Homes.

2. The second option for a company structure is one where Barnet Homes is utilised as the trading vehicle for both housing management and the adult social care services. There are no legal impediments to Barnet Homes expanding its sphere of operation to provide additional services outside of housing management.

However, the prime reasons why this option is not recommended are twofold:

- There is no visible element of Barnet Homes that is focused on the delivery of adult social care services. Although Barnet Homes is a credible company, for housing management, this could have branding/credibility/reputational issues and may impact on potential purchasers of the social care services
 - It increases the level of risk for both Barnet Homes and the Council in the sense that this structure would involve moving from a position of certainty around operating income for Barnet Homes to one whereby an element of the company's income is third party 'at risk' income – a direct consequence of direct payments. If this income was 'lost', the viability of the whole company, not just the social care element, is at risk. In other words, both areas of business would be delivered by 'one company' and if it failed, for whatever reason, all of the business, including housing management, would need to be brought back in house to the Council.
3. The third option is very similar to the recommended option but would mean Barnet Homes would not re-establish itself as an operating subsidiary for the delivery of Housing Management. This model is not recommended as it does not fit the 'future proofing' of the company legal structure to enable the Council to easily incorporate other services under the parent LATC umbrella.

The third option is likely to be quicker to implement than the recommended option, although not sufficiently quicker so as to void this business case on the basis of implementation costs. However, for LBB, the speed of change is not as great a priority as the future proofing of the legal structure.

7.3.2 Governance arrangements

The board of directors of the LATC will need to be formed and it will manage the day-to-day decision making of the LATC. The Council, being the sole shareholder of the LATC, will appoint (and remove) directors to run the company. There will be no private interests in the LATC. The directors will be appointed with the relevant skills and experience to deliver both Housing Management and Adult Social Care services.

The board of directors of the LATC will be focused on engaging with the LBB in order to contract with the Council for the delivery of services exclusively for the performance of public functions. The board of directors of the LATC shall meet as set out in the Articles of Association and will hold the subsidiary companies to account for the delivery of the services.

The board of directors of the LATC shall produce a budget, a business plan, an annual report and other documents required to set the strategic objectives of the company. The Council

will approve these strategic documents as the sole Shareholder of the company on an annual basis and as and when required.

The board of directors of the LATC will require the Council's approval before they are able to alter the strategic objectives of the LATC. For example, the following strategic decisions will require the Council's prior approval as the directors of the company will not be able to change the name of the LATC, its dividend policy, the declaration and/or payment of any dividends, whether the LATC participates in activities which are incompatible with the business of the LATC, the issue of new shares in the LATC, and any other amendments to the Memorandum and Articles of Association. These matters will be dealt with in the LATC's constitutional documents.

The Council is likely to provide indemnities to its nominated representatives directors on the board of the LATC pursuant to the Local Authorities (Indemnities for Members and Officers) Order 2004.

A company will need to be formed in order to deliver the Adult Social Care services. The board of directors of the Adult Social Care company will also need to be appointed by the LATC. Both the Adult Social Care company, and Barnet Homes, will be 100% wholly owned subsidiaries of the LATC and will be responsible for the operational delivery of services to the end user/consumer. Both sets of company constitution documents will set out similar controls relating to the strategic objectives and significant decisions of the companies as set out between the Council and the LATC.

Tenant and service user/carer representation will sit within the governance arrangements appropriate to each subsidiary company (Barnet Homes and the Adult Social Care company respectively).

The proposed working board memberships for the LATC, and subsidiary companies are set out in the table below:

Figure 26: Proposed governance arrangements

Company	Role	Board membership	Frequency
LATC holding company	<ul style="list-style-type: none"> • Commercial focus • Reporting on subsidiary performance back to the Council and holding subsidiary companies to account • Contracting with the subsidiary companies • Setting the strategic objectives for the subsidiary companies • Facilitate 	<ul style="list-style-type: none"> • LATC Chief Executive • Chairman • Financial Director • LBB shareholder representation (2 x Council nominees) 	Quarterly (and as and when required)

	shareholder input from elected Members		
Barnet Homes	Deliver Housing Management services	<ul style="list-style-type: none"> • Chairman • Vice Chairman • 2 x Resident Directors • 4 x Independent Directors • Co-optee 	Bi-monthly (and as and when required)
LATC for Adult Social Care	Deliver Adult Social Care services	<ul style="list-style-type: none"> • Chief Executive • Operational Director • Financial Director • Service users / carers • Non-Executive Directors 	Monthly (during establishment), then bi-monthly or quarterly (and as and when required)

7.3.3 Management arrangements

This business case recommends the sharing of management arrangements between Barnet Homes and the new LATC for the adult social care services. This is to reap the financial benefits set out in section 4.1 attributable to the sharing of support service costs. It is recommended that the two companies seek to share the following corporate and support services:

- LATC parent company Board
- Chief Executive
- Finance
- Human Resources
- Performance and information
- Surveys co-ordination
- Resident/service user involvement
- Communications
- Health and safety
- Complaints
- Information technology

The budget for the support services identified in the financial business case (section 4), can be used to 'boost' the above teams where there is not the capacity to absorb the extra staff and functions.

The financial business case incorporates a retained cost for the Council for client side capacity. The roles include the relevant contract monitoring and management, general client relationship with the LATC, and any specific management requirements with the individual services from managers not in scope for transfer.

7.4 Risk allocation & transfer

As the Council intends to rely upon the Teckal exemption and therefore has inserted the relevant controls and essential part of activities governance as set out above the Council will contract direct with the LATC, and not the operating subsidiaries.

The obligations and risk placed on the LATC will subsequently be fully passed down to the operating subsidiary companies. Commercial risk ultimately remains with the Council and in the unlikely event of failure, the services will need to be brought back in-house.

7.5 Personnel issues

It is clear that, regardless of the agreed final scope, a number of Council employees will transfer to a LATC under these proposals. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to what are known as “relevant transfers”.

Indicative tasks and activities associated with TUPE arrangements are summarised below. These will need to be revisited at appropriate points in time, in line with wider One Barnet requirements.

Figure 27: Outline TUPE tasks

Component	Activities
HR Business Partner	<ul style="list-style-type: none"> • Management support • Consultation with TU & employees • Staff briefings • Reporting & subsequent analysis of data • Pensions road-shows • Provider liaison
HR Administration	<ul style="list-style-type: none"> • Administrative support • Report extraction & queries • Letter to employees -supplier award and pre-transfer • Confirmation of pensions & payroll transfer (if appropriate) • Interaction with payroll (if appropriate) • Follow full leavers process • Data cleanse
Payroll	<p><i>Dependent on proposed arrangements for payroll in new structure</i></p> <ul style="list-style-type: none"> • Administration support • Report extraction • P45 initiation & exchange with supplier • Provision of tax codes • Interaction with new supplier & exchange of data
Communication	<ul style="list-style-type: none"> • Meeting with & supporting line & project managers • Drafting, copying, printing, & distributing materials • Intranet changes • Advising on presentation content
Management time	<ul style="list-style-type: none"> • Consulting with employees, TU, groups & 1:1, • Preparing for transfers (structures, timesheets & role analysis) • Presentation writing for consultations, • Consultations with groups & 1:1, • Supporting meetings with HR / PM's, (employee & TU)
Employee time	<ul style="list-style-type: none"> • Consultations (group & 1:1) • TU meetings
Project Manager	<ul style="list-style-type: none"> • Report, presentation and authorisation writing
Legal	<ul style="list-style-type: none"> • Advice on contract wording • Ad-hoc queries on specific issues

Pension notification	<ul style="list-style-type: none"> Actuaries to quote & complete estimations for all transferring employees on pensions including transfer information for new provider
Internal Pensions support	<ul style="list-style-type: none"> Conversing with actuaries and external provider Contributing to letters to employees Partaking in pension road-shows during consultation period
Authorisation & committee	<ul style="list-style-type: none"> Facilitation of AdSS, GFC, CDG, Cabinet Resources Committee & Scrutiny processes
Employee support	<ul style="list-style-type: none"> Hosting of “Managing Stress” workshops

TUPE is a complex area so it is recommended that appropriate legal advice is specifically sought for the More Choices Project. Where a business, or part of one, is being transferred both parties (that is the transferor and the transferee) should seek such advice at the earliest possible stage. It is not possible to prevent TUPE applying, as the law prevents employers and employees from “contracting out of” the effects of TUPE. The key to successful TUPE transfers lies in good planning, and this will include identifying key risks at an early stage and holding a genuine dialogue with employees.

Legal advice has also been sought with respect to the pensions. Trade Union discussions have been, and will be, conducted in line with wider One Barnet programme activity.

7.6 Tax

In order to facilitate the offsetting of any Corporation Tax losses, and VAT on supplies within the group, a VAT and Tax loss relief group incorporating the LATC Holding Company and the LATC subsidiary, will be formed.

7.6.1 Corporation tax

As a separate legal entity to the Council, the LATC will be subject to tax, including corporation tax on chargeable profits and gains arising to the LATC. In contrast, the Council is not liable for corporation tax. Transactions between the Council and the LATC will need to be at arms-length to ensure the transfer pricing rules¹⁷ do not become an issue. The Council is to charge market value for any goods and services which it will provide to the LATC to ensure that the LATC obtains the maximum tax deduction and the Council’s corporation tax position is unaffected. Similarly, the LATC should charge full market value for the goods or services it provides to the Council given that its tax liability will be based on the market value for such goods / services.

As Barnet Homes is likely to form part of the LATC vehicle as an operating subsidiary, the corporation tax treatment of the transactions between the Council and the LATC; including both Adult Social Care and Barnet Homes subsidiaries and internal transactions between the subsidiaries will need to be reviewed and monitored, particularly where if and where the Council makes a profit from third party trading activities. This is to ensure appropriate consideration is given to the tax deductibility of expenses incurred by the LATC in respect of both its non-trading and trading activities.

¹⁷The transfer pricing rules impose market value on supplies of goods and services (revenue items, not capital items) between connected parties, including loans.

As outlined earlier in this document, work is ongoing to determine whether Barnet Homes will have moved too far from the standard ALMO model, and therefore risks losing its current tax exemption status.

7.6.2 VAT

The LATC will be subject to the normal VAT recovery regime. However, the provision of care services is usually exempt from VAT, so registration with the Care Quality Commission (CQC) is a prerequisite. In light of this, any VAT incurred by the LATC in line with the provision of VAT exempt care services will not be recoverable by the LATC. This is unlike the Council, which is generally able to recover VAT incurred in respect of exempt supplies. Therefore, there is the potential for the LATC to incur irrecoverable VAT costs in respect of the provision of adult social care services.

The probable liabilities for Corporation Tax and VAT are demonstrated in the table below.

Figure 28: Financial summary

LATC	Year 1	Year 2	Year 3	Year 4
Gross spend¹⁸	£ 6,270,562	£ 6,222,663	£ 6,190,651	£ 6,190,651
Income	£ 6,421,768	£ 6,608,022	£ 6,730,782	£ 6,767,262
Operating profit	£ 151,206	£ 385,359	£ 540,131	£ 576,611
Add irrecoverable VAT on trading¹⁹	£ 265,000	£ 265,000	£ 265,000	£ 265,000
Add VAT on support services²⁰	£ 79,666	£ 79,666	£ 79,666	£ 79,666
Group & Board arrangement costs²¹	£ 88,800	£ 88,800	£ 88,800	£ 88,800
Net profit before tax	-£ 282,260	-£ 48,107	£ 106,665	£ 143,145
Corporation tax²²	£ -	£ -	£ -	£ -

¹⁸ The business case provides for £398,329 (6%) in support costs. This sum will need to be revisited when the specific operational arrangements for LATC have been determined, as further reductions / economies of scale may be achievable.

¹⁹ VAT is assumed as a worst case to be payable on all non-employee expenditure.

²⁰ It is assumed that the support staff will be employed by BH. If LATC employed all support staff and recharged BH, then VAT on services would be recoverable.

²¹ It is assumed that a proportion (20%) of Chief Exec and FD roles, plus costs for the running of the Board will be recharged to LATC. It may be possible that after the specific support service arrangements have been determined, some or all of these costs may be accommodated within the support services provision.

²² Within the first 4 years it is unlikely that corporation tax will be paid due to the net effect of cumulative losses in years 1 & 2.

Net profit	-£ 282,260	-£ 48,107	£ 106,665	£ 143,145
Cumulative profit	-£ 282,260	-£ 330,367	-£ 223,701	-£ 80,556

8 Project Plan & Roles

8.1 Project roles

As outlined in the Project Initiation Document (PID) key personnel and their roles on the project are shown below:

Role	Resource
Project Sponsor	Kate Kennally
Senior User (Adults Social Services)	Glynnis Joffe
Senior User (Adults Social Services)	Amanda Jackson
Senior User (Barnet Homes)	Tracey Lees
Senior Supplier (One Barnet)	Claire Johnston
Senior Supplier (Human Resources)	Sarah Murphy-Brookman
Senior Supplier (Legal)	Margaret Martinus
Senior Supplier (Housing)	Andy Milne
Senior Supplier (Finance)	Kerry-Anne Smith
Project Manager	Richard Harrison
HR Business Partner	Tony Lampert
Communications & Engagement	Andrew McLauchlan / Dawn Rowe

8.2 Transition plan summary

This section describes the approach to transferring the Adult Social Services in-house provider services from LBB to a LATC that incorporates Barnet Homes, covering the period from completion of this business case and Cabinet decision to proceed, through to the date of transfer when the LATC will assume contractual responsibility for delivering services.

Further planning will need to take place for the 'post-transition integration' phase, to ensure the LATC is successful in its first six months to a year of operation.

Key elements of a successful transition phase include ensuring the:

- Change has no negative impact on service users
- Development of clear contractual arrangements that deliver value for money and support achievement of commercial potential
- Development of a detailed business plan for the new operation
- Service levels, standards and performance criteria are clear and agreed

- Definition and transparency of the LATC and Council interface & governance arrangements
- Right people with the right skills are engaged and ready for transfer
- Timings and logistics for transfer are clearly planned and communicated
- Safe transfer of services to a LATC that does not negatively impact on the quality or continuity of the services

Staff need to be kept informed, consulted and motivated throughout transition. The leadership and management should be introduced from the start to drive through the transition successfully. Equally important will be to maintain relationships with key stakeholders, particularly retained Adult Social Services function, other Council directorates and most importantly, the service users/carers.

The transition activity will need to be managed as a programme of work comprising all that is recommended to be structure as follows:

Workstream	Key responsibilities
Governance and relationship management	<ul style="list-style-type: none"> • Developing the appropriate governance arrangements for the LATC, including the holding and subsidiary company management Boards, and the relationship with the shareholder group • Defining the arrangements for decision making and performance management • Clarifying and initiating the relationship/interface between LBB and the LATC during and post transition • Shadow operation prior to 'Go Live'
Legal and contractual management	<ul style="list-style-type: none"> • Developing and/or novation of contracts and legal documentation required for company establishment (Articles of Association etc.) • Producing and agreeing the initial Exit Plan for the Council
Staff and Employment Management	<ul style="list-style-type: none"> • Making and delivering the arrangements for the transfer of staff, including preparing and supporting them in taking on roles in a new operating structure • Recruiting to roles as appropriate
Communications & engagement	<ul style="list-style-type: none"> • Planning and delivering the overarching stakeholder communications & engagement, including for both staff and service users • Leading on the development of the branding for the new LATC
Business Planning	<ul style="list-style-type: none"> • Managing the process for developing the business plan and performance management framework for the new LATC
Financial management	<ul style="list-style-type: none"> • Due diligence to confirm the precise cost of all resources and obligations that will transfer to the LATC • Defining the financial management arrangements (authorisations, decision making, accounting, staff, reporting, audit, etc.) that need to be put in place
Logistics	<ul style="list-style-type: none"> • Preparing and managing the logistics for transfer, including accommodation and IT arrangements
Business Continuity	<ul style="list-style-type: none"> • Developing and adopting transitional business continuity plans and governance, across the services in scope for transfer

If the Council decides to proceed with the establishment of a LATC, an indicative list of key tasks within each workstream, and staff responsible is as follows:

Tasks	Timescale	Responsible
Governance & relationship management		
Design & confirmation of governance structure	Urgent	Barnet Homes CEO
Defining the arrangements for decision making and performance management	Before transfer	In-House Service Manager(s)
Clarify the relationship/interface between LBB and the LATC	Before transfer	ASC & Health Director / Barnet Homes CEO
Establish Shadow Board(s) (subsidiary & LATC companies)	Before transfer	Barnet Homes CEO
Confirm Board(s)	'Go live'	LATC CEO
Legal and contractual management		
Position discussions (contracting approach, TUPE costs, insurance, indemnities, dividends etc.)	Before transfer	ASC & Health Director
Contract specification, drafting and finalisation, and novation	Before transfer	Legal services, Commissioning
Define and identify retained client function (role(s), who, job description etc.)	Before transfer	ASC & Health Director
Develop and agree appropriate SLAs (for any required support services)	Before transfer	In-House Service Manager(s)
Prepare LBB Exit Plan	Before transfer	ASC & Health Director
Staff & Employment Management		
Staff TUPE consultation	Urgent	HR
Develop and deliver staff communications plan	Urgent	HR/ In-House Service Manager(s)
Establish and conduct meetings with staff representatives and Trade Unions	Urgent	HR/ In-House Service Manager(s)
Ensure confidential enquiry service for staff, monitor and respond	Before transfer	HR
Hold staff "surgeries" for affected staff	Before transfer	HR
Maintain up-to-date staff lists & data, and create final transfer list	Before transfer	HR
Due diligence process	Before transfer	Barnet Homes CEO
Confirm payroll arrangements for affected and new staff	Before transfer	Barnet Homes CEO
Clarify and confirm pension arrangements for affected and new staff	Before transfer	Pensions Team
Issue formal TUPE documents to staff	Before transfer	HR
Recruitment of LATC management team	Before transfer	LATC CEO / In-House Service Manager(s)
Communications & Change		
Identify change leads/managers	Urgent	In-House Service Manager(s)
Develop & deliver stakeholder communications & engagement plan	Urgent	Communications, service management
Develop and distribute FAQs	Before transfer	Communications

Develop LATC branding strategy	Before transfer	LATC CEO / In-House Service Manager(s)
Agree branded materials and order supplies as necessary	Before transfer	LATC CEO / In-House Service Manager(s)
Organise and prepare for Launch Day	Before transfer	LATC CEO / In-House Service Manager(s)
Logistics		
Clarify, where required, accommodation, desks and IT working arrangements	Before transfer	In-House Service Manager(s)
Check transferred staff have necessary access to systems and technology	Post transfer	In-House Service Manager(s)
Business Planning		
Workshops to develop the business plan, operating model and performance management framework	Before transfer	In-House Service Manager(s)
Agree business plan	Before transfer	LATC CEO / In-House Service Manager(s)
Business Continuity		
Develop business continuity plans	Urgent	In-House Service Manager(s)
Agree and implement mitigations as necessary	Before transfer	In-House Service Manager(s)
Financial management		
Due diligence process	Before transfer	Finance/ LATC CEO
Define the financial management arrangements (authorisations, decision making, accounting, staff, reporting, audit, etc.) that need to be put in place	Before transfer	LATC CEO / In-House Service Manager(s)

8.3 Next steps

There are a number of immediate next steps to initiate transition planning and implementation:

Action	Lead	Timescale
Development of a detailed transition plan based on the recommended workstream structure above, including actions, leads, timescales, and risks, and aligned with corporate project management requirements	Project Manager	February – May 2011
Identification and agreement of resources for transition plan	Project Manager and ASC & Health Director	
Establishment of project monitoring and management arrangements to govern the transition phase	Project Manager	

Appendix 1: Service descriptions

Detailed Service descriptions are set out below, describing:

- The service and what it delivers and to whom
- Proposals for change/modernisation in the pipeline (if applicable)
- Key challenges currently facing the service
- Key statistics relating to cost, staff and activity

Learning disability services

Agatha House

Agatha House is a small, six bedded residential home for people with mild to moderate learning disabilities located in the Broadfield Estate, Edgware. Agatha House was set up in January 2007, following the closure of Oak Trees; a larger home with 25 residents. Six of the original Oak Trees residents moved into Agatha House directly, and five of these individuals still live there today. One new individual moved in during December 2009, following the death of the sixth original resident.

Four of the residents are 65 years old and over, the other two residents are in their 50s. Agatha House is deemed their home for life; their en-suite bedrooms and the support they receive have been wholly personalised. The building is self-contained and all on the ground floor, with spacious accommodation suitable for people with physical disabilities. Agatha House is rated three stars and 'Excellent' by the Care Quality Commission.

There are 10 staff (7.77 FTE) working at Agatha House, and 11 As and When workers are used as necessary to fill any gaps in staffing resulting from sickness or extra support requirements.

The Council, in line with Valuing People Now, is trying to support as many people as possible to be able to live in a home of their own, often in Supported Living. As set out above, Agatha House is currently a residential home, yet proposals subject to consultation, cite the service de-registering from residential care, to become a Supported Living service. Some of the residents at Agatha House have not had enough opportunity to take control and responsibilities in their lives and will continue to need a high level of support to do so. They are not being asked to move but rather to secure their tenure by way of a tenancy – they would become tenants of Notting Hill Housing Trust. By 'leaving' residential care they would have opportunities to maximise their income via benefits not available to people in residential care, although this would bring responsibility for purchasing their own food and for paying rent and utility bills.

The service is to become a part of the activity of Barnet Supported Living Service, and under their management team. Frontline staff would have opportunities to work across all of the supported living sites and service users would benefit from support methods from supported living relating to greater independence and self-determination. Frontline staff are to be retained as consistency would be very important for the service users to remain settled.

As of 1 April 2011, Agatha House became part of Barnet Supported Living Service.

Key statistics: Agatha House

Service Area	Agatha House
Employees 2010/11	Establishment: 12 posts Filled posts: 9 permanent contract, 1 temporary contract (7.77 FTE) 11 'as and when' workers
Service users	6
Sickness absence rate	10.6 days per FTE

Community Support Team

The Community Support Team (CST) support people with learning disabilities to access employment, college and leisure through skills training, work experience and travel training. All support is tailored to the individual and is provided out in the community. The team prides itself on its flexibility, often providing support outside of traditional working hours.

The CST was created in 2006 as part of the "New Choices Project" which was modernising Barnet's Learning Disability Service. The intention was to provide those individuals within Barnet's Day Service provision and others who needed support to be involved in their local community as an alternative to building based support.

CST currently offers a range of support for individuals with a learning disability whom are eligible for services under London Borough of Barnet's Fair Access to Care services (FACs) criteria. More specifically, CST support includes:

- Sessional activity groups to help individuals new people, stay healthy and learn new skills (e.g. swimming, walking, skills training, drop-in)
- Support planning to help an individual think through the choices they have, including what want and where they can find it
- Explaining and supporting people through the processes related to direct payments and personal budgets
- Brokerage to help people find the resources and activities they are looking for
- Travel & Personal Safety training to support people to gain more freedom, choice and independence. This training follows a structured training method to enable people to travel independently.
- Supporting people to access employment through
 - Finding opportunities for people to earn money
 - Sharing our knowledge of benefits, providing help, advice and assistance in looking for work
 - Acting as job coaches when people have found job opportunities
 - Working with the Job centre
 - Exploring opportunities for people to use their Individualised Budgets for supported employment

- Supporting people to access sport and leisure activities, develop interests, and have a social life
- Encouraging peer support and the development of friendships and relationships
- “Say No To Abuse training” for people with learning disabilities
- Planning for the future through person-centred and emergency planning.

The team has strong connections with partners within independent, voluntary and community organisations that play a key role in transforming social care services in Barnet. The CST also train other providers and support staff to enable them to offer ‘Travel Training’.

The CST currently comprises 11 staff (10.8 FTE), and also 6 ‘As and When’ workers to cover sickness absence.

Referrals to the team come via the social work team or health professionals at Ballards Lane multi-disciplinary team, Barnet College or some other in-house services. The team carry a caseload, and work with the aim of moving people through to independence as opposed to remaining in the service for long periods of time. The team has had increasing degrees of success in terms of moving people on to greater independence from the service – some key figures are set out below.

Activity data	2009	2010
Individuals using the CST	58	86
Individuals accessing travel training	46	46
Individuals receiving help with support planning	22	27
Individuals attending group sessions	38	68
Individuals using the CST for the first time	12	25
Individuals stopped accessing the service	6	11
Individuals accessing employment	4	17
Individuals obtaining personal budgets and moving on.	7	10

It is important to note that each week is not the same for the Community Support Team, as the level of support individuals require differs throughout the weeks and months. However, sessional activities are planned and regular.

Key statistics: Community Support Team

Service Area	Community Support Team
Employees 2010/11	Establishment: 13 posts Filled posts: 11 permanent contract, 0 temporary contract (10.8 FTE) 6 'as and when' workers
Service users	86
Sickness absence rate	11.3 days per FTE

Flower Lane

Established in 2006, Flower Lane Resource Centre in Mill Hill offers services for adults with an autism spectrum disorder. A wide range of building based and community day opportunities are provided or arranged, based on a person's individual needs. The service is currently working towards accreditation with the National Autistic Society.

This service is fast becoming a centre of excellence, its reputation spreading amongst peers and neighbouring authorities. As a specialist and highly regarded service, there is an ever present and growing demand for a place at Flower Lane, but with 42 current service users, the service is at full capacity within building, safety and staffing limitations. There are currently very few opportunities to move on from the centre, so turnover is low at one or two people each year. However, the team do provide signposting to individuals and their families for whom they do not have the capacity to take on, including the more able individuals who can be supported through more structured sessions at the Space.

Referrals are made via the social work team only. There are three places available to be sold to other London Boroughs, and currently these are occupied residents of Harrow.

The service has three mini buses to provide transport for individuals to and from the centre, and out into the community. Due to the challenging behaviour often present with autism, most service users travel by Flower Lane's mini buses or via taxis and escorts.

There are 29 staff at Flower Lane (25.32 FTE), and 6 'As and When' support workers to cover one-to-one support requirements and sickness absence. An agency worker is currently used to cover the Cook's absence.

Key statistics: Flower Lane

Service Area	Flower Lane
Employees 2010/11	Establishment: 31 posts Filled posts: 28 permanent contract, 1 temporary contract (25.32 FTE) 6 'as and when' workers
Service users	42
Sickness absence rate	13.7 days per FTE

Rosa Morrison

Rosa Morrison offers day opportunities to people with profound or multiple learning disabilities and complex needs. This includes supporting people with their physical and sensory impairments, in addition to their learning disability.

Staff at the centre work closely with Health colleagues in the learning disabilities service, and the service provided is very well regarded by parents, carers and professionals.

Rosa Morrison offers a wide variety of activities that are based on individual's needs, and focuses on their therapy requirements. The centre provides access to speech and language therapists, occupational therapists, physiotherapists and music therapists. There is also a spa pool so hydrotherapy can be offered on site.

There are currently 52 service users, ranging between 20 to 64 years old. Three places are sold to Haringey and Islington for similar, specialist resources do not exist in surrounding London Boroughs. Half of the service users live with their families at home, yet due to a lack of acceptance within the community and poor facilities to support people with such complexity of needs, attending Rosa Morrison services helps prevent isolation for some of these people.

Turnover is very low, with currently very few opportunities to move on; only one person has left the service for independent living. The service is at capacity, both from a staffing and building perspective. There are 22 staff in post at Rosa Morrison (17.50 FTE) and supported by 9 As and When workers as necessary to ensure service delivery.

Key challenges facing current service delivery:

- Creating a pathway for people to move on from the service is a genuine issue given the current costs and funding arrangements challenge the viability of community living
- Level of training is slipping and likely to continue to diminish in relation to the reduced input from health professionals such as physiotherapists
- Individuals mobility benefits are not always used to support the transport budget (common issue across the LD services with a transport budget)
- Currently short of staff, being replaced with As and When and agency staff.

Key statistics: Rosa Morrison

Service Area	Rosa Morrison
Employees 2010/11	Establishment: 32 posts (24.7 FTE) Filled posts: 21 permanent contract, 1 temporary contract (17.5 FTE) 9 'as and when' workers
Service users	52
Sickness absence rate	21.4 days per FTE

Barnet Supported Living Service

Barnet Support Living Service is a domiciliary care 'plus' service providing a minimum level of 5 hours support a week to 45 hours maximum for adults with a learning disability. The 'plus' element can be described as the support extra to personal care, such as organising events, parties, and supporting people to travel, get out and about, and go shopping.

There are currently 29 service users, living in:

- Quartz Court (8 flats, 8 service users),
- September Court (7 flats, 9 service users),
- Harold Court (9 flats, 8 service users),
- Extra Care Housing (2 service users)
- Flat share (2 service users)

The service users either hold their tenancy agreements with Notting Hill Housing Association (the majority), Sanctuary Housing Association or Ledbetter's. Individuals are referred by the social work team, for the Supported Living service who subsequently carry out an assessment to ensure compatibility with existing residents for Notting Hill HA owned accommodation (Quartz, September and Harold court).

The service is working towards reducing the level of one to one support currently provided, to introduce more group support and activities. The benefits of this are three fold; promoting social inclusion, developing friendships and relationships, and maximising staffing resources. The service also plans to support the introduction of more telecare within Supported Living arrangements to potentially reduce full time warden support and move to a floating support model.

The service currently has 29 staff in post (22.77 FTE) and 33 'As and When' workers as necessary to ensure service delivery.

As referenced earlier, Agatha House is in line to, subject to consultation, be de-registered as a residential home and become part of the Supported Living Service.

Key challenges facing current service delivery:

- There is no flexibility within current establishment to cover sickness absence and annual leave
- The service has historically struggled with vacancies

Key statistics: Barnet Supported Living Service

Service Area	Barnet Supported Living Service
Employees 2010/11	Establishment: 25 posts Filled posts: 29 permanent contract, 0 temporary contract (22.77 FTE) 33 'as and when' workers
Service users	29
Sickness absence rate	9.32 days per FTE

The Space

The Space provides day opportunities to a wide range of people with a learning disability, including older people with increased needs due to dementia. The staff at The Space focus on involving people in their community and supporting them to develop their skills. Activities within the community include swimming and horse riding.

There are currently 64 service users accessing the Space, 40 of those individuals live at home. Each day, an average of 40 people attend the centre. Turnover is low, with an average of three people leaving and joining the service each year. Over the last couple of years the key reasons why individuals have left the service include choice, starting college, moving out of the borough, or unfortunately, death. The team are starting to develop 'moving on' plans for individuals at the Space, working in conjunction with the Community Support Team to enable people to be more independent within the community.

There are 15 staff in post at the Space (13 FTE) and 3 'As and When' workers.

The Space are accommodated through an agreement with Notting Hill Housing Association (NHHA). It is acknowledged that the accommodation may be sublet in the future, on occasions; to private individuals or organisations, to members of the One Barnet Partnership (e.g. NHS, Police) and to the Council. Any accommodation supplied to the council will be done so free of charge and will be reflected in the NHHA agreement for novation from the council to the LATC.

By the end of the financial year, the Space will, subject to consultation, be re-modelled to bring the service in line with Government policy – "Valuing People Now". The service will be personalised to a greater extent and provision will be informed by specific outcomes with individual service users person-centred plans. The service will also be developed in line with a national policy move away from fixed buildings and a preference for community-based activities and meeting hubs.

In practice this means the following:

- The Space and Community Support Teams will be combining to form a new service
- The service will be community-based, and will not operate out of a fixed day centre building
- The focus of the service will be to support service users in accessing meaningful, enjoyable day opportunities in the community

- The service will have one manager, a group of senior support workers, and support & assistant support workers

As of 1 April 2011, The Space and Community Support Team merged to form Community Space.

Key Statistics: The Space

Service Area	The Space
Employees 2010/11	Establishment: 20 posts Filled posts: 14 permanent contract, 1 temporary contract (13 FTE) 3 'as and when' workers
Service users	64
Sickness absence rate	54.9 days per FTE

Valley Way

Valley Way Respite Service offers short-break stays to adults over 18 years with severe learning and physical disabilities, providing respite to the person staying and to their family.

The service has been providing a respite provision for over 17 years, and in November 2006, Valley Way House was relocated to a new building in the Dollis Valley Way Estate and became registered with the Care Quality Commission (then Commission for Social Care Inspectorate). The building is a modern; purpose built facility, which has six bedrooms with adapted bathrooms. In November 2008 and 2009 Valley Way Respite Service received a 3 star rating for providing an excellent service.

A detailed assessment process is put in place as part of a person's induction to the service. This enables Valley Way to support service user choices and to provide the right form of support to the service users and their family. Link Workers will gather information from service users and their families as to what activities they would like to do e.g. sensory room, art and computers and this will be programmed in to their stay. Specific activity weekends (swimming, bowling, cinema etc.) can be made available each month for service users and parent/ carers to book on to.

There are currently 36 service users accessing the service. This number varies throughout the year, as some individuals move on to permanent placements, or the service receives new referrals received through the social work and transition team, as well as through other local authorities and organisations. Currently, 14 service users attend Flower Lane Day Service, and are registered on the autistic spectrum. 10 service users attend Rosa Morison and have high support needs. The remainder are service users from The Space or from other boroughs or referrals from other organisations, such as Sense.

There are currently 15 staff at Valley Way Respite Service (12.24 FTE), and a bank of 20 "As and When" support staff on casual contracts to cover vacancies and additional support requirements. There are currently an additional four vacancies within the service. Valley Way

is currently employing agency cover for the part time cleaner post and for a driver on Saturday who takes service users out into the community.

Key challenges facing current service delivery:

- Staff vacancies (4 positions) has been an issue for the service
- Lack of access to transport, hindering opportunities for weekend activities within the community

Key statistics: Valley Way

Service Area	Valley Way
Employees 2010/11	Establishment: 16 posts Filled posts: 15 permanent contract, 0 temporary contract (12.24 FTE) 20 'as and when' workers
Service users	36
Sickness absence rate	22.1 days per FTE

Physical and Sensory Impairment

Barnet Independent Living Service

Barnet Independent Living Service offers a range of support for Barnet residents with a physical or sensory impairment. From April 2009, this service replaced the previous day services based at Flightways Resource Centre. The service is a partnership between Adult Social Services staff (Barnet Independent Living Team) and the user led organisation BDISC (Barnet Disability and Independence Steering Committee). It provides a wide range of services from peer support to preparation for getting paid employment, which aims to improve peoples' quality of life and enable them to maximise their potential to live independently.

The Barnet Independent Living Team staff provide support under three broad categories:

- **Employment and Training** including support to access training or college, vocational skills assessment and support to remain in work, IT skills training, CV preparation and support to apply for jobs whether paid or voluntary.
- **Rehabilitation and Enablement** including advice and information on specific health conditions, access to Occupational Therapy assessment treatment programmes, NHS Expert patients programme for condition management, access to Telecare equipment for the home.
- **Promoting independence** including support to access sports and leisure services such as swimming and gym, wheelchair servicing and repairs, support with Dial A Ride and Taxi card applications, support to move home, improving daily living skills and supporting the personal budget process..

The list above is not exhaustive, as the focus for the service is to support people based on their individual assessed needs wherever possible, or refer on to a more appropriate service.

The Barnet Disability and Independence Steering Committee (BDISC) is an independent user-led charitable association that arrange a variety of activities for their members both at the Barnet Independent Living Service and in the community.

These include:

- Art and pottery groups
- Flower arranging group
- Gym and swimming sessions
- Yoga group (run by Age Concern Barnet)
- Disability awareness trainer group
- 'Our Life' Newsletter
- French and Spanish language group
- Deaf social club
- Friendship groups

Referrals for support from the Adult Social Services Barnet Independent Living Team element of the service have to be assessed by a Care manager under the Fair Access to Care Services (FACS) criteria to qualify for the service. If people simply require advice and information, or wish to access some of the social or self-help activities provided through BDISC they can contact the service directly.

Approximately 50% of service provision is building based, 50% community based. The building based support is a starting point for those who cannot readily access the community due to transport, language or other societal barriers. There are currently 49 service users, the majority having had experienced a stroke or have multiple sclerosis. There are no service users under the age of 30, the average age is 54-55 years.

Over the last couple of years there has been some key changes within the service, including a review of all existing service users to cease provision for service users not eligible for services under FACs, and older people and mental health people within the service, and a streamlining of the staff team. There are 11 staff at BILS (9.8 FTE), and 1 'As and When' worker for Adult Literacy tuition.

Key challenges facing the service:

- A number of service users have been in the service for many years, challenging the service in its aim to move away from a traditional day centre service that it was when under Flightways management

Key facts: Barnet Independent Living Service

Service Area	Barnet Independent Living Service
Employees 2010/11	Establishment: 12 posts Filled posts: 11 permanent contract, 0 temporary contract (9.8 FTE) 1 'as and when' workers
Service users	49
Sickness absence rate	3.9 days per FTE

Business Support

Business Development Unit

Established in January 2009 as a centralised team the Business Development Unit is a team of three part-time Business Support Assistants and a full-time Manager. Prior to this time administrative support had been provided on a devolved basis across the In-House Services. The team was created to introduce a cost effective, fair and consistent approach to devolved admin support that was available in each location. The team offers an effective and regular back office support function to all the In-House Learning Disability Services, this mostly being in the area of finance and procurement. Individuals have different areas of expertise and the team has a very flexible approach to the work it undertakes and will accommodate carrying out 'one off' pieces of work at the request of individual managers or for the Service, and supports on-going projects, occasionally funded by an individual service if the work requires additional hours.

The Business Support Team Manager is involved with offering direct support and supporting the Service Manager and other senior the setting managers; representing the In-House Service internally and externally, and in particular liaising and negotiating with Notting Hill Housing, the landlords of the Service's buildings; developing new policies and procedures and support with training, health & safety, and other related ad-hoc duties as required.

Business support assistants work closely as a bank of supporting staff ensuring a reliable and consistent service to each setting, at no additional staffing expense. The team is currently working at full capacity.

Key facts: Business Support Unit

Service Area	Business Development Unit
Employees 2010/11	Establishment: 4 posts Filled posts: 3 permanent contract, 0 temporary contract (3.0 FTE) 0 'as and when' workers
Service users	N/A – Support function for LD services
Sickness absence rate	2 days per FTE

Barnet Homes

Barnet Homes Limited was established in April 2004 and is an arms-length management organisation (ALMO) owned by the London Borough of Barnet. The council has delegated the management of its housing stock to the company under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under that delegation, the company is responsible for the following functions:

- Maintenance of the Council's residential stock including stock investment decisions and procurement, planned maintenance and responsive repairs
- Housing management of the Council's residential stock, including rent collection, leasehold management, enforcement of tenancy and lease conditions, managing voids and estate management
- Home ownership services
- Calculation and collection of leasehold charges
- Financial management of the Housing Revenue Account (HRA)
- Services under the Supporting People programme
- Tenant involvement and resident participation.

Barnet Homes has achieved a lot since establishing itself as an ALMO in 2004. In comparing pre-ALMO performance in 2003/04 to 2009/10 outturn, Barnet Homes has:

- Improved income collection against an increasing debit of 15%
- Improved collection of leasehold service charges by 13%
- Large number of major works invoices have been issued, and current arrears would suggest around £10m collected
- Better customer care; complaints being answered in 10 days has risen from 62% to 96%, and tenant satisfaction has risen by 4%
- Better customer awareness; ethnicity information is now held for 87% of customers, compared to 36% in 2003/4.
- Delivered the Decent Homes programme, to, by the end of this financial year, have zero 'non-decent' homes compared to 41% in 2003/04
- Better staff attendance, with the average days lost to sickness decreasing from 12 to 7.

The vast majority of Barnet Homes' income is via a management fee from LBB, which mostly comprises the Housing Revenue Account.

The current Management Board comprises twelve members (in process of reducing to nine), includes independents with particular specialisms or experience such as legal, commercial or business orientated, council nominees, and tenants/leaseholders.

The current management agreement was established with a ten year agreement with a five year break clause, and the company is now at the beginning of its seventh year.

Performance on the Business Plan to the council occurs on a six-monthly basis, and the regime has reduced in its specificity and intensity over time to take into consideration the establishment and success of the ALMO.

Key statistics: Barnet Homes

Service Area	Barnet Homes
Employees 2010	280
Employee costs 2010	£11,124,000
Total Turnover 2010	£28,996,000
Operating costs 2010	£27,593,000
Surplus on profit and loss account	£369,000
Net profit	£957,000
Employees 2010/11	7 days per FTE

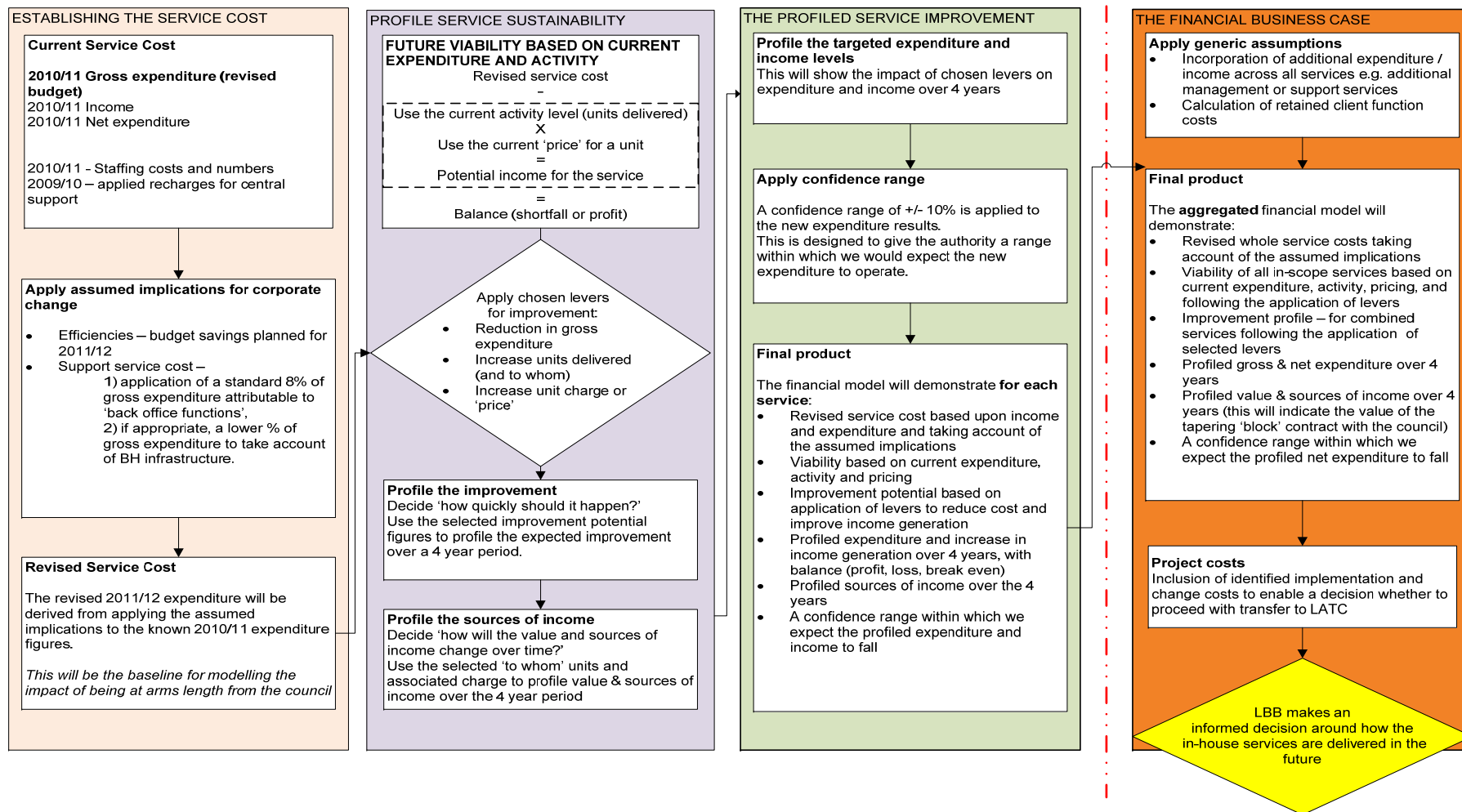
The table below shows the current SLAs values between Barnet Homes and LBB:

Service Area	Summary of services provided	2009/10 SLA value
Human Resources	<ul style="list-style-type: none"> • Monthly payroll • CRB checks • Pensions • Employee relations • Ad-hoc HR consultancy 	£33,691
Customer Care	<ul style="list-style-type: none"> • Rental of telephones and cost of calls • Voicemail • Support to Call Centre • Security staff and equipment at reception 	£85,126
IT	<ul style="list-style-type: none"> • Charge per workstation – infrastructure, IT support • Network and licenses • Saffron (housing system) • Help desk • SAP Costs • Other minor costs 	£429,907
Legal	<ul style="list-style-type: none"> • Legal advice, in particular to the Rental Income 	£325,161

	and Neighbourhood teams	
Facilities	<ul style="list-style-type: none"> • Utilities • Staffing • Building repairs • Cleaning • Post room 	£83,420
Income and cashiers	<ul style="list-style-type: none"> • Processing of transactions • Security collections • Cashbook service 	£30,285
Accommodation	<ul style="list-style-type: none"> • Barnet House rent, rates and insurance • Grahame Park office rent • Assist office rent • Caretaking stores rent 	£346,587
Transport	<ul style="list-style-type: none"> • Hire of vehicles • Maintenance and repairs • Spot hire (additional vehicles) • Insurance 	£158,907
Environmental Services	<ul style="list-style-type: none"> • Grounds Maintenance • Tree Maintenance 	£533,021
Abandoned Vehicles	<ul style="list-style-type: none"> • Removal • Safe disposal 	£3,150
CCTV	<ul style="list-style-type: none"> • Observation cameras • Use of client surveillance equipment and monitoring • Incident reporting • Review meetings 	£44,814

Appendix 2: Financial model approach

LATC Business Case: FINANCIAL MODELLING FLOWCHART
25 January 2011 DRAFT



Appendix 3: High-level Business Plan

1. Business planning

The detail of the business plan will be developed jointly between the LATC and the Council following Cabinet decision to establish a LATC that incorporates Barnet Homes. This detailed business planning activity will happen during the transition period and should involve the LATC shadow board, staff from within the in-house services and Barnet Homes, but should also be co-produced with service users and carers.

The business maturity model (below) provides a high level view of the key phases and goals required to establish the operational and performance basis of the new organisation. Many of these will need to be implemented and managed in parallel. The key challenge will be to achieve consolidation and integration of the services and alignment of cost and efficiency with income and revenue as early as possible in year one.

To assist in the development of the business plan, a suggested structure is outlined below, and where applicable, indicative content is written in italics based on the findings of the business case. The content of the business plan must be fully developed and owned by the proposed new entity, and approved by LBB as the shareholder. It will be important to dedicate time to business planning activity to ensure plans are developed in place before 'go live' of the LATC.

It should be noted that the capabilities required for effectively managing a business plan are very different to those of managing social care services. It is essential that the new organisation identifies the skills it requires and ensures that resources are dedicated to this function. Key activities will include monitoring the balance sheet, staff utilisation, planned work, projected demand on a weekly basis.

2. Process for developing the business plan

Developing the business plan will be a key activity to be undertaken during the transition period and should be in place in time for transfer, accepting it will be an iterative document that will be updated and added to once the company has gone live. This work will be led by Amanda Jackson and Tracey Lees.

Indicative process / activities

April – May 2011	Workshops to develop the business plan and performance management framework – with staff and managers Expert advice and input from Finance, HR, Legal on specific elements Agreement on skills and resources needed for managing and monitoring the business plan in the new organisation
August 2011	Review and refinement of the business plan with key stakeholders
September 2011	Sign-off of the business case prior to transfer

NB timings to be adjusted in line with target go live / transfer date and implementation plans

3. High level business maturity model

This model sets out the key phases and goals that need to be achieved to establish operational and performance basis of the new organisation and ensure it can operate as a financially viable, stand-alone organisation

	Year 1			Year 2				
Month	1 - 3	4 - 6	7-9	10-12	13-15	16 - 18	19 - 21	22 - 24
Phase	Consolidation and integration							
	Bedding in to the new organisation							
	- structures, processes, systems							
	- staffing roles							
	- Updating business plan							
Phase	Cost & efficiency alignment							
	- ensuring unit cost = unit price							
	- aligning costs with revenue income							
	- applying efficiencies & cost reduction identified in business case							
Phase			Performance improvement					
			- mid year review and updating of business plan					
			- delivering improvements in productivity and operating capacity					
			- delivering quality improvements					
Phase				Commercialisation				
				- achieving a more commercial approach to business planning				
				- generating a healthy surplus				
				- developing or establishing a lead / niche in the market				
Phase					Business remodelling			
					- reshaping structures and delivery models to deliver efficiency			
					- reshaping service offer to respond to customer demand and market			

4. Suggested structure of the business plan

A simple, but comprehensive and effective structure is suggested for the business plan:

- Executive summary
- How the business will be managed
- How business will be generated
- Financials

a. Executive summary

This section should include a statement that covers the nature of the company, its size, what it delivers and to whom, and what it wants to achieve (aims and objectives).

Key components and questions to cover include:

- ***The nature of the company:***

- purpose, structure, legal status, ownership, its size (staffing and budget), and reach

E.g., “Barnet Cares” is a council owned organisation responsible for delivering adult social care services and housing management functions for the London Borough of Barnet. We are a local authority trading company, guaranteed by xxxxx

We are a medium sized organisation of xx staff and a revenue budget of £xxxx. Whilst the majority of our service delivery is within the borough we sell some social care services to other local authorities

- ***Vision and mission statement***

- What kind of organisation do we want to be: what is important about the way the organisation runs – the values, principles, ethics we will live by; what’s our philosophy in what we do
- How will this be reflected in the way we do business and behave: e.g., what will be the experience of our service users, staff, owner, partners and the wider community. How will this be reflected in our strategies, performance plans
- What are we trying to achieve: what does future success look like for the company, our staff, our customers and the community
- What makes this company different: what are our unique selling points, differentiation; what do we want to be known / famous for

- ***Key objectives***

- What are the specific objectives we have for the next three years? E.g. top 5 priorities
E.g.

Align cost and efficiency measures with revenue and income within the first six months to achieve financial viability

Demonstrate an improvement in customer satisfaction by xx

Increase market share for xx services from x to x by xx

Develop integrated service offer for adults with MH and LD

- **Customer base**
 - *Who are our current and potential service users*
- **Service offer**
 - *Outline of the services we offer*

b. How the business will be managed

This section should include:

- **Governance arrangements of the company**
 - The governance structure, including roles and responsibilities, e.g: the Board composition; how members are voted or co-opted onto the board and length of tenure; how board members are held to account
 - How decisions will be made: the different types of decisions and for a for decision making, what level of delegated decision making and to whom, involvement of staff and service users in decision making
 - How often and why will we meet: key meetings for running the business, purpose, frequency and attendance. Consider a table setting out clear statement to this effect

Meeting	Purpose	Who attends	Frequency

E.g.

The organisation will be managed by a Chief Executive and two managing directors for the respective housing management and adult social care divisions. This leadership team will be held to account by the LATC holding company Board, chaired by an elected / co-opted Chairman. The Board will be accountable to Barnet Council

The Board membership will be set up as follows:

- *Non-executive Chairman*
- *Chief executive and managing directors for housing and social care*
- *Tenants of Barnet Homes – x places*
- *Services users and carers of social care services – x places*
- *Elected members of Barnet council – x places*

Board membership will be for a two-year tenure,

- **Performance management**
 - What are the key indicators of performance for the business (reflecting the company's purpose and mission statement) What are the top 5 things the Board and leadership team want to keep an eye on.
 - Who is responsible and accountable for the performance in each key area

- How will performance be measured, tracked and reported (systems, process, frequency and responsibility). E.g. monthly review of performance dashboard by leadership team; quarterly presentations to the Board; biannual report to the council; annual public report
- What actions will be taken if organisational performance is not on track?
- How will we recruit, manage and retain our staff: what qualities are we looking for in our people and how do we build that into our recruitment and performance management; how do we bring our people on board with the organisational philosophy and values
- How will staff performance be measured; how will good performance be rewarded; how will poor performance be addressed; how we will invest in the development of our staff

- **Buying services**

- What services will we need to buy. Why is it better to buy these than have in house? E.g. do not have skills, benefit of economies of scale from other orgs,
- What factors will be looking for when contracting and commissioning services? Value for money; flexibility; focus on quality; How will we build this into our processes (e.g. ITT, ITQ documents; criteria for evaluating tenders, quotes and bids)
- What criteria will we look for in the companies we use? E.g. SMEs to support the local economy; companies with a low carbon footprint; companies that proactively employ people with disabilities and mental health needs; companies with a good record of corporate social responsibility
- How will we negotiate and manage contracts effectively: systems, skills, experience & knowledge of team;
- What is our procurement strategy? How will we ensure we achieve the best prices for the services and goods we buy

c. How are we going to generate business

- **Market analysis**

- What is our current understanding and intelligence about the market? Who are our main competitors; what are their strengths and weaknesses;
- What is our share of the market – do we want to increase this, by how much, what is our strategy for achieving this;
- What is our competitive advantage and how can we build on this; what are our weaknesses – do we want to address these and how?
- What gaps are there in the current service offer in the wider market? Are we well positioned to develop services to meet these?
- What is our intelligence based upon? E.g. sources and tools for analysis. How will we keep our intelligence up to date – resources (people and time), approach / tools, frequency. How will this intelligence be used to inform our business planning and decisions?

E.g. We will undertake an annual mapping exercise of the market using data from desktop research and staff workshops. We will use Porters Five Forces tool to analyse the market. We will present to the leadership team each

November to inform business planning and a further presentation to the Board each January.

- **Client need/demand**

- What does our current analysis of our customers tell us: segmentation on needs, age, location, preferences
- How do we expect the profile of our customers to change? E.g. changing ages, different types of needs, stronger demand for flexibility in service provision. What are the drivers influencing their decisions and preferences
- What is our intelligence based upon?
- How will we keep our intelligence up to date about our customer needs and demand: what data do we need; systems and resources for gathering and analysing data; how will the intelligence inform our business planning and decision making

E.g. We will use a range of data sources to build a richer understanding of our customer needs. This will include demographic data and our customer feedback; analysis provided by the council's customer insight team, and feedback from social workers, our staff and service users in bi annual workshops.

- **Service offering and pricing**

- Based on our understanding of the market and customers, what is our detailed service offering: what can be expected in terms of quality, accessibility, customer service, resolution of complaints,
- What is our rationale for pricing? How competitive do we want to be on price. Do we want to match the lowest in the market / to be mid-range. Will we charge a premium where we have the monopoly in the market? Will we have differential pricing depending on who the purchaser is or the way they choose to buy from us, e.g. discounts to other local authorities buying in bulk

- **Go to market strategy/marketing plan**

Based on analysis of the market, competitors, customer base and our organisational strengths and weaknesses,

- Which groups or organisations are we trying to target with our marketing communications and why? What are we trying to achieve in our marketing: promotion of services, addressing /correcting customer perceptions, matching up against competitors
- Define our market offer / product. What are our key features and why will this appeal to customers / a segment of customers
- What media are the most appropriate for our messages and target audiences (and are within budget limits). What's the best timing for our marketing activity: monthly features, quarterly promotions,
- How can we use our staff and service users to promote us?

d. Financials

- **Baseline**

- Baseline the starting financial position and set out actions for aligning cost and expenditure with revenue and income within first six months. How will the company ensure the unit pricing matches the unit costs of delivering the service

- **3 year summary and profit/loss**

- Planned expenditure for the next three years
- Planned income and sources
- Projected profit /loss account
- Confidence rating

- **What principles will govern our investment and use of profit / surplus**

- What percentage of surplus will be invested in service development and innovation. How will decisions on use of surplus be made.

Appendix 4: Stakeholder Engagement and Feedback

Part of the work conducted in establishing the case for change included engagement sessions for staff. Separate events were also held for service users, carers and families.

The sessions involved informing these key stakeholder groups of the drivers for change, progress and key findings for inclusion within the business case. Staff events also included a TUPE presentation, and a presentation from Barnet Homes as requested by staff representatives through staff panel meetings. Trade Unions, Barnet Homes and members of the Learning Disability and Physical & Sensory Impairment boards were also invited to attend. Details of the events were also published on the Barnet commUNITY website.

Staff events

Interactive engagement sessions were arranged for staff working in the in-house services to give them the chance to input into the development of the business case for the creation of a Local Authority Trading Company.

These events were in addition to workshops that had taken place with the Adult Social Services Senior Management Team and managers from the in-house services.

Staff heard from senior managers about the drivers for the project, what has happened so far and how the project might impact the services.

These events also gave staff the chance to give their views about what currently works well within the in-house services and what the opportunities would be with the creation of a Local Authority Trading Company.

The discussions at these events will feed into the development of the business case.

Representatives from human resources were at the meetings to answer questions about staff transferring to the new Local Authority Trading Company and staff from Barnet Homes were there to talk about their experience of TUPE.

The events took place at the following locations:

- 25 January 2011, NLBP
- 27 January 2011, Barnet House
- 2 February 2011, Flower Lane, Mill Hill

Staff workshop feedback

At each event, staff split into groups to discuss the current performance of the services and how they would like the new Local Authority Trading Company to operate. The following feedback was recorded during these sessions, the responses in bold were expressed most frequently:

Quality of service – things we do really well:

- **listening to individual service users to provide the good quality, person centred, specialist services that they want**
- **providing a high quality, life changing and efficient service that is popular with service users**

- **developing good relationship with parents and carers and receiving positive feedback**
- **delivering a unique and individualised service that treats service users as adults**
- **building service users' confidence and self-esteem, promoting independence**
- **working in partnership with the other in-house services, doctors, social workers and transport providers**
- **offering well trained staff from diverse backgrounds who are committed to the aims of service users**
- **providing a consistent service with experienced staff, something that is important for the emotional well-being of service users**
- the services provided are reliable, responsive and popular
- providing safe, appropriately sized, supportive environments
- recognising cultural needs and differences
- providing respite for families
- increasing demand for our services both in Barnet and outside the borough
- providing a specialist service, the only service like it for adults
- offering a wide range of therapy
- providing access to the community
- managing the behaviour of service users

Quality of service – things we do less well:

- **the transport service could be improved**
- **an increase in funding would increase the range of activities we offer, improve our facilities**
- **we could be better at working in partnership, sharing resources across the services and accessing volunteers**
- **our services should be promoted more to increase community awareness of what is available**
- **our service is oversubscribed, we need more capacity**
- **our building could be used more effectively, making them available during the evenings / weekends to provide a better respite service and provide more activities**
- some of our buildings are not designed for the services we provide and would benefit from quiet areas
- we need better access to technology
- we don't have the budget to offer the quality of food we would like to promote healthier eating
- our services can be too bureaucratic, too much red tape
- we could provide a more individualised and person centred service
- we are sometimes too slow to respond to the changing expectations of service users, parents and carers
- there should be more frequent reviews and more time for key working
- long term planning could be improved
- we could improve how we support service users who move on from the service

Quality of service – actions to deliver improvements or improve the quality of services:

- **better marketing and communication, both externally and across services, so we know what is available and are kept up to date**
- **working closely with other organisations in the borough to connect services**
- **finding out what our customers want, more service user input to design services**
- a more flexible way of working, longer opening times
- more housing stock
- more outreach focus
- more volunteers to provide a range of support including gardening

- specialising in dementia provision
- autism diagnostic skills are required within the borough

How the new company operate – what will good look like?

- **staff and service users involved in shaping the direction of services**
- **an organisation that is progressive, listens and is visionary**
- **better marketing of services**
- **bespoke services, more choice for service users**
- **a fun environment**
- **training programmes to enhance staff skill sets**
- **flexible, innovative, kind staff**
- **a service with a good reputation that is attractive to new clients**
- **open and honest communication with staff**
- **better technology**
- **a community based organisation**
- building on what has been done so far
- terms and conditions stay the same
- appropriate buildings
- clear, viable business model
- good performance management
- more integrated and innovative services
- adapting to changing markets and changing client needs
- training programmes to enhance staff skill sets
- a 'can do attitude'
- day service respite provision
- maintaining relationships, through 'transition', post service
- improved communication between our services and board of directors
- consistency of staff
- a good understanding of clients
- a true response to service users' needs
- a true response to the experience and professionalism of staff
- an online booking system

How the new company will operate – what would bad look like?

- **indifferent staff**
- **low staff morale, poor staff retention**
- **staff uniforms**
- **no transport service**
- **service led rather than person centred**
- a complex structure
- poor value for money
- no star rating
- ineffective monitoring and benchmarking
- a growing number of complaints, and not responding to them, especially during change
- losing business, no one purchasing our services
- stagnating services
- loss of specialisation within service
- a drop in salary or conditions

How the new company will operate – describe the way we should do things:

- **ensure all stakeholders are valued and their opinions are respected**
- **listen to staff, service user, carers & families when developing services**

- more investment in staff
- more training opportunities
- career progression
- creative use of staff
- good HR support
- be transparent
- understand what already works well

User events

These events were to give people who use the in-house services and their carers them the chance to input into the development of the business case for the creation of a Local Authority Trading Company.

Attendees heard from senior managers about why the change of management was happening, what has happened so far and how the project might impact the services.

These events also gave people the chance to give their views about what currently works well within the services they use, what could be better, and what they thought about the involvement of service users and carers in the running and management of a Local Authority Trading Company.

The discussions at these events will feed into the development of the business case.

The events took place the following locations:

- For users of the learning disabilities in-house services:
 - 8 February 2011, North London Business Park
 - 10 February 2011, North London Business Park
- For users of Barnet Independent Living Service:
 - 14 February 2011, The Space, Edgware

User workshop feedback

At each event, people split into workshop groups to talk about what they liked about the services they used, what could be better or was lacking in the borough to meet their needs, and the opportunities that they could see with having Personal Budgets in the future. The following feedback was recorded during these sessions:

What are the good things about the services as they are now?

- expertise of staff, and relationship with service users, including support with things like money management and job searching or training opportunities (E.G - staff at BILS Helping deaf people to access things in the community at weekends and evenings, and arrange health appointments, financial appts, access to college etc)
- computer facilities available
- only service like it in Barnet in many cases
- routine activities to look forward to – art, pottery, drawing, building social skills and confidence
- reliable transport provided
- buildings built specifically for people who use them (e.g- changing facilities, Physiotherapy and Hydrotherapy facilities in some learning disabilities services)
- respite care available is essential

- networking / somewhere to socialise

What could be better about the service you use?

- more activities and events (including being out in the community more)
- smaller activity groups
- better building for BILS (including cafeteria)
- transport could be improved (more responsive and safe)
- need social worker for deaf people
- more flexible hours
- service users and carers need to be better informed and have more control
- more space and more staff, so can have more one-to-one time with service users
- more therapy services

Would you like to be involved in managing and running of a Local Authority Trading Company?

- lots of interest in a 3 events in being a board member, or having some other involvement
- some people from BILS would like to be involved in running services / group activities, but with support
- think this is important so that they have more of a say – make sure that services continue to meet people's needs
- people would need training to do this (reading and writing etc.)
- some users are non-verbal, so involvement would be difficult
- some people would be happy to think of new ideas to get new business
- they could provide new ideas and get recognition of their needs – this would help the company work better.
- time restrictions for users and carers could be an issue for involvement

How do you think involving service users and carers could work?

- could they be shareholders?
- work in partnership with voluntary organisations
- social enterprise – could make money from projects, such as pottery classes, run by users and carers
- would want to be involved in a regular forum with service users and carers to discuss the direction of the organisation
- draw on people's personal experiences
- teaching people involved in organisation BSL or deaf awareness training
- need to involve people who really understand what service users want and the difficulties they face, and talk to them to make sure representing them fairly
- create their own vibrant economic community – can't get jobs elsewhere so have to involve
- people in a different role in this organisation
- board membership – meetings to be held at times when people can attend e.g. carers during the day and people with jobs during the evening

Any other considerations for the Local Authority Trading Company:

- can an organisation incorporating Barnet Homes really understand the needs of disabled people?
- will it be a LEAN organisation?
- will the Disability Equality legislation apply in same way as it does to the Council?
- need to be clear about how any money will be spent which is raised from charitable status of BILS (and any development of this in future)
- concern about services being cut

Are there any services not available in Barnet to meet your needs?

- some services for deaf people – befriending services etc.

Is there anything you would like to be able to do at the centre you attend that you can't at the moment?

- making food / cookery classes
- physiotherapy at BILS
- BSL classes
- keep fit
- daily living skills
- literacy
- group holiday
- performing arts / music classes
- trampolining
- paid work
- bingo
- work support
- going shopping
- going out to new places
- gardening

Can you see opportunities that having a Personal Budget would give you?

- access Barnet college courses
- social events like cinema, eating out
- cookery class
- gardening
- BSL class
- hairdressers / manicure / pampering
- do own shopping
- hire PA so can go out and visit friends
- Nintendo Wii
- holiday
- pay for a cleaner
- support for a job
- go into London – galleries etc.
- dancing lessons
- swimming
- to pay a personal trainer
- use a computer / have my own computer
- transport – bus, taxi
- trips out for the day / seaside with friends

Appendix B

Adult Social Services Equality Impact Assessment (EIA)

Questionnaire

Please refer to the guidance before completing this form.

1. Details of function, policy, procedure or service:	
Title of what is being assessed: More Choices Project	
Is it a function, policy, procedure or service? Project affecting Adult Social Services	
Department and Section: Adult Social Services	
Date assessment completed: Ongoing – v1.0 (15/10/10), v1.5 (16/03/11)	
2. Names and roles of officers completing this assessment:	
Lead officer	Amanda Jackson
Stakeholder groups	
Representative from internal stakeholders	Jane Surtees, Maggie Goff, Rachael Lindsay, Simon Meredith, Richard Harrison
Representative from external stakeholders	
ASSD Equalities Network rep	Rachel Williamson, Andrew Serlin, Julie Pal
Performance Management rep	Mathew Kendall
HR rep (for employment related issues)	Jennifer Burt
3. Full description of function, policy, procedure or service:	
<p>Please describe the aims and objectives of the function, policy, procedure or service <i>Please include - why is it needed, what are the outcomes to be achieved, who is it aimed at? Who is likely to benefit? How have needs based on race, gender, disability, age, religion/belief, sexual orientation or carers been taken account of? Identify the ways people can find out about and benefit from the proposals. Consider any processes they need to go through or criteria that we apply to determine eligibility.</i></p> <p>The More Choices Project will change the way people receive Adult Social Services to enable service users to have more choice and control over their own support. This is part of the national Personalisation Agenda and therefore all councils are making these changes to ensure people can get the social care support that best meets their needs.</p> <p>The change to social care support means service users will have Personal Budget to spend on their social care support to buy Adult Social Services instead of the council providing the services in-house. The service user will be in control of their Personal Budget which may be spent in a way which they could not have done before including the purchase of support</p>	

services from alternative providers. Everyone who receives support from Barnet Council will have a Personal Budget by December 2011.

“A Vision for Adult Social Care: Capable Communities and Active Citizens” (Department of Health, 16 Nov 2010) states ‘The increased use of personal budgets **preferably as a direct payment** (to all eligible people), alongside people funding their own care, will be a **catalyst for change**. People will demand the services they want to meet their needs, creating truly person-centred services. **These will be delivered by organisations**, including social enterprises and mutuals, that can respond to the demands of their communities.” Consequently, continuing to deliver services in-house would not be in accordance with the Government vision. There would also be a risk in oversupply of in-house services and potential loss of revenue due to Government policy which stipulates direct payments cannot be spent on social care services that are directly provided by a local authority. Changing how social care services are run will help people to have more choice and independence when they spend their Personal Budget. The law states that people cannot use their Personal Budgets to buy services that are run by the council therefore we need to change the way that these services are run so that people can use them with their Personal Budget. To do this, the More Choices project is investigating the creation of a Local Authority Trading Company. If this does not happen, people with a Personal Budget will not be able to use services that are now run by Barnet Council

A number of services will be affected by the change (see list below). This Equalities Impact Assessment considers the impact on service users who attend these services, their carers and the staff who work in these teams. Recent snapshot data has been collected to understand the profile of the staff and service users at these services. This data is used to inform answers to the equalities questions below.

Learning Disability Services

- Rosa Morison
- Flower Lane
- The Space
- Agatha House
- Valley Way
- Supported Living
- The Community Support Team
- Business Support Team

It should be noted that from 1 April 2011 The Space and the Community Support Team will merge to become Community Space; a service much more focused on delivering support in the community with a gradual withdrawal from using purpose built locations such as the building currently occupied by The Space. Also from 1 April 2011 Agatha House is to be de-registered with the Care Quality Commission as a registered care home; the service users will become tenants of Notting Hill Housing Group and receive support from Supported Living while continuing to live at Agatha House.

Physical and Sensory Impairment Disability Services

- Barnet Independent living Services

*Please note following a decision taken by the Mental Health Partnership Management Group on 4 February 2011, **Mental Health Services(The Network)** became out of scope for transfer to the Local Authority Trading Company (LATC) and which will remain managed by BEH-MHT on behalf of the council.*

The intention is to ensure services stay as good as they are now, or improve and retain staff who work at each of these services should they wish to remain. However, there will be a need to be a change in the company that runs the service instead of the council, the management of staff and service users will need to begin buying services with their Personal Budgets as they would with all other support.

The project is the first building block to establish the set up of the company. In the future, these services may change if people want to use their Personal Budget to buy different kinds of support. If not enough people choose to use these services, there is a chance that they could stop running. However, if lots of people want to use them, changes can be made to make them better.

This project is part of the One Barnet programme that the Council is running. This includes activities to support people to live independently and to make Barnet a good place to live.

- The next stage explores how a Local Authority Trading Company could work
- This will be covered in the Full business case and business plan for completion by March 2011.
- Consultation with service users, carers and staff during January and February 2011.
- Cabinet decision by April 2011
- With a view to setting up the Local Authority Trading company in Autumn/Winter 2011
- The company will go live with a full staff TUPE transfer.

A communications and engagement plan has identified the various needs of groups such as easy read for people with learning disabilities and also provides a roadmap for service user (including carers and families), staff and union consultation.

The Equalities Impact Assessment will be an iterative process with reviews at each critical project milestone and will become more specific as the solution becomes clearer. These stages are:

- Stage 2 - Assessment (alongside the full Business Case)
- Stage 3 - Implementation (LATC set up)
- Stage 4 - Project Closure (Handover to the LATC for BAU)

It should be noted that there are significant differences for each of the in-house services that may have a bearing on the equalities impacts of the changes. As way of introduction some details about each service are included below

Barnet Independent Living Service

- Barnet Independent Living Service offers a range of support for Barnet residents with a physical or sensory impairment. From April 2009, this service replaced the previous day services based at Flightways Resource Centre.
- The new service forms a partnership between Adult Social Services staff (Barnet

Independent Living Team) and the user led organisation BDISC (Barnet Disability and Independence Steering Committee). It provides a wide range of services from peer support to preparation for getting paid employment, which aims to improve peoples' quality of life and enable them to maximise their potential to live independently.

- Support is provided under three broad categories; employment and training, rehabilitation and enablement and promoting independence. Referrals for support from the Adult Social Services Barnet Independent Living Team will need to have been assessed by a Care manager under the Fair Access to Care Services (FACS) criteria to qualify for the service
- However individuals who require information and advice or would like to access social or self help activities through BDISC can talk to the BDISC directly.
- The service has developed particular models of peer support to respond to particular needs. This is working well
- BILS working across communities, FACS eligible and lower level needs. Staff report that it is important that it retains equality of access.
- There are fears that personal budgets will decrease the amount of resources input.
- Drop-in is an important part of the service and there are questions about how this could be costed as part and individual budget.
- Some clients have been using the service for up to 20 years

Learning Disability Services

- The Learning Disability Services include the widest range of services; composed of day opportunities, residential care, crisis and respite care, supported living, community access and business support services.
- A number of people with a learning disability have taken up paid work tasters and work experience in the service. These individuals may have been supported to apply for jobs and received on the job support.
- A numbers of people receiving support from the Community Support Team already have a Personal Budget. The Community Support Team had been supporting people through the Personal Budget Questionnaire and support planning process.
- People from other boroughs use the service, they are charged
- Some people may have 1:1 support funded through their care package, this is additional to normal costs for settings
- Some therapy input in settings from external staff or freelancers
- Different types of service will have different hourly rates. This is not reflected in the Direct Payment rate.
- Supported Living links housing and support. There is an option if someone receives a direct payment to choose own support, however this risks the sustainability of the current model of support.
- Crisis bed is available at Valley Way in cases of carer breakdown, or emergencies. It is allocated on the basis of need and until more permanent housing is found. This is a core cost to the service.
- Day services are currently at capacity, there isn't a specific emergency allocation.
- A number of service users at Rosa Morrison and one service user at Valley Way are funded by Continuing Care funding

All services report particular issues around;

- Unpredictability of support requirements. Need for sliding scale of support & resource in order to meet needs.
- For PSI and LD service users, whilst annual and 6 monthly reviews may happen in services in house services do not have access to SWIFT and rely on social work teams to input the latest review information.
- A number of services provide enablement services. These services are not chargeable. Any business plan needs to take this into account and it should be reflected in communications

4. How are the equality strands affected? Please detail the effects on each equality strand, and any mitigating action you have taken so far			
Equality Strand	Affected?	Explain how affected	What action has been taken already to mitigate this?
1. Age	Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/>	<p>Service Users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs, including some that may relate to their age. This may have a positive impact on meeting equality obligations.</p> <p>It is recognised as we move to a more consumer led model; services could be subject to change if demand decreases.</p> <p>Service user data has reflected older service user age profile with a low numbers of service users under 30 on average. There are fewer younger people. This could be because they are accessing a wider range of services rather than day centre provisions.</p> <p>Therefore this change will disproportionately affect older</p>	<p>Service Users</p> <p>Ongoing communication and support through the change will be very important.</p> <p>There will be further consultation and support for any business related changes.</p> <p>Requirements for future support for service users will be included in the contract with the future service provider (which will be at least 99% council owned), including additional support for those who need it to participate in Self Directed Support</p>

		<p>people using the services.</p> <p>Many of the day centre users have used services for some time and become accustomed to this routine. They may find any subsequent change more difficult.</p> <p>The DoH (2008) evaluation of Individual Budget pilots found that satisfaction was lowest amongst older people and that a substantial proportion of older people found taking control of their care 'a burden'.</p> <p>Staff</p> <p>The in-house services workforce is on average older than the rest of the department's workforce – in particular there are 13 in-house employees aged 65 or over.</p>	<p>Staff</p> <p>Individual contract review to ensure all are up to date and consistent with the TUPE transfer.</p> <p>The intention is to maintain the same pension entitlement, terms and conditions.</p> <p>Revisit when the terms of the contract are better understood.</p> <p>There are no planned HR policy changes relating to age.</p> <p>Both Groups</p> <p>To revisit when draw up SLA with the Local Authority Trading Company.</p>
<p>2. Disability</p>	<p>Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/></p>	<p>Service Users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support</p>	<p>Service Users</p> <p>There is a stream of work to understand the costs to an individual for attending each of the services and also current and future access to individual budgets for service users. It is important that any issues of eligibility or affordability are understood as</p>

		<p>planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs. This may have a positive impact on meeting equality obligations.</p> <p>It is recognised as we move to a more consumer led model; services could be subject to change if demand decreases.</p> <p>We have not, to date, mapped the numbers of people with a personal budget using the in-house services. Some people will not currently receive a Personal Budget and therefore the planned Support Planning and Resource Allocation process may result in changes for individuals.</p> <p>In order to ensure that the different needs of the groups involved are met (i.e. people with physical or learning disabilities, or with mental health problems, there must be a level of expertise within the LATC to ensure that appropriate skills and knowledge of staff who deliver services can be supported</p> <p>Staff</p> <p>Although a similar percentage of people are recorded as having a disability in the in-house services as in the rest of the ASSD workforce, the in-house services do employ 39% of Barnet disabled workers. The transfer of these services could have an implication in terms of how the public view our treatment of disabled employees.</p> <p>Within these services peer support is an important model of service delivery and policies to encourage people with a</p>	<p>soon as possible.</p> <p>Staff</p> <p>As above (section 1)</p> <p>Data indicates that remaining Barnet staff will be less diverse due to the transfer of Adult Social Services listed in section 3. The Local Authority workforce profile should reflect the profile of the local population. This issue should continue to be monitored through the HR data collection. It may be that targeted work should be undertaken to address this</p>
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		<p>disability to apply for posts are being developed. For example, through the Right 4 Work project and others.</p> <p>Service managers have recognised that the staff data does not reflect their understanding of the workforce. There is known to be an underreporting of disability, especially mental ill health.</p>	<p>issue in the future.</p> <p>Both Groups</p> <p>To revisit when drawing up SLA.</p>
<p>3. Gender reassignment</p>	<p>Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/></p>	<p>Service users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs. This may have a positive impact on meeting equality obligations.</p> <p>Staff</p> <p>This data is not currently collected by HR however, HR policies relating to this equality strand will be transferred.</p>	<p>Both Groups</p> <p>To revisit when drawing up SLA.</p>
<p>4. Pregnancy and maternity</p>	<p>Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/></p>	<p>Service users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more</p>	<p>Both Groups</p> <p>To revisit when drawing up SLA.</p>

		<p>appropriate for their individual preferences and/or needs. This may have a positive impact on meeting equality obligations.</p> <p>Staff</p> <p>As this is just a transfer of existing operations the direct impact is none based on the assumption staff terms and conditions are transferred across to the new delivery vehicle.</p>	
<p>5. Race / Ethnicity</p>	<p>Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/></p>	<p>Service Users</p> <p>Using the data available (subject to gaps and potential errors), there appears to be:</p> <p><u>Learning disabilities service</u></p> <p>31% of users belong to a BME group – 10% are Black/Black British, 16% are Asian/Asian British</p> <p><u>BILS</u></p> <p>39% from a BME group – though again categories used may cause some errors</p> <p>There will be a need to maintain culturally appropriate services and communications will be made available in alternative formats (upon request)</p> <p>Staff</p> <p>47% of the workforce affected belong to a Black or Minority Ethnic group. This compares to 39% amongst Adult Social Services staff overall, but 72% amongst adult social care providers. So there is a high representation of BME employees amongst the staff to be affected. 35% of the workforce is Black or Black British. This compares to only 23% amongst the wider Adult</p>	<p>Service Users</p> <p>Monitor and revisit when drawing up SLA.</p> <p>Ensure service user data is kept up to date on databases. Service user feedback should be coded alongside demographic data to unpick whether there are any issues or concerns among any particular demographic group.</p> <p>Staff</p> <p>Revisit when SLA</p>

		<p>Social Services workforce</p> <p>There will be an attempt to retain the diversity of the workforce through contract clauses to enable future recruitment of a representative workforce.</p>	
<p>6. Religion or belief</p>	<p>Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/></p>	<p>Service Users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs. This may have a positive impact on meeting equality obligations.</p> <p>Staff</p> <p>There are significant data gaps. Barnet HR policies are to be maintained post transfer to prevent any negative impact.</p>	<p>Service Users</p> <p>Monitor and revisit when drawing up SLA.</p> <p>Staff</p> <p>HR policy to be maintained by new provider post transfer</p>
<p>7. Gender / sex</p>	<p>Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/></p>	<p>Service Users</p> <p>As this is just a transfer of existing operations the direct impact is none. However, the implementation of the personalisation agenda should increase choice and control for individuals. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs. This may have a positive impact on meeting equality obligations. For example where service prefer</p>	<p>Both Groups</p> <p>To revisit when drawing up SLA.</p>

		<p>single sex support or activities.</p> <p><u>Learning disabilities service</u> 49% of service users are female</p> <p><u>BILS</u> 53% of service users are female</p> <p>Staff 76% of the staff affected are female. This is in line with the rest of the Adult Social Services workforce. Amongst the wider social care market, a higher proportion of women are employed in provider organisations.</p> <p>This change will disproportionately affect female employees.</p>	
<p>8. Sexual orientation</p>	<p>Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/></p>	<p>Service Users This data is not currently collected however; the new delivery vehicle will need to consider service user feedback, including the feedback from the 'Get Aware' event (2009)</p> <p>Staff There will be no impact. There will be a continuation of Barnet policies and procedures to recognise implicit discrimination.</p>	<p>Both Groups To revisit when drawing up SLA.</p>
<p>9. Marital Status</p>	<p>Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/></p>	<p>Service Users New service provider will need to consider any service user feedback, including the feedback from the 'Get Aware' event (2009)</p> <p>Staff There will be no impact. There will be a continuation of Barnet policies and procedures relating to civil, conjugal and common</p>	<p>Both Groups To revisit when drawing up SLA.</p>

		<p>law partnerships to recognise implicit discrimination.</p>	
<p>10. Carers (discriminated by association)</p>	<p>Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/></p>	<p>Service Users</p> <p>Carers of those attending day centres may be involved in an individuals support planning process, attendance at a day centre may also offer respite to a family carer.</p> <p>Therefore communication and engagement activities will include carers and family carers.</p> <p>Staff</p> <p>Barnet staff who are also carers may be affected. The flexible working policy will be retained post service transfer.</p>	<p>Both Groups</p> <p>To revisit when drawing up SLA.</p> <p>Communication and support during consultation and engagement.</p> <p>There will be further consultation and support for any business related changes.</p>

5. What are the number, types and severity of disabilities in play in this case?

Service users

The Social Services database (SWIFT) do not currently record disability categories. The Strategic Commissioning Team are progressing a business case with the Business Systems team to address this.

There is information held on client files that relates to any particular disabilities or health conditions. This is likely to be defined by diagnosis rather than self definition.

The Diversity Monitoring form used by Barnet Adult Social Services asks for demographic profile including type of disability. This allows for feedback to be analysed along demographic profiles where numbers are large enough to be statistically significant.

All the people who use the in-house service will have, at some point, received an assessment that judged the individual to be eligible for support. This is based on an assessment of risk (and need) rather than disability. Over the years eligibility criteria and interpretation of these criteria has changed. We currently use Eligibility Criteria for Adult Social Care criteria (substantial and critical risk) and the Care Programme Approach in mental health services.

The introduction of Personal Budgets for Service Users will involve a full review.

Very broadly, the numbers of people with a disability defined by LBB care groupings is as follows;

49 people using BILS with Physical and Sensory Impairment recorded on SWIFT. There are 230 people using the in house Learning Disability services (recorded locally), however some people may use more than one service which is not reflected in the numbers.

Staff

Based on staff HR files, the following information is available on % of staff defining themselves as having a disability.

DISABILITY		
	All in-house services	Rest of ASSD
Yes	2%	3%
No	95%	95%
Not recorded	1%	2%

There is currently no information available about the severity of the disability, although line managers should have an understanding of this as part of the workplace assessment process.

Service managers have recognised that the staff data does not reflect their understanding of the workforce. There is known to be an underreporting of disability, especially mental ill health however, it is noted that staff are at liberty to decide whether or not to disclose information of their disability and severity.

During the change process that was part of the Care Model development project in Adults Social Services, staff were asked in a separate exercise whether they had a disability and required any support with managing the process. A number of people who had not previously

disclosed did following this exercise and were given personalised support as a result where required.

6. What are the actions that could reduce the impact on people with disability?

The council has policies and procedures in place to promote equality of opportunity and eliminate discrimination on the bases of disability and these will need to be maintained and included in the delivery vehicle contract.

There will be targeted and accessible communications to keep people informed (e.g. easy read/ different formats). Information will be made accessible through channels listed in section 12. There will be support for service users during the period of change – e.g. support from a keyworker with Self Directed Support.

Staff terms and conditions such as “reasonable adjustments’ in the workplace according to disability will be will be transferred and maintained.

The people and culture work stream and consultation will support staff issues in addition to informing and receiving feedback from the unions.

7. What will be the impact of delivery of any proposals on satisfaction ratings amongst different groups of residents

The process of change or the result of change may result in different satisfaction ratings amongst groups of residents. There may be changes amongst those who use the services particularly as the branding of the LATC is currently unknown. Therefore it is difficult to anticipate the impact of the proposal on Barnet’s reputation. However, this will be monitored and measured by staff surveys, SLA clause for LATC (staff survey) and the Place survey (external residents’ feedback).

Feedback from DoH (2008) evaluation of Individual Budget pilots found the following;

- People using Individual Budgets were more likely to feel in control of their lives than people receiving conventional social care support.
- Satisfaction varied between client groups and as highest among mental health service users and physically disabled people, and lowest among older people.
- A substantial proportion of older people felt that taking control of their support was a 'burden'.

However, Department of Health officials pointed out that the evaluation period ran from November 2005 to December 2007, and that things had improved since in the pilot areas. In particular, they have argued, the concerns of older people about individual budgets have abated and take-up has improved.

8. How does the proposal enhance Barnet's reputation as a good place to work and live?

Branding is currently unknown. Barnet's reputation could be better or worse as a result of the change. This will be monitored and measured by staff surveys, SLA clause for LATC (staff survey) and the Place survey (external residents feedback).

The Communications plan addresses key stakeholder groups and will be used as a tool to control reputation changes.

9. How will members of Barnet's diverse communities feel more confident about the council and the manner in which it conducts its business?

Individual budgets – Increasing choice and control

The implementation of the personalisation agenda will provide eligible people with the opportunity to increase choice and control over purchased services, whether council managed or otherwise provided. As individuals who do not already have a Personal Budget go through the support planning process and gain an individual allocation they may choose support that is more appropriate for their individual preferences and/or needs. The council would anticipate that this would have a positive impact and support its obligation to meet its statutory equality duties.

Direct payments, personal budgets and, to a lesser extent, individual budgets are at the core of the government's aim of personalising adult social care services around the needs of users. Through the [Putting People First initiative](#) and most recently 'Think Local, Act Personal (2011)' councils will be expected to significantly increase the number of people receiving direct payments and roll out a system of personal budgets for all users of adult social care, from 2008-11. In the long-term all users should have a personal budget from which to pay for their social care services, apart from in emergencies.

Putting People First is the culmination of a policy process that began in 2005, with the adult social care green paper, *Independence, Well-being and Choice*, and was developed through the 2006 health and social care white paper *Our Health, Our Care, Our Say*. The Department of Health is driving the Putting People First initiative, but scepticism remains among practitioners and social care leaders about the impact of personalisation on social workers' roles, on levels of risk carried by service users and about whether councils will be adequately resourced to deliver reform.

The implications of personalisation have been discussed at all of the Partnership Boards. In addition some of the themes were explored in a consultation on strategic proposals developed in the Care Model Development project. Between 5 September and 14 November 2008, the London Borough of Barnet facilitated a public discussion that included a questionnaire and an open debate on 2 October 2008.

The response was summarised in a public report available on request. The three main themes were as follows;

- a) People had a very balanced view of the advantages and disadvantages of Personal Budgets. Many people reaffirmed the belief that it would help make people more independent and give them more control and choice over their support. Common concerns about the budgets centred on the new risks they introduce for things to go wrong – either because managing them is too stressful for individuals or carers, or that the people

managing them fail to cope with the responsibility and make poor care management or financial decisions. Again, the debate showed that people needed more detail before they could be fully comfortable with the idea.

- b) The discussion about the risk related to choice showed that people thought that this was a real issue that needs to be managed. The most common suggestions for managing such risks centred around 3 points: a) ensuring that all parties involved are actively engaged in the process of assessing risk, b) making sure that cases are reviewed regularly, c) ensuring that advice is always available if people start feeling that something is going wrong.
- c) People were open to the idea of groups other than the council supporting people to plan their care. The perceived benefits of this were that it increased people's independence, choice and control. By contrast, the perceived risks focussed on those people involved having insufficient expertise to assist people needing social services effectively. A very wide range of groups were put forward as having the ability to get involved in this process. The most commonly mentioned ones were family, friends, 3rd sector organisations, and health professionals.

Transfer of Council activity to a Local Authority Trading Company

The London Borough of Barnet commissioned a Lessons Learned report from PriceWaterHouse Coopers of previous service outsourcings.

This recognised the following 'The majority of outsourcing arrangements reviewed as part of this work are delivering effective, and in many cases, high levels of services. Whilst many of the deals were procured some years ago, through standard procurement processes and within relatively traditional delivery vehicles, a number of lessons learned have been identified. These lessons should be used to inform the design, procurement and client side management of any new delivery vehicles, considered as part of the future shape project.'

In order that the council feels more confident about the Council and the way it does its business PWC recommended that the following 6 criteria are applied to any future transfers

1. To recognise the need and purpose for partnerships by establishing what successful working arrangements are. This will mean that the Council and its partner(s) acknowledge:

- the principal barriers to successful partnership working,
- there is a mutual understanding of those areas of activity where Partners can achieve some goals by working independently of each other and
- that both sides build customer satisfaction at the heart of the purpose of the venture.

2. To develop clarity and realism of purpose by ensuring that the partnership has a clear vision, shared values and objectives underpinned by agreed service principles.

- clearly defined joint aims and objectives (which are realistic)
- clearly defined service outcomes.

3. To ensure commitment and ownership by:

- demonstrating clear commitment to Partnership working from the most senior levels of the organisation,
- employing widespread ownership of the Partnership across and within all Partner organisations and

- Ensuring that working outside of the Partnership is discouraged and dealt with.
4. **To develop and maintain trust** by being clear about the way the Partnership is structured and recognises and values each Partners contribution.

- benefits derived from the Partnership must be fairly distributed among all Partners
- levels of trust within the Partnership must be high
- shared risk taking.

5. **To develop clear and robust partnering arrangements** by:

- being clear as to what financial resources each Partner brings to the Partnership,
- that resources that each Partner brings to the Partnership are understood and appreciated
- that each Partner's area of responsibility is clear and understood with strong lines of accountability for the performance of the Partnership as a whole and
- The Partnership's principal focus is on process, outcomes and innovation.

6. **To monitor, measure and learn** by ensuring that each Partner has clear success criteria in terms of both service goals and the Partnership itself. The Partnership must:

- have strong monitoring and management arrangements
- clear and robust structure that enables the Partnership's aims, objectives and working arrangements to be reconsidered and, where necessary, revised in the light of monitoring and review findings but also changing customer and delivery requirements.

It is important that any consultation considers monitoring against different demographic characteristics. Coding will unpick whether there are any issues or concerns among any particular demographic group

10. What measures and methods have been designed to monitor the application of the policy or service, the achievement of intended outcomes and the identification of any unintended or adverse impact? *Include information about the groups of people affected by this proposal. Include how frequently will the monitoring be conducted and who will be made aware of the analysis and outcomes? Include these measures in the Equality Improvement Plan (section 14)*

Please refer to engagement and communications plans for:

- Service Users, Carers and Parents
- Staff and Trade unions

For further information contact: Richard Harrison, Project Manager 020 8359 2109

Please also see section 14

11. How will the new proposals enable the council to promote good relations between different communities? *Include whether proposals bring different groups of people together, does the proposal have the potential to lead to resentment between different groups of people and how might you be able to compensate for perceptions of differential treatment or whether implications are explained.*

As this is just a transfer of existing operations there will be no real change directly impacting upon communities. However, we are confident that the implementation of the personalisation agenda will increase choice and control for individuals to purchase more inclusive activities. There will be opportunities for the LATC to respond to market ensuring services are ones which service users **can** and **want** to buy.

12. How have residents with different needs been consulted on the anticipated impact of this proposal? How have any comments influenced the final proposal? Please include information about any prior consultation on the proposal been undertaken, and any dissatisfaction with it from a particular section of the community.

There are planned activities to consult residents and service users in the communications and engagement plan. These include consultation days, 1:1 communication, newsletters (including Easy Read), CommUNITY Barnet website, Barnet First and the Barnet council website.

A series of engagement events were held between January – February 2011. Staff, service users, carers, families, Trade Unions and members of the Learning Disability and Physical & Sensory Impairment Partnership Boards were also invited to attend. The events were also published on the commUNITY Barnet website. The feedback from the events have been built into the business case where appropriate. All feedback from the events are listed in appendix 4 of the business case.

Weekly messages are cascaded from the project sponsor to service managers and staff. Project team meetings are held monthly which included all respective service managers and a staff panel convenes every 6 weeks. The staff panel is chaired by the Deputy Director of Adult Social Services (Acting) and facilitated by the project manager to engage in two way communication with staff representatives from each service.

The communication channels and approach to consultation will be revisited for each critical milestone to ensure this is fit for purpose. Feedback from service users will also inform as to their preferred method of communication.

13. Decision:			
No Impact	Positive Impact	Neutral Impact	Negative Impact or Impact Not Known ¹
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

¹ 'Impact Not Known' – tick this box if there is no up-to-date data or information to show the effects or outcomes of the function, policy, procedure or service on all of the equality strands.

14. Equality Improvement Plan

Please list all the equality objectives, actions and targets that result from the Equality Impact Assessment (continue on separate sheets as necessary). These now need to be included in the relevant service plan for mainstreaming and performance management purposes.

Equality Objective	Action	Target	Officer responsible	By when	Status
Service users and carers and staff in the in-house services understand the changes and feel supported through the change	Implement Communications plan	Written communication sent to all service users and carers.	Project manager with support from Adults SMT.	Beginning October 2010 and ongoing throughout the project lifecycle as per communications and engagement plan.	Completed
SLA with future Local Authority Trading Company, reflects current policy regarding equalities duties and provision of appropriate services	Include appropriate contract clauses in SLA Consult with service reps and staff on the draft SLA	Add consultation and review activities to the 'More Choices' project plan	Project Manager / Service Manager	December 2010	On-going
Support individuals disproportionately affected by proposals, for example where Individual Budgets do not cover the cost of the service or eligibility criteria exclude individuals	Find out costs of in-house services	Include within detailed analysis of the business case.	Project Manager	November 2010	Completed
	Monitor current and future access to individual budgets. Put in place plans to support individuals with the changes Raise as an issue with Care Services Delivery	Raise issue with Care Services Delivery for support in place. Impact of change is managed and where possible, minimised	Service Manager / Commissioning Team	July 2011	On-going
Lessons are learnt from roll out of personal budgets elsewhere, to ensure that those who will find the change the most difficult are supported	To be included in analysis - considering risk of support not being available	Benchmark with other local authorities for inclusion within Full Business Case analysis.	Project Manager	December 2010	Completed

Equality Objective	Action	Target	Officer responsible	By when	Status
Lessons are learnt from outsourcing initiatives elsewhere, for example the PWC Lessons Learnt report to ensure that Barnet's diverse communities have confidence in the way that Barnet does business	To be included in analysis.	Inclusion within the Full Business Case	Project manager	November 2010	Completed
Equalities considerations are key throughout the project as plans become clearer	Review Equalities Impact Assessment and plan at key points during the project as plans	Review activities are added to the 'More Choices' project plan at key points and managed by the Service Manager.	Project Manager / Service Manager	December 2010	On-going
Lessons are learnt from the experience of Direct Payments and personalisation in Barnet	Add learning from Direct Payments and personalisation	Add information to second iteration of the EIA	Service Manager / Project Manager	November 2010	Initial comments added, see section 9
Lesson are learnt from staff changes as part of the Care Model Development project around managing change	Add learning from Care Model Development project around managing change	Add information to second iteration of the EIA	Service Manager / Project Manager	November 2010	Initial comments added, see section 5

1st Authorised signature (Lead Officer)	2nd Authorised Signature (Member of SMT)
Date:	Date:

Document Control

Document Owner	Kate Kennally, Director of Adult Social Care and Health
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Document location	Wisdom URL / file-path TBC

Version Control

Version	Details of update	Author	Issue date	Status
0.1	Initial draft for comment	Richard Harrison / Rachel Williamson	30/09/10	Draft
0.2	Incorporation of statistics	Richard Harrison / Rachel Williamson	12/10/10	Draft
1.0	Approval from Adult Social Services Senior Management Team and Equalities Network	N/A	19/10/10	Approved
1.1	Updated to reflect current position and progress.	Richard Harrison / Rachel Williamson	18/02/11	Draft
1.2	Updated to reflect the removal of PSI (The Network)	Richard Harrison / Andrew Serlin	22/02/11	Draft
1.3	Inclusion of additional narrative for Community Space and Agatha House	Jane Surtees	15/03/11	Draft
2.0	Approval from Service Manager for Learning Disabilities	N/A	16/03/11	Approved

Appendix C

One Barnet Programmes – Employee Equality Impact Assessment

One Barnet Programme Name: More Choices (Adults In-House)

[This document remains live with information being added at each critical milestone]

Project Owner:	Kate Kennally
Date process started:	2 September 2010
Date process ended:	

This EIA is being undertaken because it is:	<input checked="" type="checkbox"/> outlined within the equality scheme relevance assessment table <input type="checkbox"/> part of a project proposal submission to the programme management board <input type="checkbox"/> a result of organisation change <input type="checkbox"/> other – please specify:
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EIA Contents

- 1 Introduction
- 2 Any Anticipated Equalities Issues at each milestone and identified mitigation
- 3 Monitoring Summary
- 4 Project Milestone Outcomes, Analysis and Actions
- 5 Briefing, Sharing and Learning

1. Introduction

1.1 Aims and objectives of the More Choices Project

The aim of this project is to change the delivery model for the adult social services provider services, grouped under two linked themes: personalisation and efficiency.

A fundamental element of the Government's transformation agenda for Adult Social Care and a Corporate objective for Barnet is to give people greater choice and control. In terms of Adult Social Care this is in meeting service user care and support needs, including through the provision of Personal Budgets and direct payments for individuals eligible for social care services. The primary objective is to put individuals in control of commissioning their own support, meaning that social care budgets will follow the individual with an option to purchase services which are currently offered in-house. The new service model will need to be innovative, agile and nimble to respond to market conditions and organically expand; offering services people (including personal funders) can and want to buy.

London Borough of Barnet (LBB) has set a target that by December 2011 all adult community care service users will have a Personal Budget. On 16th November 2010, the Department of Health's vision for Adults Social Care "Capable Communities and Active Citizens" presses for councils to not only provide personal budgets for everyone eligible for ongoing social care by April 2013 but also states that budgets should be deployed as a direct payment.

Secondly, it has been identified that the In-House services are currently being subsidised by the council. The very present national tightening on public spending has also highlighted the need to reduce costs in the way in which services are provided, and this project also exploring alternative delivery models for a range of its services to achieve better value for money.

This EIA deals with the staff affected by the project, a separate EIA has been conducted for service users, carers and families. This EIA is a living document and will be reviewed at each major project milestone as outlined in section 2.

1.2 Description of the critical milestones

- Identification of staff affected by the transferral of Adult In-House Social Services to a Local Authority Trading Company (incorporating Barnet Homes).
- Engage with affected staff, service users and carers on the proposed structure change, business case and provide an opportunity for them to feedback their ideas for inclusion within the business case where appropriate.
- Engage with the Trade Unions to review the content of the Business Case and consider responses.
- Cabinet Resources Committee (CRC) and Barnet Homes boards for approval

- Inform affected staff, service users, carers including Barnet Homes staff and service users of CRC decision
- If approved:
 - Conduct due diligence.
 - Consult with affected staff (formal) and service users on the change.
 - Consider consultation responses and take a decision on the proposed changes in light of responses.
 - Agree contract management and governance arrangements
 - Implement the change; Local Authority Trading Company (LATC) formation and TUPE transfer of staff.

1.3 Key Stakeholders

All service users, families, carers and affected staff working at the following Adult In-House Services:

- **Learning Disability (LD) Services**
 - Rosa Morison
 - Flower Lane Autism Service
 - The Space
 - Agatha House
 - Valley Way
 - Barnet Supported Living Service
 - Community Support Team
 - Business Development Unit
- **Physical and Sensory Impairment Services**
 - Barnet Independent living Services
- Barnet Homes
- Adult Social Services Directorate
- All Partner Organisations
Such as Mental Health Trust, NHS Barnet (including the Barnet Learning Disability partnership board)
- Third Sector Agencies
Advocates such as Mencap, Barnet Peoples Choice, LD Parliament representatives

2. Any Anticipated Equalities Issues at each milestone and identified mitigation

2.1 Project Initiation: Identification of staff scope

Only staff whose job role has a direct impact as a result of this change will be included in this consultation. This staff group has been identified by service managers within Adult Social Services (AdSS), HR business partner and project manager.

This has been based solely on the positions within the establishment. On 4 February 2011 a decision was taken by the Mental Health Partnership Management Group to remove the Network from scope for transfer to the LATC. No equalities issues are expected.

2.2 Conclusion of Cabinet Resources Committee

The CRC approval will be required for approval of the business case which sets out the case for change including financial and non-financial benefits. CRC approval will enable the set up of a local authority trading company structure, incorporating Barnet Homes and the transitioning of services. This phase will require due regard to governance, diligence and contracts between the council and the LATC. Following this, a revised EIA will be prepared for the General Functions Committee (GFC) for consideration of the staffing implications of this proposal.

2.3 Trade Union Engagement arising from TUPE consultation

Formal consultation for staff in scope for transfer will be triggered upon approval from the General Functions Committee. Consultation will be conducted with all affected staff in compliance with the Councils Managing Organisational Change Policy. Due to the nature of the services, there will be separate briefings which will occur on the same day.

Staff will be given the same consultation form and all provided with 1:1 meetings with their respective managers to discuss the proposal and raise any concerns. They are at liberty to respond to the consultation directly or through their line manager. Any issues raised during the consultation will be investigated on an individual basis with their manager to look for a suitable resolution. Issues that could be raised by staff are the nature of the new LATC differences in terms and conditions, TUPE and pensions.

All consultation responses will be collated by the project manager and presented to the Project Board for discussion of any particular issues or concerns. The final decision will be taken by the Project Sponsor and Senior User (Director and Deputy Director of the affected services). No equalities issues, other than any raised and worked through during the consultation are expected.

2.4 Point of transfer to the LATC

The conclusion of TUPE consultation and implementation of the change for the externalisation of

	Black or Black British Caribbean African Other Black	68							
	Chinese or Other Ethnic Group Chinese Other Ethnic Group	Figure Withheld to prevent identification							
Disability (10-Y 224-N Blank- 6)									
	Physical co-ordination (such as manual dexterity, muscular control, cerebral palsy)								
	Hearing (such as: deaf, partially deaf or hard of hearing)	Figure Withheld to prevent identification							
	Vision (such as blind or fractional/partial sight. Does not include people whose visual problems can be corrected by glasses/contact lenses)								
	Speech (such as impairments that can cause communication problems)								
	Reduced physical capacity (such as inability to lift, carry or otherwise move everyday objects, debilitating pain and lack of strength, breath, energy or stamina, asthma, angina or diabetes)								
	Severe disfigurement								
	Learning difficulties (such as dyslexia)	Figure Withheld to prevent identification							
	Mental illness (substantial and lasting more than a year)								
	Mobility (such as wheelchair user, artificial lower limb(s), walking aids, rheumatism or arthritis)								
Gender Identity									
	Transsexual/Transgender (people whose gender identity is different from the gender they were assigned at birth)	0							
Pregnancy and Maternity									
	Pregnant	Data not available							

	Maternity Leave (current)								
	Maternity Leave (in last 12 months)								
Religion or Belief	Christian	108							
	Buddhist	Figure Withheld to prevent identification							
	Hindu	Figure Withheld to prevent identification							
	Jewish	Figure Withheld to prevent identification							
	Muslim	Figure Withheld to prevent identification							
	Sikh	Figure Withheld to prevent identification							
	Other religions	16							
	No religion	43							
	Not stated	50							
	Sexual Orientation (Prefer not to say 89 Blanks- 27)	Heterosexual	119						
Bisexual		Figure Withheld to prevent identification							
Lesbian Gay		Figure Withheld to prevent identification							
Marriage and civil partnership (unknown – 59 cohab- 2)	Married	75							
	Single	92							
	Widowed	Figure Withheld to prevent identification							

		identifi cation							
	Divorced	10							
	In Civil partnership								
Relevant and related grievances									
	Formal	2							
	Upheld	0							
	Dismissed	0							

3.2 Evidence

3.3 List below available data and research that will be used to determine impact on different equality groups

Data used to assess numbers in the groups with protected characteristics has been provided by SAP, the Councils HR management system. Employees within each service area have also been ratified by each service manager; therefore the monitoring summary may be more recent than the data provided in SAP.

The impact on these groups has been assessed through group consultation with service managers of each service.

3.4 Evidence gaps

N/A

3.5 Solution, please explain how you will fill any evidence gaps?

N/A

4. Project Milestone Outcomes, Analysis and Actions

4.1 Summary of the outcomes at each milestone

At the point of writing, the project is approaching milestone 2. The outcome of milestone 1 is outlined below.

4.1.1 Project Initiation: Identification of staff scope

The detail is set out at table 1. At this milestone it is not envisaged that there should be any adverse equalities impact on any protected characteristic grouping.

4.1.2 Conclusion of Cabinet Resources Committee (CRC)

TBD

4.1.3 Engagement with Trade Unions arising from TUPE consultation

TBD

4.1.4 Point of transfer to the LATC

TBD

4.2 Actions proposed

4.2.1 Project Initiation: Identification of staff scope

None

4.2.2 Conclusion of Cabinet Resources Committee (CRC)

TBD

4.2.2 Engagement with Trade Unions arising from TUPE consultation

TBD

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4.2.3 Point of transfer to the LATC

TBD

5. Briefing, Sharing and Learning

EIA Consultation -	
Group Content (by Title):	
Date Consultation Group Held:	
Comments resulting from consultation:	
Actions following consultation:	
Comments not actioned and reason:	

Business Scrutiny:

This table summarises the briefing activities. This EIA forms the primary briefing tool and has been shared as detailed below.

Table 2

Milestone Description	Show Briefing Date	Programme Office	Trade Unions – appropriate TU for Project	DPR - Delegated Powers Report	GFC – General Functions Committee	Corporate Staff Panel
<i>Milestone 1 - Consolidation</i>						
<i>Milestone 2 - Voluntary Redundancy</i>						
<i>Milestone 3 - Transfer Date</i>						

Draft



Interim Critique

Business Case for Adult Services

March 2011

Our expectations of for Full Business Case

We would expect any project management process to leading to this full business case stage to follow a consistent a considered and standardised framework such as Prince 2 or more appropriately for a project of this scale and nature the HM treasury Green Book¹ and associated supplementary guidance such as on written on business cases using the Five Case Model².

The Five Cases Model sets out an overall project structure as follows:

Phase 0 – Determining the Strategic context

Phase 1 – Preparing the Strategic Outline Business case

Phase 2 – preparing the Outline Business case

Phase 3 Preparing the Full Business Case

Phase 4 – Following the Full Business case Appraisal

The gateway between Phase 2 and 3, appropriate to this DRS Full Business Case stage, requires the following steps to have been completed prior to passing through this gateway:

Phase 2 Preparing the Outline Business Case

Step 4 Determining potential value for money

Step 5 Preparing for potential deal

Step 6 Ascertaining affordability & funding requirements

Step 7 Planning for successful delivery

Each of these steps has identified actions set out in the model and to our understanding most of these actions are either insufficient or entirely missing from this Business case.

¹ HM treasury Green Book Reference

² HM Treasury 'Green Book, Public Sector Business Cases using the Five Cases Model:a toolkit. Joe Flanagan, Paul Nicholls.

Summary

The draft Business Case: Future of Adult Social Services In-house Provider Services project, version 1.6, February 2011.

The following comments are based are contained under five headings:

1. Business Case methodology
2. Risk assessment
3. Financial analysis
4. Equalities assessment
5. Employment policies

The Government Green Book is clear about the standards of analysis for projects and value for money. Moreover there is a template 'business cases: Five Case Model' which could have been used by the consultants to ensure a thorough and complete assessment was undertaken. It is apparent this has not taken place.

1. Business Case methodology

The draft Business Case has been assessed using a matrix developed from Office for Government Commerce, Local Partnerships and HM Treasury Green Book best practice guidance on the preparation of Business Cases.

The structure of the draft LATC Business Case is summarised on page 5 and divided into seven parts:

1. Executive summary
2. Introduction
3. Scope and existing service delivery arrangements
4. Benefits case
5. Constraints dependencies and risks
6. Commercial aspects
7. Project Plan and roles
 - Service descriptions
 - Financial model approach
 - High-level business plan
 - Stakeholder engagement and feedback

A comparison with the scope and content of the best practice business case matrix highlights many important omissions in the LATC draft. Several key elements have been omitted and are highlighted in Table 1.

X = Omitted from Business Case

O = Only partially included

The trade unions have further comments to make on other aspects of the draft but we have focused on identifying the major shortcomings in this interim report. This identifies eight key issues which are missing from the business case and a further nine areas which are only partially included. Significant further work is required before the business case can be fully assessed.

Table 1: **Assessment of content of LATC Business Case**

Content of Business Case	
Strategic case	
Policy context and strategic fit	
Service/business needs and requirements	
Rationale for change	
Critical success factors and objectives	
Corporate impact	X
Strategic risks	X
Assessment of constraints, dependencies and opportunities	
Economic case	
Justification for option	O
Cost benefit appraisal including wider impacts (economy, equalities, sustainability, environment) & distributional impacts	X
Transaction costs	O
Sensitivity analysis	X
Value for money assessment	X
Commercial case	
Risk assessment, allocation and risk register	O
Payment mechanism	
Employment policies, staffing, terms and conditions/pensions	O
Equalities	X
Financial case	
Budget forecasts	
Capital and revenue forecasts	
Third party income	
User charges	O
Income and expenditure	O
Affordability based on whole life costs	O
Contingency plans for cost overruns/liabilities	X
Management case	
Governance arrangements	
Delivery plan	
Transformation plan	O
Stakeholder involvement	X
Benefits realisation plan	
Contract management, monitoring and review	O

2. Risks

The lack of a full business/service related risk assessment and a risk register is a serious omission. The identification of some risks (draft pages 47/48 and 53) is unstructured and the following risks are omitted:

- Democratic and governance risks
- Demand risk and competing provider risk
- Funding and affordability risks
- Operational/Safeguarding risks

The proposed LATC structure and the transfer of services and staff have significant risks for the Council, service users, staff and to Barnet Homes and tenants. The transfer is occurring at a time of substantial policy changes such as the move to personal budgets/direct payments and large cuts in public spending over the next four years. Predicting future needs, demand, user responses and financial viability in an age of uncertainty is difficult with significant potential risks. Thus the process of identifying risks, allocating responsibility and preparing mitigating action should be a core part of the business case.

3. Financial analysis

Cost of additional layer of management

On page 50, figure 25 shows the new structure of LATC and the proposed governance arrangements on page 52, figure 26. This implies considerable additional layers of management if the Council is to ensure adequate separation of duties, effective accountability and avoidance of conflict of interest. The cost of this extra layer of management has not been included in the business case.

Competition in the market place

The premise by which the business case stands is the ability of the LATC to be able to trade and make a profit. However it ignores any competitive forces in the market that is likely to impact on the future trading sustainability of the LATC. There is limited understanding of the competition from the voluntary and private sector and no analysis as to what maybe taking place in neighbouring boroughs. The report claims that the LATC will have a monopoly in the market place.

Impact of direct payments and longer-term sustainability of model

The business case is based on legal advice that “direct payments cannot be used to purchase this type of service” (pages 7, 9, 11, 35).

The business case assumes the LATC will continue to have a monopoly in the provision of Adult services. This is questionable. New alternative providers are unlikely to develop in the short-term but the private/voluntary sector could start providing elements of services that compete with LATC provision and thus reduce its operating margins. The business case is very Barnet focused and there is no indication that a sector or market analysis has taken account of planned changes in neighbouring boroughs. There is also a general lack of supporting evidence for the changes in the proposed changes to charges.

The implications of personal budget and direct payment are not adequately examined in the business case. It states: *“There is not any guarantee that people with direct payments will purchase LATC services”* (page 35). Given the high level of uncertainty over the timescale, implementation and service users response to personal budgets and direct payments the business case should examine the implications and risks of different scenarios instead of simply assuming targets (page 35). The adequacy of personal budgets to meet the cost of services and/or the introduction of price bands, new charges and other mechanisms to increase income could lead to a national crisis in social care.

Council transaction costs of £200,000 and retained client annual costs of £67,000 have been assumed (page 32). However, these costs appear to be under-estimated. The business case later refers to “initial estimates” (page 46). Further clarification of these costs is essential.

On pages 10-11 the business case presents commentary on financial and non financial benefits without providing any values to these benefits. It is our view that a business case must provide objective evidence for example key benefit targeted in relation to maintaining and improving service delivered there is not target figure for customer satisfaction to be achieved.

On page 31, Table 13 provides indicative saving to be achieved by reduced corporate overheads. The figures for potential savings do not clarify whether these are all cashable savings.

4. Equalities assessment

Our analysis of the Options Appraisal concluded: *“The options appraisal is totally devoid of equal opportunities policy implications – no reference to the gender/race of staff and service users, no assessment of the potential impact of the options on staff or service users”* (Barnet UNISON, 2010).

An Equalities Impact Assessment is similarly absent from the draft Business Plan. In fact, there is no reference to equalities in the draft. A pattern is emerging of systematic disregard for equalities, which we can only conclude, are a result of lack of understanding and/or poor management. The ‘problem’ will not be solved by attaching equalities impact assessment at a later stage, because equalities should be one of the core values on which the business case is built, particularly given the nature of the services concerned.

5. Employment policies

An analysis of staffing levels and employment policy matters is also absent in the Business Plan. It only refers to legal matters concerning a TUPE transfer (pages 53/55).

We assume the financial model will have made certain assumptions about staffing levels, terms and conditions in projecting costs over the four year plan period. The Council and the LATC must disclose these assumptions to staff and the trade unions. Any deterioration in terms and conditions and pensions could damage the quality and attraction of these services. The services stand and fall by the ability and commitment of the staff group. Although the LATC will be a separate employer, the Council cannot claim that they have to defer decisions on staffing levels, terms and conditions until after the transfer of staff and the LATC becoming the employer, because employment costs are a fundamental part of the viability and sustainability of the business case. Another Fremantle type dispute would have a major impact on services, users, staff, trade unions, the LATC and the Council.

The trade union comments on the Adult In-house Services options appraisal report made clear our concerns about the lack of information on future employment policies. The superficial scope of the ‘personnel issues’ section in the draft business case indicates that there has been little progress.

Appendix E

Response to Trade Union's Interim Critique of the Adults In-House Business Case for CDG 29 March 2011

Summary

A copy of the Adults In-House Business Case v1.6 was shared with Trade Unions on an embargoed basis on 17 February 2011. During 24 January – 4 February 2011 representatives from UNISON and the GMB attended staff engagement briefings on the business case.

On 23 February, the Project Manager and Project Sponsor met with representatives from UNISON and GMB to answer questions on the Business Case. The Trade Unions have considered this document and provided an Interim Critique dated March 2011.

The Trade Unions have set out comments under the following five headings in response to the Business Case: Future of Adults Social Services In-House Provider Services project, version 1.6, February 2011:

1. Business Case methodology
2. Risk assessment
3. Financial analysis
4. Equalities assessment
5. Employment policies

The Trade Union comments are outlined below with responses addressed in turn and set out below. A number of issues raised will be covered in future stages of the project, particularly those relating to negotiations between the council and LATC and detailed business planning.

The full Interim Critique Business Case for Adult Services, March 2011 document can be found in appendix B.

1. Business Case Methodology

The Trade Unions do not believe that a standard project management methodology is being used e.g. Prince 2 and wish for the HM Treasury Green Book and associated guidance on business cases is followed.

The One Barnet programme office is using the London Borough of Barnet project management methodology, which is based upon Prince 2. The Trade Unions have stated that the methodology does not meet their expectations.

The HM Treasury Green book on business cases has not been followed; however the London Borough of Barnet Project Methodology is the corporate standard for the authority therefore staff will be familiar with the format which has been agreed by the One Barnet programme office, the project sponsor and the implementation partner. Employees, should they wish to can access the corporate standard detailing the approved council methodology available on the Barnet intranet site.

The business case has been written in accordance with the London Borough of Barnet's project methodology as stated above. The business case has been reviewed and approved in principle by the One Barnet Programme Manager who provides a project assurance function to the Adults In-House Project Board. It will be cleared for CRC by officers and by the Adult Social Service Cabinet Member, Cllr Rajput.

2. Risks

Comment

The lack of a full business/service related risk assessment and a risk register is a serious omission. The identification of some risks (draft pages 47/48 and 53) is unstructured and the following risks are omitted:

- *Democratic and governance risks*
- *Demand risk and competing provider risk*
- *Funding and affordability risks*
- *Operational/Safeguarding risks*

The proposed LATC structure and the transfer of services and staff have significant risks for the Council, service users, staff and to Barnet Homes and tenants. The transfer is occurring at a time of substantial policy changes such as the move to personal budgets/direct payments and large cuts in public spending over the next four years. Predicting future needs, demand, user responses and financial viability in an age of uncertainty is difficult with significant potential risks. Thus the process of identifying risks, allocating responsibility and preparing mitigating action should be a core part of the business case.

Response

The Trade Unions claim that the risk assessment and risk register have omissions. The risks section reflects the fact that the solution is a commercial

business model and highlights the possible major risks identified thus far for the transition process. The Business Case provides a framework for planning and managing the business change however, it is the business plan which will outline the definitive strategic and operational risks for the Local Authority Trading Company.

Should the LATC formation be approved, the transfer of employees will follow the TUPE Regulations 2006. Throughout the process so far there has been valuable employee engagement. This has taken place through management workshops and staff engagement programmes, these will continue throughout the process.

Any risks identified that may affect employees have been recorded and developed into the project plan. Employees have been given the opportunity to ask questions through various routes and these have formed the Q&A. Any perceived risks brought to our attention during these times have been responded to as appropriate. Where risks have emerged which require further investigation the Project has taken these forward for resolution as appropriate.

The Pensions committee has received and approved a report requesting should the move to the LATC take place and employees TUPE transfer, the Pension provision will be provided via the LATC as either Designated or Admitted Body Status. This means that the employees' pensions will continue to be provided through the existing arrangements.

The high level business plan appended to the business case provides a roadmap for the full business plan. The high level transition plan outlines the key workstreams in the next stage plan which will involve negotiations as part of the due diligence processes between the LATC and the council. The 'omission' on the risk register referred to by the Trade Unions reflects the fact that the council is a monopoly, this will continue to be the case for the services upon transfer and is therefore not deemed a high risk.

It is not common project management practice to include an entire risk register in a business case. Project risks will continue to be managed using a project risk log which will feed programme and corporate risk logs as appropriate.

The specific specified risks and responses are detailed below:

- **Democratic and governance risks**
External legal advice from Trowers & Hamblins LLP has indicated that democratic and governance risks are low. Trowers & Hamblins LLP were appointed based on their experience of setting up Local Authority Trading Companies elsewhere. Proposed governance arrangements are detailed in section 7.3.2.

Section 2.3 - Strategic Fit of the business case outlines how the services sit within the future shape of the council.

- **Demand risk and competing provider risk**

The council is already established within the market for Adult Social Services. As mentioned above, the council is a monopoly therefore it is envisaged that in the short to medium term covered within the business case, demand and competitors will remain largely unchanged.

A number of services, such as Flower Lane Autism Service and Rosa Morison Day service have no similar competitors in the neighbouring boroughs and provide very specialist support. They are, in fact, sought after by service users and professionals in the surrounding areas.

Given the service users are primarily those with a learning disability from birth, it is unlikely service users would seek alternative suppliers based on the familiarity and quality of services provided.

For the transfer of staff and current service provision to the LATC no change has been proposed. A more detailed demand and competitor analysis will be conducted for inclusion within the full detailed business plan to cover the medium to long term.

- **Funding and affordability risks**

The roll out of personal budgets is a national government initiative and high level analysis has been conducted. Currently the arrangements for the services in-scope for transfer to the LATC constitute a block funding arrangement with the council. With emphasis on choice and control within the personalisation agenda, it will be necessary for changes to the delivery vehicle. This will enable service users to continue purchasing services which are currently provided in-house by the council.

There would be a risk to the council of double-funding of packages for individuals if the current block arrangements continue as individuals may choose to use personal budgets elsewhere. This would leave the services in a precarious financial position of high expenditure without service users.

The services are currently costed into the personal budgets of service users therefore services remain affordable within the Resource Allocating System. Financial modelling included consideration of unit costs to ensure that they were in line with those of other local authorities providing similar services.

- **Operational/Safeguarding risks**

No significant operational or safeguarding risks have been identified. It is proposed that the LATC comply with the Barnet safeguarding procedures which will be included in the contract novation as identified in the transition plan, section 8.2 (p60).

3. Financial Analysis

3.1 Cost of additional layer of management

Comment

On page 50, figure 25 shows the new structure of LATC and the proposed governance arrangements on page 52, figure 26. This implies considerable additional layers of management if the Council is to ensure adequate separation of duties, effective accountability and avoidance of conflict of interest. The cost of this extra layer of management has not been included in the business case.

Response

The business case is a working document and the current draft outlines indicative costs as we are further developing the structure. Further work is being undertaken and this will be costed and taken forward as appropriate. This was an integral part of the employee engagement workshops with employees and managers, where there was time for questions and these were welcomed during the session.

The structures will be remodelled using current management resources. Non Executive Directors and Service user/carer representation will need to be negotiated and confirmed as part of the shadow operation. This will be included within the Business Plan. LBB shareholder representation and non-Executive Directors are also to be determined however, the frequency of the board is quarterly and therefore any associated costs will be minimal.

3.2 Competition in the market place

Comment

The premise by which the business case stands is the ability of the LATC to be able to trade and make a profit. However it ignores any competitive forces in the market that is likely to impact on the future trading sustainability of the LATC. There is limited understanding of the competition from the voluntary and private sector and no analysis as to what maybe taking place in neighbouring boroughs. The report claims that the LATC will have a monopoly in the market place.

Response

The business case is seeking approval from CRC to develop the full business plan. This plan will outline how the company will operate in the short to medium term.

High level analysis has been conducted in the first instance against other Local Authority Trading Companies (LATC) currently trading with London. We are currently aware of, two established and operational local authority trading companies in relation to Adult Social Care.

As stated in section 2, a number of services, such as Flower Lane Autism Service and Rosa Morison Day service have no similar competitors in the neighbouring boroughs and provide very specialist support.

The market will develop over time as service users decide what they want to buy with their budgets. The LATC is expected to develop services which service users will find attractive.

Analysis has been conducted on neighbouring borough councils as part of the North London Strategic Alliance. No LATCs are currently trading within North London. It is agreed a detailed competitor analysis needs to be conducted to include other types of competitors such as the private/voluntary sector. This will be included within the business plan as outlined on p84. If this changes our assumptions and requires costs revisions as a result of the analysis, then this will be reflected within the full business plan.

3.3 Impact of direct payments and longer-term sustainability of model

Comment

The business case is based on legal advice that “direct payments cannot be used to purchase this type of service” (pages 7, 9, 11, 35).

The business case assumes the LATC will continue to have a monopoly in the provision of Adult services. This is questionable. New alternative providers are unlikely to develop in the short-term but the private/voluntary sector could start providing elements of services that compete with LATC provision and thus reduce its operating margins. The business case is very Barnet focused and there is no indication that a sector or market analysis has taken account of planned changes in neighbouring boroughs. There is also a general lack of supporting evidence for the changes in the proposed changes to charges.

The implications of personal budget and direct payment are not adequately examined in the business case. It states: “There is not any guarantee that people with direct payments will purchase LATC services” (page 35). Given the high level of uncertainty over the timescale, implementation and service users response to personal budgets and direct payments the business case should examine the implications and risks of different scenarios instead of simply assuming targets (page 35). The adequacy of personal budgets to meet the cost of services and/or the introduction of price bands, new charges and other mechanisms to increase income could lead to a national crisis in social care.

Council transaction costs of £200,000 and retained client annual costs of £67,000 have been assumed (page 32). However, these costs appear to be under-estimated. The business case later refers to “initial estimates” (page 46). Further clarification of these costs is essential.

On pages 10-11 the business case presents commentary on financial and non financial benefits without providing any values to these benefits. It is our view

that a business case must provide objective evidence for example key benefit targeted in relation to maintaining and improving service delivered there is not target figure for customer satisfaction to be achieved.

On page 31, Table 13 provides indicative saving to be achieved by reduced corporate overheads. The figures for potential savings do not clarify whether these are all cashable savings.

Response

It is the case that direct payments cannot be used to purchase adult social services which the council currently provides in-house. It is on this basis that the options appraisal and business case have been conducted.

The business case assumes the LATC will initially continue to have the monopoly currently held by the council as it is not proposed the service offer changes upon transfer of service provision.

The business case covers the short to medium term and it is recognised there could be a potential decline in services in the longer term as the market develops. There will be a challenge for the LATC to remain competitive. However, it is stated in section 4.5.2 on page 38 that the LATC will be in a position to respond to a changing market in a way that the Local Authority would not therefore there is flexibility for the LATC to maintain a competitive edge.

The business case models how the service transfer can be financially viable by applying the leavers outlined on p25. The Trade Unions state that the implications and risks of different scenarios should be examined. It is agreed that this would add value. The business case outlines what targets will need to be reached to achieve the Council's medium term financial strategy. There will be further analysis as the project progresses which will be captured in the business plan.

The £200,000 cost on page 32 relates to implementation costs as identified within the One Barnet Framework. The initial estimates referred to on page 46 refer to savings achievable through corporate recharges. The two figures are unrelated. The business case is a working document and v0.6 is draft so consequently includes assumptions which underpin the financial model.

Further financial modelling will be conducted as part of the necessary due diligence processes. It is agreed that providing values to the financial and non-financial benefits would be beneficial however, performance management and services delivery will be negotiated as part of contract negotiation. The metrics will form part of the contracts between the council and LATC. The management agreement, service level agreement(s) and articles of association will be agreed for inclusion within the detailed business plan which will be presented to CRC when seeking permission for company formation.

In the Business Case (v0.6, page 31) it is clearly stated that potential savings are secondary recharges and not 'real' budgets. Therefore savings can only

be realised and cashed through adjustments in staffing and corporate management arrangements at source.

4. Equalities assessment

Comment

Our analysis of the Options Appraisal concluded: “The options appraisal is totally devoid of equal opportunities policy implications – no reference to the gender/race of staff and service users, no assessment of the potential impact of the options on staff or service users” (Barnet UNISON, 2010).

An Equalities Impact Assessment is similarly absent from the draft Business Plan. In fact, there is no reference to equalities in the draft. A pattern is emerging of systematic disregard for equalities, which we can only conclude, are a result of lack of understanding and/or poor management. The ‘problem’ will not be solved by attaching equalities impact assessment at a later stage, because equalities should be one of the core values on which the business case is built, particularly given the nature of the services concerned.

Response

The Trade Unions have claimed that an equalities impact assessment is absent from the “business plan”¹. This is not the case.

The process for the initial equalities impact assessment (EIA) for service users, carers and staff began in September 2010; conducted with service managers, HR, Corporate Equalities and the AdSS Equalities Network.

The first complete iteration concluded a neutral impact and was appended to the High Level Options appraisal, presented to Cabinet on 29 November 2010. The EIA has been revisited and the latest iteration will be submitted to CRC with the business case.

5. Employment Policies

Comment

An analysis of staffing levels and employment policy matters is also absent in the Business Plan. It only refers to legal matters concerning a TUPE transfer (pages 53/55).

We assume the financial model will have made certain assumptions about staffing levels, terms and conditions in projecting costs over the four year plan period. The Council and the LATC must disclose these assumptions to staff and the trade unions. Any deterioration in terms and conditions and pensions could damage the quality and attraction of these services. The services stand and fall by the ability and commitment of the staff group. Although the LATC will be a separate employer, the Council cannot claim that they have to defer decisions on staffing levels, terms and conditions until after the transfer of staff and the LATC becoming the employer, because employment costs are a

¹ By “business plan”, we believe the unions’ mean “business case”.

fundamental part of the viability and sustainability of the business case. Another Fremantle type dispute would have a major impact on services, users, staff, trade unions, the LATC and the Council.

The trade union comments on the Adult In-house Services options appraisal report made clear our concerns about the lack of information on future employment policies. The superficial scope of the 'personnel issues' section in the draft business case indicates that there has been little progress.

Response

The business case outlines the staffing levels for each of the in-house services within scope for transfer to the Local Authority Trading Company. The number of staff within scope for transfer are those currently within the service provision to transfer. The employee profile is outlined in the internal EIA which will be submitted to CDG with the business case.

During consultation on the measures provided by the LATC at the appropriate time, the transfer of policies and procedures will be defined. The Council will transfer contractual Terms & Conditions as per the Transfer of Undertakings (Protection of Employment) Regulations 2006.

As per TUPE regulations, the affected staff will have a pension which is comparable with the LGPS. It is currently proposed that the affected staff remain part of the LGPS; this was agreed in principle by the Pensions Fund Committee on 21 March.

No associated assumptions nor recommendations have been made within the business case relating to staff terms and conditions. This is beyond the remit of the authority and will need to be determined by the LATC once formed for inclusion within the business plan. Staff are at no additional risk to a change in terms and conditions than they would be should they remain part of the council.

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GMB Interim Response to Business case for the Future of Adult Social Services in-house provider services project

- 1. The issues raised previously on the joint trade Union critique to the first draft of this Business Case still remain un-addressed in your response to us.**

- 2. Further to the issue raised previously around the impact of Direct Payments and the long term sustainability on the project there is an important qualification missing from the report.**

This qualification in regard to the statement; ‘The business case is based on legal advice that “direct payments cannot be used to purchase this type of service”

What the report fails to recognise is that regardless of the council’s and central government policy, the choice remains with the service user as to whether or not they wish to take the Direct Payment. The report identifies that ;

“In context for Barnet, currently eligible social care service users can choose how their personal budget is managed in one of three ways:

1. Self-management or with a trusted other, usually parent/carer, in the form of a direct payment

2. The council manages it on behalf of the individual in the form of a ‘council managed budget’

3. By a combination of a council managed budget and a direct payment” (Page 15 (2.2))

This makes it clear that there is a **choice** for the users in how they take their personalised budget. If it is made clear to them that if they only take part of their budget as a Direct Payment they will still be able to buy council services, but if they take it all in this way they will not, then **they will still be able to make that choice themselves**. Giving this option to users would reduce or eliminate the risk of double funding over emphasised throughout the report.

Another consideration is the actual take up of Direct Payments may be considerably less than anticipated, even if Barnet wishes it to be high. The added risk to the User of taking a Direct Payment is that they will become the ‘employer’ of anyone providing services directly to them. This means they will be liable themselves for Tax, NI, Sick Leave, Annual Leave, Maternity Leave etc for their employees. This may very well put a lot of people off going down this route.

3. As stated in the previous Joint Trade Union response there are many assumptions made over the financial details with no supporting evidence.

Further examples of this include;

- fig 29 (page 61) where there is no increase in spend on VAT on trading, VAT on Support Services or on Group and Board arrangement costs.
- There is also no indication of possible Corporation Tax costs after year 4 of establishment of the LATC.
- The overall predicted reduction in support costs of 75% displayed in fig 14 (p32) combined with a claim to be able to reduce overall back office costs from 19% to 6% (p31) is extremely unrealistic.
- The report also states that due to the current financial constraints on Social Services doing nothing is not an option. The GMB has never claimed that doing nothing was an option. We have repeatedly said that we understand the need for change and have advocated working with staff to make efficiencies and improvements to all services.

4. The risk of establishing a LATC is understated within the report.

As the report identifies there are currently only 3 LATC's in existence and none of them encompass an ALMO (p44). As this form of externalisation 'is not a well trodden path' there are no indications of the long term sustainability of such a delivery vehicle. The cost of repairing any damage caused by it's failure will cost far more than the 'potential' benefits of this model.

Page 36 section 4.3 does mention this risk in passing; "New LATCs or other arms-length organisations are particularly vulnerable to failure in the first year of operation and the coterminosity with Barnet Homes should protect against this."

Appendix G

Draft Response to GMB Interim Critique of the Adults In-House Business Case for CDG 26 April 2011

Summary

The Trade Unions received a copy of the Adults In-House Business Case v1.6 on an embargoed basis on 17 February 2011. On 23 February, the Project Manager and Project Sponsor met with representatives from UNISON and GMB to answer questions on the Business Case. The Trade Unions have considered this document and provided an Interim Critique dated March 2011.

An interim response was provided to the Trade Unions on 15 April 2011. A further iteration of the Business Case v1.8 was provided to the Trade Unions on 14 April 2011 on an embargoed basis. In response to the above mentioned documents a further interim response has been received by GMB.

Responses to GMB comments are addressed in turn and set out below.

Comment

1. GMB claim the issues raised previously on the joint trade Union critique to the first draft of this Business Case still remain un-addressed in your response to us.

Response

A response has been provided to each question raised in the Interim Critique Joint Trade Union Response based on the Business Case v1.6. A copy of the document is attached to the report as appendix D. A courtesy copy was provided to the Trade Unions ahead of 26 April CDG along with a further iteration of the business case v1.8. The staffing issues have not fundamentally changed.

The current version of the business case is v1.10. Considering the Trade Union feedback received the following changes have been incorporated amongst others since v1.6:

- P9 – Footnote 6 has been included stating management cost assumptions
- P11 – Footnote 9 has been included to specify the approach for measuring performance.
- P25 – Footnote 13 has been included to state the assumptions made for Corporate and back offices service costs.
- P27 – Footnote 16 has been included to state the assumptions underpinning the improvement proposed levers proposed

- P51-52 – Constraints, dependences and risks have been updated to reflect the most current position and incorporate TU feedback.

Comment

2. Further to the issue raised previously around the impact of Direct Payments and the long term sustainability on the project there is an important qualification missing from the report.

This qualification in regard to the statement; ‘The business case is based on legal advice that “direct payments cannot be used to purchase this type of service”

What the report fails to recognise is that regardless of the council’s and central government policy, the choice remains with the service user as to whether or not they wish to take the Direct Payment. The report identifies that ;

“In context for Barnet, currently eligible social care service users can choose how their personal budget is managed in one of three ways:

1. Self-management or with a trusted other, usually parent/carer, in the form of a Direct payment

2. The council manages it on behalf of the individual in the form of a ‘council Managed budget’

***3. By a combination of a council managed budget and a direct payment”** (Page 15 (2.2))*

*This makes it clear that there is a **choice** for the users in how they take their personalised budget. If it is made clear to them that if they only take part of their budget as a Direct Payment they will still be able to buy council services, but if they take it all in this way they will not, then **they will still be able to make that choice themselves**. Giving this option to users would reduce or eliminate the risk of double funding over emphasised throughout the report.*

Response

Based on the legal advice received, it is understood that direct payments cannot be used to purchase services run by the Council. It is agreed that there can be a combination of a council managed budget and a direct payment as outlined in the business case (v0.8 p15). However, the council managed budget will be used to purchase services from the new LATC and therefore the services referred to will not be services run by the authority. It is agreed there is a choice pertaining to services however, we believe that there would continue to be a risk of double funding and the establishment of a LATC will reduce this risk as set out in the business case.

Comment

Another consideration is the actual take up of Direct Payments may be considerably less than anticipated, even if Barnet wishes it to be high. The

added risk to the User of taking a Direct Payment is that they will become the 'employer' of anyone providing services directly to them. This means they will be liable themselves for Tax, NI, Sick Leave, Annual Leave, Maternity Leave etc for their employees. This may very well put a lot of people off going down this route.

Response

A direct payment could be will be used to purchase services from individuals or companies should the client choose to do so. It is not anticipated that the client would not to directly employ staff and therefore there would be no employer liability or responsibility on the client.

Comment

3. As stated in the previous Joint Trade Union response there are many assumptions made over the financial details with no supporting evidence.

Further examples of this include;

- fig 29 (page 61) where there is no increase in spend on VAT on trading, VAT on Support Services or on Group and Board arrangement costs.*
- There is also no indication of possible Corporation Tax costs after year 4 of establishment of the LATC.*
- The overall predicted reduction in support costs of 75% displayed in fig 14 (p32) combined with a claim to be able to reduce overall back office costs from 19% to 6% (p31) is extremely unrealistic.*
- The report also states that due to the current financial constraints on Social Services doing nothing is not an option. The GMB has never claimed that doing nothing was an option. We have repeatedly said that we understand the need for change and have advocated working with staff to make efficiencies and improvements to all services.*

Response

An assumption has been made that the costs for VAT on trading and support services plus group & board arrangements are to remain constant.

Where assumptions have been made, a worst case scenario has been illustrated.

The reduction in support costs displayed in figure 14 will not be combined with the reduction in back office costs from 19% to 6% - they are one and the same thing. The 19% cost currently charged is a notional internal cost, whereas the 6% figure stated in the business case is based on bench marking national data and general market intelligence.

Comment

4. The risk of establishing a LATC is understated within the report.

As the report identifies there are currently only 3 LATC's in existence and none of them encompass an ALMO (p44). As this form of externalisation 'is not a well trodden path' there are no indications of the long term sustainability of such a delivery vehicle. The cost of repairing any damage caused by it's failure will cost far more than the 'potential' benefits of this model.

Page 36 section 4.3 does mention this risk in passing; "New LATCs or other arms-length organisations are particularly vulnerable to failure in the first year of operation and the coterminosity with Barnet Homes should protect against this."

Response

The risk and viability of establishing a LATC was considered in the Options Appraisal as presented to Cabinet in November 2010. A number of options were assessed and forming a LATC was the recommended option which was approved by Cabinet. The risk for the LATC is sustainability in the longer term; this will be underpinned by the ability of the LATC responding to the market. This will be the responsibility of the new entity however; the LATC will be at liberty to respond to the market in a way the Council cannot. The short term business plan will go to CRC for approval prior to company formation.

Lessons learned continue to be acquired from Local Authorities that have already implemented / are in the process of implementing a LATC. Whilst some have already been included in section 5 of the business case, further research will be undertaken in order to inform the development of the business case/plan.

From your members' perspective, there are safeguards in place that should any issues materialise the council will ultimately take responsibility for staffing. It should also be noted that the proposal is for the LATC will be 100% owned by the Council and adequate controls will be in place as outlined in the business case.