# Revised Business Case:
# Adult social care alternative delivery vehicle

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| Service / Dept: | *Commissioning Group* |

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# 1. Introduction and executive summary

In November 2015 the Adults & Safeguarding Committee approved the approach to a proposed new operating model for adult social care and agreed an approach to developing an outline business case (OBC) for an alternative delivery vehicle (ADV). In March 2016, the Committee shortlisted three options for an alternative delivery vehicle; agreed to public consultation on the proposed operating model and the three delivery vehicles; and approved the approach to developing a revised business case with a recommended alternative delivery vehicle option to be brought to Committee for consideration in September 2016.

This document provides an update to the alternative delivery vehicle work and presents findings to date. The three ADV options shortlisted in March were:

- Option A: Reforming and delivering the service in-house.
- Option B: Sharing services with public sector partner(s) such as local NHS
- Option C: Establishing a public service mutual (PSM) organisation.

**Options Appraisal – Appraisal Criteria and Approach**

The appraisal criteria used in the OBC presented to March committee were also used in the more detailed work undertaken in compiling the revised business case:

- Could this option deliver the required culture and process change?
- Could this option generate savings and / or additional income?
- Has this option been tested by other councils?

In addition, options were appraised against the following criteria:

- The nature and level of service and financial risk presented by each option
- The likely timescales for implementation
- The projected cost of implementation

This options appraisal has been informed through a number of key activities to progress the work begun in the outline business case phase. The description of each option in Section 2 follows this structure as set out below:

- Analysis of consultation findings
- Legal analysis
- Financial modelling (see Annex A – Financial Modelling: Approach and Scope)

- Engagement with staff and senior managers from the Adults and Communities (A&C) Delivery Unit (see Annex B)
- Workforce analysis
- Further research
- Risk analysis

## 2. Reasons

Adult Social Care (ASC) Services across the Country face unprecedented challenges arising from growing demand, the continued requirement to make budget savings and the requirements arising from recent legislation and policy, such as the Care Act 2014 and the need for closer integration of Social Care and Health.
In order to meet this challenge, Adults and Safeguarding Committee approved the approach to developing the way we deliver ASC services in Barnet (the new operating model) as well as developing the way we organise ASC services in future (the alternative delivery vehicle) for Adult Social Care in Barnet.

## 3. Aims and Objectives

The main aim for the project is to develop the best vehicle to deliver the new operating model of ASC in future, ensuring the service is well placed to meet the challenges of growing demand and budgetary savings outlined above, through supporting the delivery unit in achieving the required £13.1m of MTFS savings assigned in the MTFS period from 2017/18 – 2019/20.

In the same time period and in addition, the ADV has been identified in the MTFS as having the potential to directly deliver a further £1.96m of savings which are required to achieve a balanced budget by the end of the financial year 2019/20.
Building on the work set out in the outline business case, this revised business case presents an update on the appraisal of the three options shortlisted in March 2016. The findings of this phase of the work are set out in sections 4 & 5 of this revised business case.

## 4. Options Appraisal

### *4.1. Option A: Reforming and delivering the service in-house.*

ASC services would continue to be delivered within the current organisational arrangements of the Council's A&C Delivery Unit, in partnership with Capita. The current transformation programme developing the new operating model would be

accelerated and enhanced to address financial and operational sustainability of the service.

Analysis of consultation findings:

This option had the highest level of support in the Public consultation with 50% of respondents supporting it and 30% of respondents stating this option would have a positive impact on them and their family. When asked to provide the reasons for their choices, the largest reason given in support noted that the Council had the statutory duty and should remain in direct control of delivery of services. Further reasons included local knowledge and high standard of training of council staff and acknowledged this as the option with the lowest level of risk.
However, respondents also stated a need for a cultural shift and improvement of current services.

Legal Analysis:

Delivery of ASC through a council managed service is the most tried and tested delivery option as it is currently in operation in Barnet and the majority of ASC services in England.

Detailed financial modelling:

Financial modelling has found that the in-house option will not enable the Council to deliver £1.96m savings through re-organising the service. However, the financial modelling has confirmed the potential for savings to be realised from third party spend by keeping people independent and well for longer through the successful implementation of the new operating model.

Engagement with staff and senior managers from the A&C Delivery Unit:

Engagement has taken place with staff from the ASC service in the Adults and Communities Delivery Unit, which has shown enthusiasm for the proposed new operating model to apply the strengths based approach throughout the service user journey. A number of additional improvement opportunities to further reform the in-house service have been developed with staff from the A&C Delivery Unit and tested through a series of workshops.
These opportunities build on the services' ambition to apply the strengths based approach throughout the service user journey from first contact. The ASC Transformation Programme Board will review these opportunities in autumn 2016, with a view to deciding how best to integrate the findings into the new operating model implementation programme.

Workforce analysis

Under Option A, there would be no changes to terms and conditions and there are no plans to re-structure the service.

Risk analysis:

The reformed in-house option is low risk, as it requires no implementation other than that required to implement the new operating model. In terms of risk, the risk to the Council does not change from the current position within the Delivery Unit.

Consideration of Appraisal criteria relevant to Option A

**Could this option deliver the required culture and process change?**
Through the process of identifying the key opportunities for service improvement and testing these with senior delivery unit managers and staff, we found that some of the opportunities could be implemented within a reformed in-house service by building on and accelerating progress already made in the testing of the new operating model and its' approaches, such as strength based practice. The opportunities identified are well suited to accelerate and enhance the implementation of the new operating model and this will be reviewed and explored by the ASC transformation programme in the autumn. The appraisal indicates it will be more challenging to develop a new relationship with residents while remaining in house.

**Could this option generate savings and / or additional income?**
The work has shown that operational savings cannot be achieved through the reformed in-house option. However, modelling has found that the main opportunity for future savings delivery lies in the successful implementation of the new operating model and its beneficial impact on current and future demand for high cost service packages commissioned from the ASC purchasing budget. In doing so it will provide additional assurance to ASC MTFS current savings lines and initiatives. The most significant risk to achieving the total ASC MTFS targets of £18m to 2019/20 is the rising level and complexity of demand on ASC services in Barnet (and nationally). The financial modelling will be further developed to access the extent the in-house option can deliver through reducing demand for care packages.

**Has this option been tested by other councils?**
As set out in the OBC in March, almost all local authorities across the country deliver their adult social care services through traditional council led social care departments.

**The level of service and financial risk presented by the option**
The risk to the Council does not change from its current position within the Delivery Unit as it builds on changes already being introduced through the testing of the new

operating model and does not include any changes in terms and conditions for staff. Financially, the risk to the Council does not change from its current position which is continuing to manage a service that is currently overspending against a backdrop of rising demand for ASC services locally in Barnet and nationally across the country.

**The likely timescales for implementation**
The reformed in-house service is the option with the shortest timescales for implementation, as the changes required to deliver the new operating model relate to practice development and process change as opposed to the legal, governance and organisational change required for the other two options.

**The projected cost of implementation**
Implementation of Option A will not incur any additional costs and will be funded from the current transformation reserve funding set aside for the ADV project.

### *4.2. Option B: Sharing services with public sector partner(s) such as local NHS organisations and/or other London Boroughs*

Under this option, the Council would join up with one or more local NHS organisations to deliver integrated health and social care services. As well as integrated front line delivery, it is envisaged that there would be a single organisation with an integrated social care and health management team, responsible for the delivery of local health services and ASC services.

The Council has been committed to health and social care integration with its Better Care Fund programme. The Council has previously agreed a business case for health and social care integration[1]. The Better Care Fund plan for integrated care has been agreed by and is reviewed regularly at the Health and Wellbeing Board. This integration journey would be continued and expanded upon under this option.

Since the OBC report to the Adults and Safeguarding Committee in March 2016, significant changes have been taking place in the NHS system. Guided by NHS England, health commissioners and providers are currently in the process of developing their five year 'Sustainability and Transformation Plans (STP)'; showing how local services will evolve and become sustainable over the next five years – ultimately delivering the future vision for the NHS as set out in the 'Five Year Forward View'. This process has had an impact on progressing a detailed options

[1] See also Adults and Safeguarding Committee 02 October 2014 – Business Case for Barnet Health and Social Care – Integration of Services: https://barnet.moderngov.co.uk/documents/s18033/Business%20Case%20for%20Barnet%20Health%20and%20Social%20Care%20-%20Integration%20of%20Services.pdf

appraisal on an NHS shared service to present to Committee for the September meeting. It is now proposed to bring a further report on this to committee in 2017.

Analysis of consultation findings:

Public consultation showed 41% of respondents supporting this option.
The most common reasons for support were cited as recognising the close link between health and social care and the potential to create greater continuity through a more joined up approach.

Some respondents were, however, concerned about social care's role in this partnership, fearing health priorities will take precedence over social care needs and funding. It further highlighted respondents' concerns about the potential size of an integrated organisation and the impacts on quality of practice.

Face to face engagement sessions also showed general support for this option. Particularly feedback gathered from older residents in Barnet highlighted the benefits of receiving care through one joined up pathway and the potential for care being delivered through a single provider.

Legal analysis:

Legally, a shared service with the NHS can be achieved through well established mechanisms such as Section 75 agreements, as permitted by the National Health Service Act 2006. This option further builds on local arrangements with a number of S 75 agreements already in place.

Detailed financial modelling:

It was not appropriate at this stage to undertake detailed financial modelling on this option. However, it should be noted that the NHS is an important factor in any approach to create financial sustainability, as 55% of referrals to ASC services are received from primary and secondary health care providers.

Engagement with staff and senior managers from the A&C Delivery Unit:

Staff engagement showed that staff in the A&C Delivery Unit saw the benefits of further health and social care integration, in particular the smoother experience for service users receiving all their care through one joined up support pathway.

Workforce analysis:

Further detail on the future organisational structure of this option would need to be developed with the Council's health partners. One of the key benefits of a full structural integration will be the opportunity to reduce duplication of effort between the different organisations and drive efficiencies in management capacity. It is therefore highly likely that this option would require a restructure of current management arrangements in future. Implications regarding terms and conditions for the current A&C workforce will need to be considered as part of the next phase of detailed planning for this option.

Risks analysis:

A risk assessment of this option would be carried out during detailed development of the option.

Subject to sufficient progress being made in the STP Programme, we are proposing to bring an updated position to Adults and Safeguarding Committee in 2017.

Consideration of Appraisal criteria relevant to Option B

**Could this option deliver the required culture and process change?**
The shared service with the NHS has the potential to drive significant partnership working with health, particularly when aligned to pooled budget arrangements and if driven by a vision to create an Accountable Care Organisation (ACO). These have attracted interest as they offer a way forward for overcoming fragmented responsibility for the commissioning and provision of care in the NHS and in social care. They bring together a number of providers to take responsibility for the cost and quality of care for a defined population within an agreed budget. ACOs can take different forms ranging from fully integrated models to looser alliances and networks of hospitals, medical groups and other providers.

An ACO would be incentivised to build strong relationships between the leaders of participating organisations and the clinicians who deliver care. This includes nurturing cultures of collaboration and teamwork to overcome organisational and professional silos and deliver truly coordinated care.

Staff and the public alike have expressed support for this option throughout consultation. Staff members in particular felt that integration with health has the most potential to improve the service we offer to residents in enabling a joined up and seamless care journey.

**Could this option generate savings and / or additional income?**

Due to significant developments in the NHS, notably the current planning stage for the comprehensive Sustainable Transformation Plan (STP), covering all aspects of health provision; detailed financial modelling of Option B is not appropriate at this stage and has therefore not been included in this phase of the work.

While modelling has not been able to confirm that Option B will deliver the £1.96m in budget savings assigned to it, the ADV will be a key enabler to ensuring the sustainability of the ASC service going forward and to provide additional assurance to ASC MTFS current savings lines and initiatives. The most significant risk to achieving the total ASC MTFS targets of £18m to 2019/20 is the rising level and complexity of demand on ASC services in Barnet (and nationally).

**Has this option been tested by other councils?**
In line with central government policy and local strategies, most local authorities and local NHS systems are on a journey towards closer working together in an integrated way, albeit at different levels of structural integration, and most have current integrated service delivery arrangements in place via S75 agreements.

ACOs are being actively developed in a number of areas in England as a response to growing demand, financial and service quality pressures and to deliver care models that improve the experience of the service user/ patient in integrating services that were previously delivered separately.

Northumbria is proposing to develop an ACO to take forward its work as a primary and acute systems (PACS) vanguard. It will work under a contract agreed with commissioners who will define the outcomes the ACO will be expected to deliver. In the current vanguard setup, Northumbria are working with their local CCG, GPs across the county, Northumberland County Council, as well as providers of mental health and specialised services. Whilst not fully integrated in an ACO at this stage, Northumberland's efforts are being recognised and supported with a recent award of £8.3m to support further integration of services.

**The level of service and financial risk presented by the option**
The NHS shared service option shows strong potential for significant improvements for Barnet's residents in the medium to longer term. The option builds on Barnet's own vision for integrated care, as well as meeting national policy and best practice requirements in the future.

**The likely timescales for implementation**
The timescale for the development of a shared service with the NHS will vary depending on the approach taken – e.g. on whether further S75 arrangements are being sought or the development of a fully integrated management and delivery structure through an Accountable Care Organisation. Timescales will vary depending on the budgets, payment mechanisms, number of services involved, the changes

required to commissioning / provider setup and arrangements between NHS providers, the CCG and the Council.

However, this implementation effort is also likely to realise significant benefits in terms of outcomes for service users and patients, as well as the potential for efficiencies and future savings through integration into a single management structure as well as efficiencies of scale through better integrated health and social care services.

**The projected cost of implementation**
Due to its early stage of planning this cannot be estimated at present.

### *4.3. Option C: Establishing a public service mutual organisation*

As described in the outline business case presented to this committee in March, Public Service Mutuals (PSM), as alternative vehicles for service delivery have increased in popularity in recent years, though very few are to date fully operational in adult social care social work and assessment.
In its' purest form, a PSM would be independent from the Council, any surplus it generated would be re-invested in the service and it would be at least partially owned by its staff. This concept of shared ownership and meaningful representation of staff and local people at management board has driven the staff buy-in for this option for People2People in Shropshire and is a key feature of the success for Focus in Lincolnshire.

Analysis of consultation findings:

Public consultation showed 63% of respondents opposed this option. This was also reflected in face to face engagement sessions. Whilst recognising some potential for innovation and improvement through this option, there were concerns about a potential lack of accountability.

Legal analysis:

Legal advice was sought on governance, procurement and tax issues and available legal structures of ownership of the model and their implications for the management of financial and organisational risk. We also carried out financial modelling, the findings of which are set out later in this report.
A PSM would be subject to procurement rules and the council would be required to tender the service at some point in the future. If this option were pursued, it would involve the setting up of an independent organisation with the required lead in times.

The benefits associated with PSMs can largely be described as soft benefits, such as a greater level of staff involvement and engagement, the opportunity to innovate and reducing some of the 'red-tape' that is often associated with working within the council as a much larger organisation. As outlined in previous reports to Committee, our research and engagement has indicated that staff and service users in adult social care PSMs valued the opportunities they presented for culture change and a new relationship between residents and the service.

Detailed financial modelling:

Detailed financial appraisal of this option has shown that it is very difficult to quantify these softer benefits in potential savings terms. Doing so is subject to a number of assumptions, many outside the direct control of the Council and therefore it remains too speculative to apply as the basis for a financial business case for creating a PSM.
There are other savings that can be financially modelled with a greater degree of certainty, such as implementing a PSM with a streamlined management structure. However, these have shown not to deliver the necessary risk resilience against a backdrop of a service that is currently overspending on its' third party spend budget. Other PSMs have delivered workforce savings through changes to staff terms and conditions. However, this is considered to be a risky approach in the London and Barnet context of difficulties in recruiting and retaining social workers. Other means to achieve staffing savings in addition to those already in the council's current MTFS are considered unlikely through a PSM.
The financial modelling has shown the likely costs of implementing a PSM to be in the region of £750k, reducing the forecast financial net benefit for the Council. If savings from reducing operational costs were to be achieved, they would not be realised within the current MTFS period to 2019/20, as modelling shows they would be realised at a minimum of four years after set up of the PSM.

Engagement with staff and senior managers for the A&C Delivery Unit:

Direct engagement with staff has shown limited support for this option, on the basis that implementing a PSM could release the energy to accelerate the changes introduced through the new operating model. A risk identified in implementing a PSM option is that it could reduce staff engagement in delivering the new operating model, as the focus turned to implementation of the organisational form of the PSM and staffing changes.

Workforce analysis:

There would be workforce implications with the PSM option because staff would transfer to the new organisation under TUPE arrangements. As set out above, operational savings from workforce terms and conditions are possible but risky in the current context for social care.

Further research:

Updated legal advice has indicated a certain failure rate for PSMs and some models previously fully staff and publicly owned have since returned to be wholly council owned structures.

Risk analysis:

Because of the feedback from public consultation, the risks and the negligible financial benefit, it is proposed that the PSM option is no longer pursued as an alternative delivery model approach.

Consideration of Appraisal criteria relevant to Option C

**Could this option deliver the required cultural and process change?**
The OBC rightly referred to examples of successful PSMs such as Focus in North East Lincolnshire and People2People in Shropshire, proving that a PSM can be an effective way of creating this environment.

Findings from the current stage of our work show that implementing a PSM could be an effective enabler for some of the softer benefits, such as greater room for innovation, professional autonomy and positive risk taking.

**Could this option generate savings and/or additional income?**
The key findings of the financial modelling highlight that:

- Modelling has not been able to confirm that Option C is able to deliver the £1.96m in budget savings assigned to it.
- The soft benefits associated with the implementation of a PSM could not be quantified in savings terms.
- Implementation costs of the PSM option are significant and likely to range upwards of £750k; and
- Any savings potential arising from implementing a PSM can only be realised if doing so significantly reduces staff turnover and if changes to staff terms and conditions can be realised that result in reduced pension contributions for new joiners to a PSM.

Within the MTFS period, the PSM option was found to cost an additional £563,000 pounds.

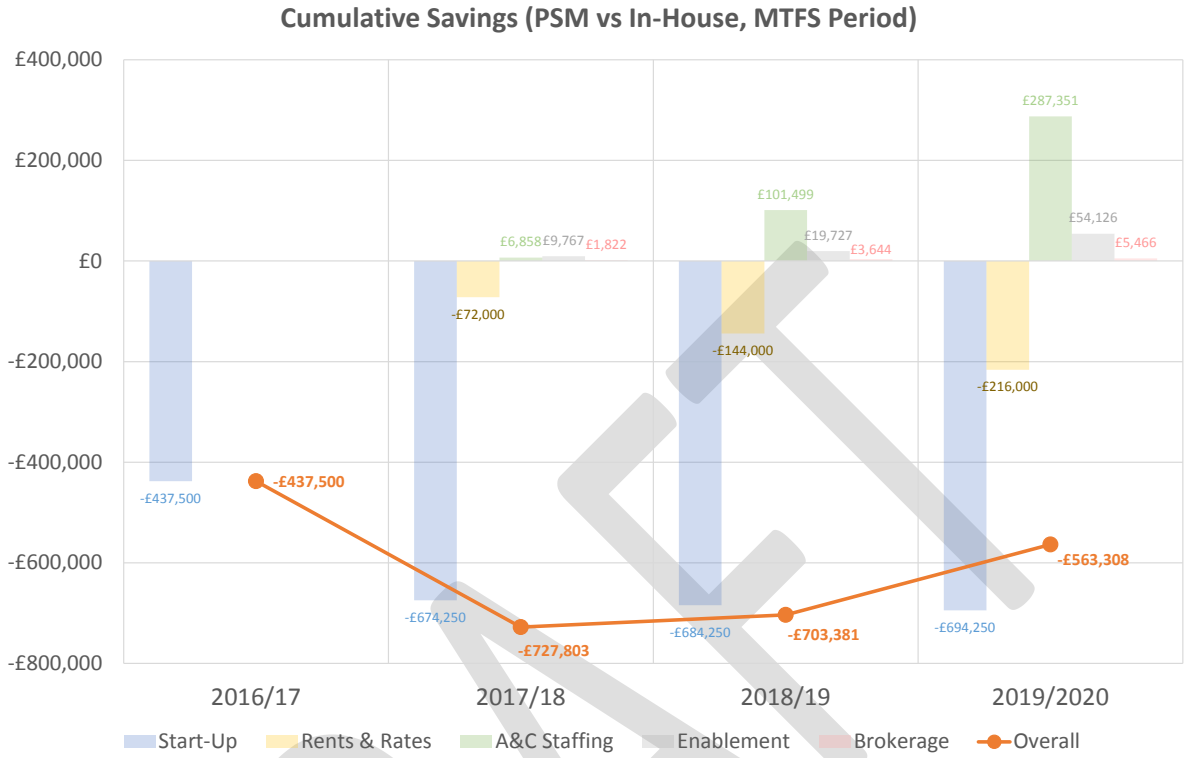


*Figure 1 - Cumulatively, PSM expected to cost c. £563k within the MTFS period, rather than delivering £1.96m savings as initially envisaged (Current prices)*

This is largely due to the start-up and additional costs, which are expected to cost c. £750k in the first 2 years as the PSM gets off the ground. It's then also assumed that the PSM would be required to fund a physical location for operations and incur additional spending on activities such as marketing.

The primary way in which some these higher costs could be offset would be through alterations to terms and conditions for PSM staff, compared with the in-house option. This would need to be achieved through a reduction in pension contributions from the current in-house level of c. 16%, to a reduced level of 12% for new staff. Staff turnover is assumed to be at its current level of 16% in the first 2 years, before it reduces to 12% as the improved culture would be expected to reduce attrition. Combined, this would lead to £287k lower staff expenditure with the PSM over the MTFS period.

These findings highlight that in light of the significant implementation costs of a PSM, the immediate return on investment of this option is not feasible from a financial perspective. Savings would also be achieved outside the MTFS period.

**Has this option been tested by other Councils?**

Successful PSMs in social care statutory services are very limited and People2People and Focus (Shropshire and North East Lincolnshire respectively) remain the most relevant practice examples to inform learning at Barnet, both, in terms of their scope and learning gleaned to date.

**The likely timescales for implementation**

Based on experiences from existing PSMs, learning from the councils' recent Education ADV project suggests that a likely timeline for development will require at least nine months to go-LIVE of the PSM, with no financial benefits realised within the MTFS period to 2019/20.

**The projected cost of implementation**

Taking into account learning from the recent Education ADV project in Barnet, as well as experiences shared by the leadership team at Shropshire, we estimate the costs of implementing the PSM option at £750k, split over two financial years (£500k this financial year with another £250k in 2017/18). The main items incurring costs will include those for legal support, transfer and TUPE of staff and project and change management requirements.

**The level of service and financial risk presented by the option**

Our work has shown that the PSM can deliver an additional catalyst for culture change, innovation and staff ownership through benefits associated with PSMs which can be described as soft benefits; such as a greater level of staff involvement and engagement, the opportunity to innovate and reducing some of the 'red-tape' that is often associated with working within the council as a much larger organisation.

Financial appraisal of this option has shown that it is very difficult to quantify these softer benefits in potential savings terms. Doing so is subject to a number of assumptions, many outside the direct control of the Council and therefore it remains too speculative to apply these softer benefits as the basis for a financial business case for creating a PSM. There are other savings that can be financially modelled with a greater degree of certainty, such as implementing a PSM with a streamlined management structure. However, these have shown not to deliver the necessary risk resilience against a backdrop of a service that is currently overspending on its' third party spend budget. Other PSMs have delivered workforce savings through changes to staff terms and conditions. However, this is considered to be a risky approach in the London and Barnet context of difficulties in recruiting and retaining social workers. Other means to achieve staffing savings in addition to those already in the council's current MTFS are considered unlikely through a PSM. The financial modelling has shown the likely cost of implementing a PSM to be in the region of £750k, reducing the forecast financial net benefit for the Council. If savings from reducing operational costs were to be achieved, they would not be realised within the

current MTFS period to 2019/20, as modelling shows they would be realised at a minimum of four years after set up of the PSM.
In addition, a change to a PSM vehicle would necessitate extensive change for ASC staff (including to their terms and conditions) and would be a significant distraction from the implementation of the new operating model. It has also shown through public consultation and staff engagement to be the least popular option and has not been tried and tested widely or long enough to provide sufficient confidence it would be successful in Barnet.
If savings from reducing operational costs were to be achieved, they would not be realised within the current MTFS period to 2019/20, as modelling shows they would be realised at a minimum of four years after set up of the PSM.

## 5. Recommendation

It is proposed that the PSM option is no longer pursued as an option for an alternative delivery model approach. It is further proposed that the NHS shared service option be worked up in more detail and an update be presented back to committee in 2017. Our additional work has shown that the key priority for continued improvement in our ASC services should be to implement the proposed new operating model.

## 6. Next steps

The next stage of this project will be delivered through producing a further business case that develops the NHS shared service option in greater detail

Based upon the findings from the NHS shared option appraisal, a recommendation for will be presented to the Adults and Safeguarding Committee in 2017.

# Annex A: Financial Modelling: Approach and Scope

Overview of Approach:

Financial modelling has been led by the council's Director for Resources and delivered through an external challenge process to provide a level of detail and robustness appropriate for this stage of the ADV options appraisal. In particular, the modelling work has been undertaken to provide an assessment of the deliverability of the savings expectation of £1.96m to be delivered through the implementation of the ASC ADV.

Model scope:

The Adults & Communities (A&C) budget for 2016/17 was used as the basis for scoping the model. The ADV will have direct and indirect impacts on A&C spending – this model was focused on spending directly impacted by the new vehicle. Following interviews and discussions with the delivery unit, budget lines were determined to be in or out of scope as illustrated in Figure 1.

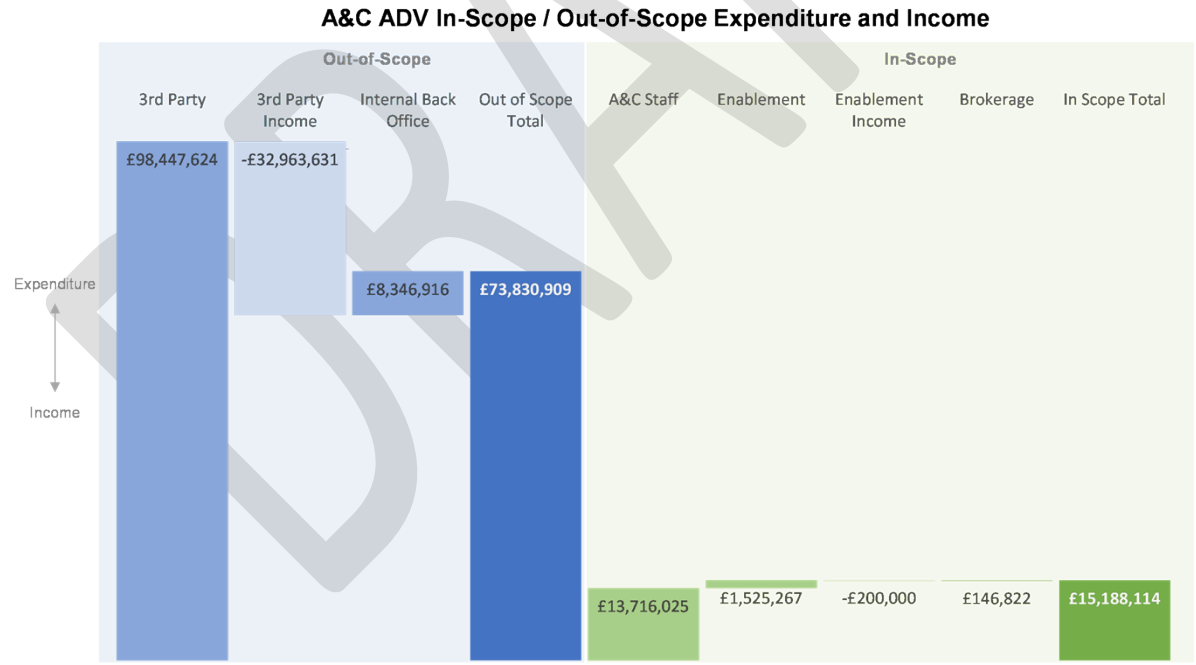


*Figure 1 - A&C ADV In-Scope / Out-of-Scope Expenditure and Income (2016/17 budget)*

Out of scope:

£73.8m of 2016/17 net spending was determined to be out of scope for financial modelling of the ADV project, as illustrated above. This includes £98.4m of third party spending, for example to residential care providers. It also includes third party income, for example contributions from health bodies and Section 256 contributions.

These budgets are out of scope as they will not be held within the ADV structure, although the ADV may be responsible for the distribution of the funds.
Back office functions are currently provided primarily through a third party contract with Capita. It was determined that it would not be possible to be released from this without a significant penalty, and third-party back office spending was considered out of scope. Following discussions with the DU, in-house back office spending (including equipment, transport and 'other services') was considered out of scope as it was unlikely to be significantly impacted by the ADV.

In-scope:

Expenditure and income (where relevant) in three areas were considered in-scope.

a) Adults and Communities staff
b) Enablement
c) Brokerage

Start-Up costs as well as rents and rates were also considered.
The approach and assumptions to modelling spending in these areas are outlined in the following section.

Model approach and assumptions:

The project involved outlining model requirements, holding ADV operational planning meetings, conducting a gap analysis of data sources and availability, creating a 'skeleton' model to test initial thinking, carrying out further in-depth ADV operating model interviews, gathering and analysing data.
Through these activities a series of key assumptions were set in conjunction with the A&C delivery team and the Council's Director for Resources to inform the forward economic modelling undertaken.
The base assumptions considered factors such as inflation and demand growth while more specific assumptions included A&C staffing expenditure costs as is.

To allow financial modelling of the in-house and PSM ADV scenarios, a number of 'variable' assumptions were also set. These included:

- Pension contributions, set at 16% for in-house and 12% for the PSM
- On boarding costs
- Staff turnover – assumed lower in the PSM due to more autonomy, responsibility (opportunity for progression)

In addition, service development opportunities were worked up with the delivery unit to allow modelling of potential efficiencies in both the in-house and the PSM ADV scenario.