	Adults and Safeguarding Committee **7th March 2016**
Title	**Outline business case for an alternative delivery model for adult social care**
Report of	Dawn Wakeling, Adults and Health Commissioning Director
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix: Adult social care alternative delivery model outline business case
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Summary

In November 2015 the Adults & Safeguarding Committee approved the approach to a proposed new operating model for adult social care (ASC) and agreed an approach to developing an outline business case for an alternative delivery model. This paper presents the recommendations from the outline business case. The case presents the final proposal for the operating model and options on the delivery model. From an initial set of six options, three options have been shortlisted as the best ways to deliver the cultural and process change needed to implement the new operating model, and with the greatest potential to deliver financial savings and additional income. This report proposes that these three options – a reformed in-house service; a shared service with the NHS and a public service mutual organisation – be developed in greater detail. In parallel with this work, there would be a period of public consultation, and activities already underway to prepare for the operating model would continue. A further Committee paper in September 2016 would then recommend a single delivery model option, taking into consideration, amongst other matters, the consultation results.

Recommendations

1. **That the Adults and Safeguarding Committee approves the shortlisted options for an alternative delivery model.**
2. **That the Adults and Safeguarding Committee confirms its approval of the proposed new operating model and agrees to public consultation on the operating model and the delivery model options, starting in spring 2016.**
3. **That the Adults and Safeguarding Committee approves the approach to developing a further business case that will present a single recommended alternative delivery model option to the Committee in September 2016.**

1. WHY THIS REPORT IS NEEDED

1.1 On 26 January 2015, the Adults and Safeguarding Committee agreed that Barnet's model for delivering social care needed to be transformed and approved the initiation of a project to consider alternative delivery models for adult social care (ASC).

1.2 On 12 November 2015, the first output of this project, a proposed new operating model for ASC, was presented to the Committee. The new operating model is based on a vision of shared responsibility between the state, the community and the person. It recognises that the role of ASC is to support people's independence and ability to be part of their communities for as long as possible. The model proposes changes to what ASC practitioners do (their processes) and to how they do it (their team and organisational culture and their working practices).

1.3 By helping people to stay healthy and well, supporting them to regain their independence after illness or injury, and encouraging them to make greater use of community resources, the new operating model aims to reduce demand for Council-funded care and support.

1.4 The second stage of this project is to consider the full range of alternative delivery models (ADMs) and identify the best ADM to deliver the new operating model.

1.5 This report presents the findings from an initial evaluation of alternative delivery models and proposes that three of those models - a reformed in-house service; a shared service with the NHS and a public service mutual organisation – be shortlisted and developed in greater detail.

2. REASONS FOR RECOMMENDATIONS

2.1 The reasons for the new operating model were set out in the report to this Committee on 12 November 2015 when the approach to the proposal was approved by the Committee. The outline business case (included as an appendix to this report) draws out the proposed new operating model and the changes required to implement it.

2.2 These are the ADM options that have been considered, with a brief summary of the feedback given on each option by stakeholder groups (staff, residents, service users, carers, and representatives of local community and voluntary sector organisations).

2.3 **Reforming and delivering the service in-house.** The in-scope services would continue to be delivered by the Council's Adults and Communities Delivery Unit, in partnership with Capita. A transformation programme would be undertaken to implement the new operating model and ensure the continued financial and operational sustainability of the service. Stakeholders acknowledged this option as a tried-and-tested model that was known to be an effective way to support people and keep them safe. However, some staff thought the necessary changes could not be made through an in-house service. Some service users and carers agreed: they thought that it would be too difficult to "turn the service around" under this model.

2.4 **Sharing services with public sector partner(s) such as local NHS organisations and/or other London Boroughs.** The Council would join up with one or more local NHS organisations to deliver integrated health and social care services. A single organisation would be responsible for the delivery of local health services and ASC services. This shared service could also include another local authority partner. Stakeholders saw the potential of a shared service to improve and accelerate health and social care integration and provide what they described as a more "holistic" service. However, they also expressed concern that a NHS organisation would be the much larger partner and would therefore "dominate" the partnership.

2.5 **A partnership outside the public sector.** This option could be implemented as an outsourcing arrangement, where an external provider delivers the services for the Council, or a joint venture (JV), where a JV company is created, jointly owned by the Council and an external provider. Some staff felt that they might have greater "freedom" from Council policies and procedures if they worked within a private sector organisation. However, other staff were concerned that a private sector organisation would not have a strong public service ethos and would be less focused upon meeting the needs of individual service users and carers. Service users questioned whether it would be more

difficult for the Council to manage a provider effectively when it was delivering a complex and sensitive service such as ASC.

2.6 **Transferring the in-scope services to The Barnet Group, the Council's Local Authority Trading Company (LATC).** The Barnet Group is wholly owned by the Council, which means any profits it generates can be returned to the Council. Stakeholders felt that some of the benefits of delegating services to The Barnet Group were the same as those that applied to delegating services to any external partner (such as "freedom" from Council policies and procedures). However some stakeholders also felt that some of the drawbacks associated with an external partner could also apply to this option, such as the risk that a partner would fail to deliver the level of service described in the procurement process.

2.7 **Establishing a public service mutual organisation.** In the strategic outline case this option was described as a social enterprise. This term has no legal definition in the UK and is used to describe a wide range of different organisational structures. Therefore in this paper the term 'public service mutual' (PSM) is used as it summarises the key features of this option – it is independent from the Council, any profits it generates are re-invested in the service and it is at least partially owned by its staff. This concept of shared ownership and meaningful representation of staff and local people at management board level was very attractive both to staff and to service users. However, amongst both staff and service users, some were concerned that a small organisation could be financially vulnerable, especially in an environment where social care budgets are reducing every year.

The following options appraisal criteria were applied to the options:

2.8 **Criteria 1: Is there appetite amongst potential partners to deliver this option?** Through informal market engagement, potential interest in delivering the ADM was identified amongst local NHS organisations and amongst organisations in the private and not-for-profit sectors. The opportunity was also explored with The Barnet Group. Staff in the Adults and Communities Delivery Unit expressed interest both in exploring the PSM option and in moving forward with a reformed in-house service.

2.9 **Criteria 2: Can statutory ASC functions be delegated under this option?** The Care Act 2014 gives Councils the ability to delegate most statutory ASC functions in relation to assessment and care management, although they cannot delegate their statutory duties, and some statutory functions would remain the responsibility of the Council under any ADM. Notwithstanding these limitations, at present there do not appear to be any legal barriers to any of the options carrying out delegated statutory ASC functions.

2.10 **Criteria 3: Could this option deliver the required cultural and process change?** In order to deliver the new operating model, the ADM needs to create an environment in which:

- People's expectations of what the Council will do for them are "reset" and they are encouraged to take responsibility for living as independently as possible.
- Amongst staff, trust, professional autonomy and positive risk taking and promoted and decision-making is swift and unhindered by bureaucracy.
- The service works closely with partners including health, housing and organisations from the community and voluntary sector (CVS).

2.11 There is good evidence from examples such as Focus in North East Lincolnshire and People2People in Shropshire, that a PSM can be a highly effective way to create this kind of environment. The opportunity for staff to own a financial 'stake' in the organisation, and the representation of staff on the PSM management board drives high levels of staff engagement. Local people can also be members of the PSM management board and directly influence its priorities and strategic direction.

2.12 A shared service with the NHS would present a significant opportunity to transform the way ASC services work with health services, both at a strategic level and in the way staff on-the-ground work together. If health and ASC services shared a pooled budget there would be more joined-up thinking around how people can be supported to lead more independent lives for longer.

2.13 It would be possible to deliver elements of the required level of change through a reformed in-house service but it would be a very slow and complex process. The service has a strong local identity and reputation as "the Council" and this could make it harder to persuade people and partners to change expectations and work with the Council in a different way.

2.14 Although The Barnet Group is a separate organisation, it also holds a strong identity as part of the Council. This could make it more difficult for The Barnet Group to reset expectations and develop new ways of working. The Barnet Group's status as a LATC (wholly owned by the Council) means there would not be an opportunity for staff and/or members of the community to share ownership of the ADM under this option.

2.15 Involving a partner from outside of the public sector in the ADM could help to accelerate implementation of the new way of working. However, there is no evidence of this model being used in other Councils to drive extensive culture and process change in ASC. There is also a risk that staff would feel

disengaged from the service and that partner organisations could be mistrustful and reluctant to work closely with the service if it were delivered by a private sector partner.

2.16 **Criteria 4: Could this option generate savings and/or additional income?** The ASC ADM project has a savings target of £1.96m between 2017/18 and 2019/20.

2.17 Under a reformed in-house service, savings would be generated through a reduction in employee-related costs and some reduction in management overheads. The staffing savings would be realised through actions to review the skills mix of staff, increase staff productivity, review support services and improve the overall efficiency of the service.

2.18 Given the importance of its role in delivering the new operating model, under a reformed in-house service the Social Care Direct service would be reviewed and integrated with the teams that deliver professional social work. The senior management team of the Delivery Unit estimates this integration could realise efficiency savings. Further savings could also be achieved by providing ASC transport and school transport through a single service. This initiative is still under development so a conservative estimate has been made that a saving could be achieved over the savings period. These two savings opportunities have been applied to all of the ADM options.

2.19 Most of the savings under a NHS shared service would be generated through economies of scale and procurement savings on supplies and equipment. Under a pooled health and social care budget there would also be increased investment in ASC as a more cost-effective alternative to NHS in-patient services. Additional net income from a pooled budget, combined with income through trading services with the private sector and/or individual citizens is assumed under this option.

2.20 Employee-related cost savings are assumed to be lower than those under a reformed in-house service because increasing the efficiency of the service will be more difficult as the service will be much larger and more complex than the current in-house service. However, the assumed saving on management overheads is assumed to be higher under a shared service because two services brought together would need only one senior management team.

2.21 Initial market testing intelligence indicates that in this context a private sector partner could realise efficiency savings equivalent to 10% of the in-scope services. Based upon the projected budget for employee-related costs and transport costs in 2017/18 (£14.6m) this gives an assumed total saving of £1.46m over the savings period.

ADM financial model

Assumed value of in-scope services, 2017/18	14,603,108

Saving opportunity	Risk	Reformed in-house service	NHS shared service	Partnership outside the public sector	The Barnet Group	Public service mutual
Review Social Care Direct provision and delivery with close integration with professional social work teams	Low	Initial analysis shows this option is likely to achieve 86% of the £1.96m savings target.	Initial analysis shows this option is likely to achieve 85% of the £1.96m savings target.	Initial analysis shows this option is likely to achieve 74% of the £1.96m savings target as providers are likely to guarantee savings equivalent to 10% of the value of in-scope services.	Initial analysis shows this option is likely to achieve 82% of the £1.96m savings target.	Initial analysis shows this option is likely to slightly exceed the £1.96m savings target.
Reduce employee-related costs through productivity improvements, efficiencies, reviewing skills mix	Low					
Management overhead savings	Low					
Review support functions within Delivery Unit	Medium					
Efficiencies in contracts with health	Medium					
Passenger transport saving	Medium					
Enablement service	High					
Additional income from trading and other sources	High					
Total savings		**1,677,660**	**1,662,833**	**1,460,000**	**1,611,186**	**2,105,898**
Revised budget		**12,925,448**	**12,940,275**	**13,143,108**	**12,991,922**	**12,497,210**
Level of confidence in delivering and facilitating wider MTFS savings target (£13.1m)		85%	85%	85%	85%	95%
Therefore level of MTFS savings delivered from 2017/18 onwards		**11,141,035**	**11,141,035**	**11,141,035**	**11,141,035**	**12,451,745**
Total benefit to the Council		**12,818,695**	**12,803,868**	**12,601,035**	**12,752,221**	**14,557,643**
Rank		2	3	5	4	1

2.22 The financial assumptions for the LATC option are very similar to those made for the reformed in-house service. The differences in the assumptions are 1) The Barnet Group is able to trade; and 2) savings through reducing employee-related costs are assumed to be lower because delivery of statutory ASC functions is a new service area for The Barnet Group.

2.23 As an organisation independent from the Council, a PSM could have a much more streamlined organisation structure with faster decision-making and reduced bureaucracy. Therefore it is assumed a PSM could deliver employee-related cost savings and savings on management overheads through implementation of a flat management structure. Trading income is assumed, because staff would have a high level of incentive to generate income through trading. As the PSM would have a high level of control over how it spends any trading surplus, staff would be able to see a direct link between the PSM's trading activities and the money it has available to invest in service improvement.

2.24 Under a PSM the Delivery Unit proposes to reform the enablement service, with a greater emphasis upon occupational therapy, and staff development to increase skills around behaviour changes and use of equipment and preventative services. These reforms could realise efficiency savings over the savings period.

2.25 The ADM project also needs to support the achievement of the Adults and Safeguarding Committee's overall savings target (£13.1m between 2017/18 and 2019/20, excluding the ADM project's own savings target of £1.96m). The level of confidence in meeting that target has been set at 95% if the service is delivered through a PSM, reflecting the high level of alignment between the operating model's aims and the key features of a PSM. The confidence rating for the other options has been set lower, at 85%, as these options are less well aligned with the operating model.

2.26 **Criteria 5: Has this option been tested by other Councils?** The in-house model is in use by the majority of Councils and is well tested for the delivery of statutory ASC functions. There are also examples of PSMs and NHS shared services successfully delivering the full range of statutory ASC functions. However, there are no examples of a LATC or a provider outside of the public sector delivering the full range of statutory ASC functions on behalf of a Council. Given the essential nature of the ASC service, and the vulnerable people it supports, the Council needs to consider whether the potential benefits of the untested options justify the risks associated with pioneering a new approach.

Options appraisal summary

	Is there market appetite for this option?	Could this option carry out statutory social care functions?	Could this option deliver cultural and process change?	Could this option generate savings and/or additional income?	Has this option been tested by other Councils?
Public service mutual organisation	✓	✓	HIGH	HIGH	✓
NHS shared service	✓	✓	HIGH	MEDIUM	✓
Reformed in-house service	✓	✓	MEDIUM	MEDIUM	✓
LATC (The Barnet Group)	✓	✓	LOW	MEDIUM	✗
JV with partner outside the public sector	✓	✓	LOW	LOW	✗

2.27 It is therefore proposed that the following options be taken forward to a detailed appraisal:

- A PSM appears to be the most effective way to deliver the required change, and also has the strongest financial business case.
- A shared service with the NHS presents potential benefits arising from the integration of health and social care that could be highly significant.
- A reformed in-house service could deliver the required change, albeit more slowly than could be delivered through other ADMs.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Three alternative delivery model options have been evaluated and are not recommended for further consideration.

- Outsourcing or a joint venture with a partner outside the public sector (two options, treated as a single option in the options appraisal). This is the worst performing option judged against both the ability to generate savings and the extent to which it can support the required process and cultural change. In this context there is no justification for accepting the risk of being the first Council to delegate such a wide range of statutory ASC functions to a provider outside of the public sector.
- Delegating the services to The Barnet Group. Although The Barnet Group has an excellent track record as a social care organisation, its strength lies in providing social care services, rather than delivering statutory ASC functions. Insufficient synergies have been identified between The Barnet Group and the in-scope ASC services to justify combining the services. There is also a significant potential conflict of interest arising from Your Choice Barnet's role as a major local provider of learning disability services, sheltered housing and, in the future, extra care sheltered housing. It would be very difficult for The Barnet Group to ensure sufficient separation between the role of assessing social care need and the role of providing social care services. This option also has a less strong financial case than the other three options.

3.2 This project has not considered a "do nothing" option. The Council could continue to provide social care through the current model. However over time this would lead to a situation of increasing risk, both financial and in terms of safety, as unit costs of care were driven lower and risk of considerable overspend increased. The current model is also not geared up to deliver preventative responses that will help keep people healthy and well and reduce demand in the longer term. Therefore the current model will not in the long

term achieve the outcomes in the Commissioning Plan and so would not be consistent with the Council's strategy.

4. POST DECISION IMPLEMENTATION

4.1 The next stage of this project will be delivered through three workstreams:

- Producing a revised business case that develops each of the three shortlisted options in greater detail.
- Continuing the work already initiated to prepare for the proposed new operating model through culture and process change.
- Public consultation on how the new operating model should be implemented and on the proposed shortlist of ADM options.

4.2 Based upon the findings from these three workstreams, a preferred ADM will be recommended to the Adults and Safeguarding Committee in September 2016.

4.3 The time taken to implement the ADM will depend upon which ADM is selected. Transformation of a reformed in-house service would take approximately 18 months to complete. A public service mutual could be established rapidly, within three months or more slowly, within 15-18 months, depending upon the implementation approach. A NHS shared service could be established within 12 months under a Section 75 Agreement. Implementation of a shared service as an Accountable Care Organisation would take longer as this is a new form of NHS organisation.

4.4 The Council's Medium Term Financial Strategy requires the ADM to start delivering savings from the financial year 2017/18. Therefore under each of the options a phased approach to savings realisation would be required, under which some savings can be realised while implementation of the ADM is still in progress.

5. IMPLICATIONS OF DECISION

Corporate Priorities and Performance

5.1 Successful implementation of the Commissioning Plan, of which this work is part, will help to support and deliver the following 2015 – 2020 Corporate Plan objectives for health and social care services:

- To make a step change in the Council's approach to early intervention and prevention as a means of managing demand for services.
- To remodel social care services for adults to focus on managing demand and promoting independence, with a greater emphasis on early intervention.

- To implement the Council's vision for adult social care, which is focused on providing personalised, integrated care with more residents supported to live in their own home.

5.2 This approach is consistent with the Joint Health and Wellbeing Strategy 2016-2020 which sets out a vision that includes continuing emphasis on prevention and early intervention; developing greater community capacity; increasing individual responsibility and building resilience.

Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.3 The Council's net revenue budget for Adults and Communities (including staffing costs, supplies and services, payments to external suppliers and client contributions) is £85.6m in 2016/17.

5.4 The ADM project has a savings target of £1.96m between 2017/18 – 2019/20 (£654,000 per annum in 2017/18, 2018/19 and 2019/20). Initial financial analysis shows that the reformed in-house service is likely to achieve 86% of this savings target; an NHS shared service 85% of the savings target; a joint venture with a partner outside of the public sector 74% of the savings target ; delegating the services to The Barnet Group 82% and a public service mutual organisation would slightly exceed the savings target.

5.5 The Adults and Safeguarding Committee has an overall savings target of £18.5m between 2016/17 and 2019/20. The Committee's savings proposals (approved by the Council's Policy and Resources Committee on 16 December 2015) assume total savings of £3.4m in 2016/17, and a saving of £1.96m to be delivered directly by the ADM project in the period 2017/18 to 2019/20. This leaves a saving of £13.1m between 2017/18 and 2019/20 that the ADM needs to enable and support by reducing need for Council-funded services. The level of confidence in meeting this target has been set at 95% if the service is delivered through a PSM, reflecting the high level of alignment between the operating model's aims and the key features of a PSM. The confidence rating for the other options has been set lower, at 85%, as these options are less well aligned with the operating model.

5.6 A total budget of £1.26m for the ADM project was approved by the Council's Policy & Resources Committee on 16 February 2016, to be funded from the Transformation Reserve Fund. This budget includes the cost of implementing the selected ADM model.

Legal and Constitutional References

5.7 The responsibilities of the Adults and Safeguarding Committee are contained within the Council's Constitution – Section 15 Responsibility for Functions (Annex A). Specific responsibilities for those powers, duties and functions of

the Council in relation to Adults and Communities include the following specific functions:

- Promoting the best possible ASC services.
- Working with partners on the Health and Well-being Board to ensure that social care interventions are effectively and seamlessly joined up with public health and healthcare, and promote the Health and Wellbeing Strategy and its associated sub strategies.
- Ensuring the Council's safeguarding responsibilities are taken into account.

5.8 The Care Act 2014 permits increased flexibility to Councils to delegate services and responsibilities to other parties, in comparison with previous legislation. This is contained in section 79 of the Act. Subsection 2, section 79 specifically excludes the following: promoting integration with Health; co-operation; charges; safeguarding adults at risk; and powers contained within section 79.

5.9 When making decisions around service delivery, the Council must consider its public law duties. This includes its public sector equality duties and consultation requirements as well as specific duties in relation to ASC.

Risk Management

5.10 The project has been and will continue to be managed within the Council's risk management framework.

Equalities and Diversity

5.11 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people from different groups.
- Foster good relations between people from different groups.

5.12 The protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

5.13 The broad purpose of this duty is to integrate considerations of equality into day to day business and to keep them under review in decision making, the design of policies and the delivery of services.

5.14 An initial Equality Impact Assessment (EIA) was carried out on the proposed new operating model in October 2015, and included in the appendix to the Committee paper of 12 November 2015. It showed “impact unknown” for staff and “no impact anticipated” for residents and service users. This EIA was reviewed in February 2016 and no requirement to update it was identified. It will be reviewed again following public consultation on the proposed new operating model.

5.15 The shortlisted ADM options are unlikely to have an equalities impact upon ASC service users because all three options are structures through which the new operating model would be delivered. However, not enough is yet known about how the ADM options would be implemented to say for certain that the choice of ADM will not have an equalities impact upon service users. Therefore the potential impact on service users will be reviewed prior to submission of the further business case in September 2016.

5.16 The ADM options will affect Adults and Communities Delivery Unit employees, with reference to which organisation employs them, and potentially their terms and conditions of employment and their job roles. However, not enough is yet known about the ADM options to be able to say what the equalities impact would be under each option; which staff would be affected and in what ways they would be affected. Therefore the potential impact on employees will also be reviewed when the three shortlisted options have been developed in greater detail as part of the development of the further business case.

Consultation and Engagement

5.17 Both the Adults and Safeguarding Commissioning Plan and the Council’s plans for implementing the Care Act 2014 were subject to public consultation.

5.18 The new operating model and the ADM options have been shaped and refined through engagement with residents, service users, partner organisations and Council staff. A list of the stakeholder engagement events carried out to-date is provided in the appendix to this report.

5.19 Whilst there is no statutory requirement to consult on these proposals, the Council intends to do so in order to be transparent and to continue to involve residents in development of the project.

5.20 The proposed new operating model and the delivery model options will be subject to public consultation in spring 2016, and the consultation findings will be presented to the Adults and Safeguarding Committee in September 2016.

5.21 The reasons for the new operating model were set out in the report to this Committee on 12 November 2015 when the approach to the proposal was approved by the Committee.

6. BACKGROUND PAPERS

6.1 The Adults and Safeguarding Committee approved its Commissioning Plan on 20 November 2014, subject to consultation.
http://barnet.moderngov.co.uk/documents/s19320/Business%20planning.pdf
http://barnet.moderngov.co.uk/documents/s19321/Appendix%20A%20-%20Commissioning%20Plan.pdf

6.2 The Adults and Safeguarding Committee approved initiation of a project to identify an alternative delivery model for ASC on 26 January 2015.
http://barnet.moderngov.co.uk/documents/s20572/AS%20committee%20ADM%20report%20011v10.pdf

6.3 The Adults and Safeguarding Committee approved the final version of its Commissioning Plan on 19 March 2015.
http://barnet.moderngov.co.uk/documents/s22061/Adults%20and%20Safeguarding%20Commissioning%20Plan.pdf
http://barnet.moderngov.co.uk/documents/s22062/Appendix%20A%20-%20Adults%20and%20Safeguarding%20Commissioning%20Plan.pdf

6.4 The Adults and Safeguarding Committee approved the approach to a new operating model for ASC on 12 November 2015.
http://barnet.moderngov.co.uk/documents/s27171/A%20new%20operating%20model%20for%20adult%20social%20care.pdf

The appendix to this report (the strategic outline case) describes the proposed new operating model in detail.
https://barnet.moderngov.co.uk/documents/s27172/Appendix%20A%20Strategic%20outline%20case%20for%20a%20future%20operating%20model%20for%20adult%20social%20care.pdf