Dorset County

Commercialising Dorset's Adult Social Care Services

Critical analysis of the proposed Local Authority Trading Company

European Services Strategy Unit

(Continuing the work of the Centre for Public Services)

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40+ YEARS Rigorous Research
Public Policy Analysis
Alternative Strategies

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The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services, which began in 1973.

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Executive summary

Options appraisal not fit for purpose

The Adult Social Care Services Options Appraisal is inadequate and flawed in several dimensions - a technical assessment is not provided to explain how each option met the criteria; the interests of services users and staff are marginalised by the intent to create a commercialised trading company. It is not a genuine appraisal of options and appears to have been commissioned with a pre-determined outcome.

- There is no evidence that the Options Appraisal has included the formal participation of service users and staff/trade unions.
- The LATC model is presented as a win-win option and fails to recognise the high strategic risks for the County Council, service users and staff.
- The claim that savings can be achieved because an organisation is external to the Council is simplistic and leads to bias against the in-house option.

Qualitative assessment

The options appraisal contains a qualitative assessment consisting of four criteria - quality, cost, governance and flexibility and acceptability to stakeholders. Our assessment revealed:

- Risks in the LATC are significantly understated.
- There is no certainty that a LATC will be financially viable as other local authorities have found to their cost.
- LATC requires increased governance, accountability and scrutiny.
- Viability is questionable in comparison with in-house provision.

Flawed financial assessment

The financial assessment in the Options Appraisal is crude. It makes a number of assumptions and simplistic judgements. It does not provide the County Council with a robust financial assessment on which to base the selection of a preferred option.

Commercialisation could lead to new and/or increased charges for service users; a LATC focused on income generation and contracting; acceptance that market forces should determine policies and practices; staff terms and conditions determined by local labour market rates; strategies to reduce the demand for services leading to failure to meet community needs, the marginalisation of existing inequalities; and a mixed economy resulting in two-tier services.

Employment consequences

The 1,000 Adult Social Care staff are extremely concerned about job security, terms and conditions and pensions and the creation of a two-tier workforce, zero hour contracts and wide use of agency staff. A commercial approach outlined in the options appraisal will intensify pressure on jobs, terms and conditions.

The Options Appraisal for Adult Social Care Services makes no reference to equality, equalities or equity. Even more significantly, it does not recognise existing inequalities.

LATCs have failed

LATC are often presented as a win-win option for local authorities. Yet we know of at least three examples where LATC have failed – one LATC is in deep financial crisis despite earlier warnings about its financial viability, and two LATC have been forced to close for similar reasons.

Whose viability and sustainability?

'Commercial viability' is never automatic and corporate overheads are not automatically reduced. Cost reduction in the social care sector has long been primarily linked to wage cuts and reduced terms and conditions together with service reductions.

The adoption of an increasingly commercial approach by a LATC could ultimately lead to proposals for full privatisation. History shows that once services are externalised to arm length companies they rarely return to direct public provision. The pathway from public sector to publicly owned commercial organisation to full privatisation is the hidden objective.

Alternative in-house model

It is essential that an in-house option is comprehensive, forward-looking and includes:

- An operational plan for Adult Social Care Services, which sets out the overall strategy including the scope for joint working and/or shared services projects with other local authorities and the NHS.
- A 3-year Service Innovation and Improvement Plan to be fully monitored with regular review by overhead and scrutiny committee. The plan would be prepared with the participation of service users, staff and trade unions.
- Three yearly Service Reviews to assess service and financial performance and provide the basis for the next Service Innovation and Improvement Plan.

Conclusions

The options appraisal has fundamental shortcomings and the methodology adopted is inadequate for making important decisions for the future of Adult Care Services. The County Council is proceeding to make far-reaching decisions affecting service users, staff and the public interest without fully taking account of the viability and sustainability of key services, democratic governance and accountability.

Recommendations

The County Council should:

1. Immediately halt the production of the LATC Business Plan and carry out a comprehensive and rigorous options appraisal after a comprehensive in-house option has been drawn up.

2. The in-house option should incorporate a three-year Service Innovation and Improvement Plan with a plan for subsequent service reviews.

3. The in-house option should be developed with the participation of service users and staff and their representative organisations.

4. If a full options appraisal is deemed necessary the process should include a formal consultation of the options with service users and staff and their representative organisations.

Part 1

Introduction

Dorset County Council commissioned a consultancy, Care and Health Solutions Ltd, to undertake an options appraisal for the future provision of In-House Adult Social Care Services.

The consultants also produced an unpublished *"High Level Viability Study, which assesses the medium to long term financial viability of the recommended option as a separate paper."*

The Care Act 2014 covers adult social care in England with implementation phased between 2014 and 2016. It includes well-being and prevention duties plus a duty to provide information and advice. A new model of paying for care comes into force in 2016 including a cap on care costs. The Act also encourages the integration of social and health care services.

Dorset County UNISON commissioned the European Services Strategy Unit to assess the methodology of the Options Appraisal and the proposal to establish a Local Authority Trading Company (LATC).

This report focuses exclusively on the in-house and LATC options.

Part 2

Flawed Options Appraisal methodology

The Adult Social Care Services Options Appraisal is inadequate and flawed in several dimensions.

Firstly, although the options appraisal included fifteen design criteria accompanied by questions (pages 17-18), a technical assessment is not provided to explain how each option met the criteria and addressed the questions. There is, therefore, a large credibility gap between the criteria and the summary charts for each option (pages 40-43). This option appraisal falls far short of good practice. There are numerous shortcomings, which include:

- Financial criteria dominate.
- Lack of an evidence base.
- Ability to trade is overstated with little substantive analysis of potential growth differences between the four options.
- Qualitative assessment superficial.
- Lack of assessment of the corporate impact on Dorset CC and other services.
- Failure to assess the equalities impact for service users and staff.
- Failure to fully examine implications for staff, terms and conditions and pensions.
- Superficial concern for democratic governance, accountability and transparency.
- Inadequate evaluation criteria and methodology.

Secondly, it is a flawed public policy making process in which the interests of services users and staff are marginalised by the intent to create a commercialised trading company with the prime objective of winning more contracts.

Thirdly, if the County Council was committed to a comprehensive Options Appraisal it should not have commissioned the appraisal from consultants whose prime business is promoting LATCs. The Options Appraisal is not a genuine appraisal of options and appears to have been commissioned with a pre-determined outcome. Similarly, the consultants were present at the Adult and Community Services Overview Committee on 16 April when the Options Appraisal was discussed and answered questions from elected members. No alternative perspective was available to the Committee.

Fourthly, there is no evidence that the Options Appraisal has included the formal participation of service users and staff/trade unions. The questions and answers about the LATC on the Council's intranet refer to *"…a programme of consultation with service users, carers, and other stakeholders should the County Council decide to create a LATC."* But this is simply an information exercise and any form of engagement or participation has little value if the decision has already been made to establish a LATC.

The LATC model is presented as a win-win option. The report fails to recognise the high strategic risks – for example, The Kensington and Chelsea LATC went bankrupt, Stockport MBC finally closed its LATC in March 2014 after earlier transferring some service in-house. The London Borough of Barnet LATC (options appraisal and business case were prepared by the same consultants as Dorset CC) has been in financial crisis shortly it commenced with job losses, a second large pay subject to ACAS arbitration and failure to secure income generation.

The options appraisal considered four models:

- Outsourcing
- Continued in-house provision
- Community Interest Company (CIC) - a form of social enterprise
- Local Authority Trading Company (LATC)

This report focuses exclusively on the in-house provision and the Local Authority Trading Company options.

Bias against in-house option

"Re-design of in-house provision has the least capacity to make long-lasting savings without compromising service capacity and quality. This is evidenced by how historic attempts to reduce costs have been temporary and how budget reductions have been met by reducing capacity at management and delivery levels. It is generally accepted that any further significant reductions would lead to service closure, or outsourcing as there "is nowhere else to go for additional savings" (Section 7.4).

The report boldly claims "*outsourcing has historically delivered savings*" but at the expense of a loss of control, *"staff pay and conditions can be compromised"* (consultant language for wage cuts) and savings retained by the provider.

It concludes:

> *"The two alternative vehicles (CIC and LATC) can achieve savings and efficiencies. Both vehicles have the ability and the legal capacity to make these savings because they are formed as being external to the Council."*

This statement is based on assumptions and is not supported by evidence. The claim that savings can be achieved because an organisation is external to the Council is simplistic. There are many examples where outsourcing and external care organisations have resorted to service closures, job losses and wages cuts to achieve 'savings'.

Risks ignored or understated

The numerous risks of transferring services and staff to a LATC have not been identified, presumably because this might have stopped, or at least stalled, approval of the preparation of a LATC Business Plan to be undertaken by the same consultants.

The options appraisal did not identify and assess the risks of associated with each option. They include high and medium level risks associated with:

- Governance and accountability
- Performance and ability to achieve efficiency/productivity changes
- Financial viability and trading costs
- Risk of service closures
- Management and organisational culture changes
- Employment and industrial relations
- Engagement of users and staff
- Reputational impact on Council

Qualitative assessment

The options appraisal contains a qualitative assessment consisting of four criteria - quality, cost, governance and flexibility and acceptability to stakeholders plus financial implications. The following Tables 1 - 4 are derived from the options appraisal report (pages 40-43) with comments added in red. The statements on financial implications are considered separately in Table 5 in Part 3.

Table 1: **Quality**

In-house option	
Viable but with risks	In house provision guarantees service of last resort and could make effective use of the Council's partners. However, financial pressures may lead to a compromise in quality.
Viable	**Financial pressures are likely to lead to a compromise in quality in all the options – the in-house option will have a greater commitment and capacity to meet that challenge.**
LATC option	
Viable	The LATC is able to achieve high quality provision in the same way as the Social Enterprise model as it is accessible to private funders and Direct Payment service users.
Risks in LATC are significantly understated. Claiming viability with no risks is ignoring economic realities of the LATC model.	**A sweeping unsubstantiated statement. There is no evidence that quality of service is positively related to private funding, in many cases quite the reverse. A legislative or regulatory change could enable Direct Payment users access to in-house services, thus eliminating this advantage.**

Table 2: **Cost**

In-house option	
Not viable	In the current climate and given the service has already undergone reconfiguration and cost saving exercises, this option is unlikely to achieve value for money and will struggle to achieve savings and cannot generate external income.
Viable	**There is no evidence of a value for money assessment. Further savings are achievable with the right approach engaging users, staff and trade unions. Local authorities and NHS can operate shared services and thus generate additional income, so the above statement is wrong. No assessment of the impact of adopting a commercial strategy.**
LATC option	
Viable	The LATC can improve efficiency, reduce costs and achieve value for money. The LATC also allows the Council to access savings and income generated.
There is no certainty that a LATC will be financially viable as other local authorities have found to their cost (see Part 5)	**The proposed 5-year plan to increase efficiency and reduce costs could equally be achieved with the in-house option. Furthermore, the Council would have the same access to savings and the benefits of future partnerships or shared services projects with other public sector organisations.**

Table 3: **Governance and flexibility**

In-house option	
Not viable	Whilst this option allows flexibility in terms of policy initiatives and allows the Council to maintain ultimate control, it is inherently unsustainable and commercially inflexible.
In-house provision is viable	**The options appraisal has provided no evidence that the in-house option is 'unsustainable'. The County Council is providing public services hence full 'commercial' flexibility is neither needed nor desirable. The LATC will replace public service principles and values with commercial values and marginalize implementation of the County Council's corporate policies.**
LATC option	
Viable	The Council has ultimate control of the LATC and therefore has access to financial and performance data. It also has the flexibility to accommodate other services. It can exert influence when and if necessary. Improved flexibility is achieved.
Requires increased governance, accountability and scrutiny	**None of these statements are automatic with the LATC model. Arms length company status can reduce flexibility. The assessment is devoid of any reference to democratic governance and accountability. Also see Table 5.**

Table 4: **Acceptability to stakeholders**

In-house option	
Viable	This option is preferable to most staff and service users, as there is a perceived level of job and service security.
Viable and desirable	**Recognition of this preference is virtually completely ignored in the options appraisal. Job and service security is 'perceived' but a practicable reality.**
LATC option	
Viable	There is a high level of engagement with service users and carers. Stakeholder buy-in is mainly due to the close affiliation with Council and continued Council influence. There are opportunities to partner with another public sector organisation to reduce costs.
Viability questionable in comparison with in-house provision	**There is significant evidence that in-house provision has a much higher level of engagement with service users and staff. Stakeholder support for council provision is directly related to the quality of services and the track record of commercially provided public services. The in-house option has the same opportunities to partner with other public sector organisations. The objectives could include service integration and improved services, rather than LATC cost reduction motives.**

Part 3

Financial analysis

The options appraisal claims there are two main financial benefits for the LATC option:

> *"The Company acts as a catalyst for a significant change in culture within the workforce and management. This culture change enables the company to make efficiency savings through reduced staffing, supply/usage costs and potential service redesign"* (Care and Heath Solutions, Options Appraisal, 2014).

This implies that cultural change and improved efficiency and effectiveness can only be achieved by the LATC option.

Service redesign is equally capable of being implemented in-house and therefore cannot be described as a financial benefit for the LATC.

> *"The Company has the ability to generate additional income that can benefit both the Council, in the form of a dividend/contract rebate, or a resource to reinvest in additional services that could help to manage future increases in demand"* (Care and Heath Solutions, Options Appraisal, 2014).

Firstly, generating additional income is more difficult in practice, as a number of LATC have discovered.

Secondly, if the LATC adopts a strategy of bidding for contracts and is successful, it will inevitably adopt the culture and practices of a commercial contractor and cease to be a company exclusive to Dorset County Council irrespective of whether it remains fully owned by the County Council.

Thirdly, since LATCs are new organisations with little or no procurement/contracting experience operating in services with low margins, then the likelihood of contracting activities achieving a dividend/contract rebate or additional resources for investment is naïve. The cost of bidding for contracts is often higher than anticipated and the cost of failed bids is a corporate cost ultimately borne by service users and/or LATC staff.

Financial savings

The 'high level' financial savings are derived from two sources.

- A reduction in sickness absence from a projected 20.6 days per FTE in year one to 7.0 days per FTE in year five to produce an annual saving of £734,887 in year one rising to £1,461,661 in year five.
- A 7.5% reduction in the cost of supplies - excluding energy, rent and rates, community equipment and Telecare expenditure and more efficient use of transport – producing a £214,868 saving per annum.

Thus the reduction in sickness absence accounts for 77.4% of the financial savings in year one rising to 87.2% in year five.

The two cost reduction case study examples - Essex Cares and Olympus Care Services in Northamptonshire (Section 7.4.2) – are combined staff and supplies figures, so it is impossible to identify the proportion attributed to each element.

There is an opportunity to reduce sickness absence under all the options. It will require a collaborative initiative by management, staff and trade unions.

Similarly, a rigorous assessment of expenditure on goods and services adopting best-in-class procurement strategies, together with improved supplies management, could achieve savings. The options appraisal report notes – *"Unit prices may not be any lower than those offered by the current Council procurement contracts, but the order levels, locality and flexibility of deliveries can encourage smaller order quantities and less usage"* (Section 7.4.2). New local government approaches to procurement and new initiatives can eliminate any administrative constraints.

Income generation opportunities

The discussion of the potential for income generation is very general and focuses exclusively on the LATC and Community Interest Company models. It completely ignores the potential income generation of the in-house option.

Further, the list of services with income potential in the 'High Level Viability Study' is little more than a wish list (page 39). There is no assessment of the degree to which they could be implemented by the four options.

If the High Level Viability Study undertaken by the consultants *"…to test the medium to long-term viability of the preferred model"* (page 15) provided more detail then why was it not made available with the Options Appraisal?

Commercialisation of care services

The options appraisal in general and the analysis of income generation in particular, reveal the commercial motives underpinning the LATC option. Commercialisation could include:

- New and/or increased charges for service users.
- A LATC focused on income generation and contracting.
- Acceptance that market forces should determine policies and practices.
- Staff terms and conditions determined by local labour market rates.
- Strategies to reduce the demand for services leading to failure to meet community needs.
- Marginalisation of existing inequalities.
- Focus on creating a mixed economy resulting in two-tier services.

These changes could have significant consequences for the quality and provision of Adult Care Services by Dorset County Council.

Financial assessment criteria

The financial assessment is based on three limited criteria – the ability to make savings and be sustainable, the ability to trade and develop new services and whether Dorset CCC can benefit from profits (see Table 5). A local authority trading company should make a surplus to be able to make continuous investment in services. Any additional surplus would be transferred to the County Council but should not be seeking to make profit out the provision of social services.

The transaction costs incurred in outsourcing the options appraisal and the LATC Business Plan plus the cost of the establishment of the LATC and staff transfer have not been identified.

Table 5: **Limited financial assessment**

Assessment Criteria	Redesign of in-house provision	Local Authority Trading Company (LATC)
Ability to make savings and be sustainable	Limited scope to make required savings without reducing services.	LATCs have proven track record of becoming more efficient and reducing costs.
	This statement is a distortion of reality and is not substantiated.	**The LATC performance track record is chequered (see Part 5).**
Ability to trade and develop new services	In-house services cannot trade freely.	LATCs are free to trade.
	In-house service can develop partnerships and shared services projects with other public bodies. This is the substantial issue for improving service integration and joint provision. Restrictions on direct payments could be lifted by legislative or regulatory change.	**Access to Direct Payers is currently an advantage, but the 'freedom to trade' is exaggerated as explained in opposite panel.**
Dorset CC can benefit from profits	DCC in full control of all aspects of these services.	DCC has full control of the LATC and can direct reserves to wherever it decides, but Corporation Tax may reduce full availability.
	DCC in control.	**The County Council is NOT in full control of the LATC. Under company law the principal legal duty of all LATC Board Members will be to the company, not the Council. They could decide to reinvest any surpluses in the company instead of transferring them to the Council.** **Also depends on the extent to which the LATC Board and management demand 'freedom' and 'flexibility' to adopt commercial strategies and practices.**
Summary	Will not deliver savings.	Savings, sustainability and control for DCC.
	This statement fundamentally wrong and is not substantiated. The five-year savings planned for the LATC and the core of its financial case could be achieved by the in-house service working with service users and staff.	**The LATC model does not guarantee savings, sustainability and control for the County Council. There are significant governance, performance, financial, employment, management and participation risks with this model.**

Source: Based on unnumbered Table in section 1.6 of Care and Health Solutions – Dorset County Council Options Appraisal for Alternative Delivery Models for In-House Adult Social Care Services. February 2014

The financial assessment in the Options Appraisal is crude. It makes a number of assumptions and simplistic judgements. It does not provide the County Council with a robust financial assessment on which to base the selection of a preferred option.

Part 4

Implications for staff and local employment

Impact on jobs, terms and conditions

The services in scope currently employ 806.6 FTE, equivalent to nearly 1,000 full and part-time jobs (see Table 6). Nearly 85% of staff are employed in three services – older peoples' residential care homes, day services and reablement.

Table 6: **Cost and staffing of services in scope**

Services in scope	Gross Service Budget (£)	Staffing (Full Time Equivalents)
Older Peoples' Residential Homes	12,943,340	389.99
Older Peoples Day Services	3,106,060	97.51
Physical Disability Day Services	182,200	5.54
LD Day Services	4,178,800	147.92
Vocational Services (incl Oh Crumbs)	385,500	5.54
Shared Lives	240,300	7.76
Reablement	4,287,500	146.24
Care catering Services	197,470	6.08
Total	**25,521,170**	**806.59**

Source: Care and Health Solutions – Dorset County Council Options Appraisal for Alternative Delivery Models for In-House Adult Social Care Services. February 2014

Staff are extremely concerned about job security, terms and conditions and pensions and the creation of a two-tier workforce, zero hour contracts and wide use of agency staff. The commercial approach outlined in the options appraisal will intensify pressure on terms and conditions, particularly given the gap between public and private sector employment practices in the social care sector. The experience of staff in the London Borough of Barnet LATC is evidence of the potential consequences.

The answers to questions about the LATC on the County Council's intranet are either evasive or fail to answer the question. For example, a question about whether staffing structures were reduced in other LATCs includes the statement *"Feedback from Care and Health Solutions indicates that any changes to management in other LATCs have been undertaken as part of modernisation and improvements to efficiency prior to any transfer of services."* This is patently not the case (see Part 5).

A question about how long will pay and conditions will last after a transfer to a LATC is answered with a reference to the TUPE regulations, which does not state the length of time they apply after transfer.

Equalities

The Options Appraisal for Adult Social Care Services makes no reference to equality, equalities or equity. This is surprising since the social care sector has well-known operational and employment practices that could have potential consequences for service users and/or staff. To assume that there is no differential impact between the four options, or that equalities will be considered in the business case, must surely be unacceptable to the County Council.

Even more significantly, it does not recognise existing inequalities.

Impact on local economy

Any reduction in terms and conditions in such a large workforce is likely to have a knock-on effect in the local economy through lower household spending and a negative effect on local labour market rates.

Culture change

The Minutes of the Adult and Community Services Overview Committee on 16 April 2014 states:

> *"Care and Health Solutions advised that in their experience staff were excited and motivated to be part of their own company. As all employees made a contribution to the way in which the company was run, this helped to energise the workforce."*

This is confused ideology. A LATC would be a County Council-owned company, it would not be a staff-owned company. The degree to which staff contribute to the way a service is delivered is very dependent on the way in which they are engaged in the planning and delivery of services and the way they are treated as employees. The County Council should not expect rapid cultural change just because management and staff transfer from local authority employment to a local authority-owned company.

Part 5

Track record of LATC in other local authorities

Chequered track record

LATC are often presented as a win-win option for local authorities. Below are three examples – one in financial crisis despite earlier warnings about its financial viability, and two were forced to close for similar reasons.

London Borough of Barnet LATC financial crisis

In February 2012 the London Borough of Barnet transferred Learning Disability and Physical and Sensory Impairment services for adults to a Local Authority Trading Company called Your Choice Barnet (YCB). About 160 staff (145.6 Full Time Equivalents) in Adults Services transferred to the LATC. YCB is subsidiary of Barnet Homes, the Councils housing service.

This was preceded by an options appraisal of Adult Social Care In-House Provider Services prepared by consultants Care and Health Solutions Limited in July 2010, which recommended formation of a LATC. A business case for a LATC prepared by consultants Impower and Agilysis together with Council officers was published in May 2011 followed by a business plan in January 2012.

Financial crisis

YCB was operating at a loss within six months, which increased to £70,118 by 31 March 2013 in the draft 2012-2013 financial statement. This was a complete reversal of the £85,338 surplus forecast in the LATC business plan in January 2012. Furthermore, YCB had achieved only a small increase in new users and revenue. It had to negotiate a £1m loan at a commercial rate of interest from its parent company, the Barnet Group.

The LATC imposed restructuring measures that included a reorganisation of some services, a new management restructure with significant changes to staffing levels, jobs and terms and conditions. Eight (FTE) Support Workers posts and 4.8 (FTE) Night Support Workers were deleted and replaced with 20.5 Assistant Support Workers on a 23% lower salary grade. Five Independent Living Facilitator posts and two Assistant Independent Living Facilitator posts were also deleted. Team Leader posts (11.5 FTE) were replaced by eight Community Service Coordinator posts. The removal of enhanced payments and seven day working were put on hold, although this has not prevented an exodus of experienced staff. There has been a significant increase in the use of agency staff and zero hours contracts.

The LATC demanded a 9.5% pay cut in spring 2014, which led to a UNISON ballot resulting in a 100% vote for strike action. Further negotiations are currently in process following talks at ACAS.

UNISON had been highly critical of the options appraisal, business case and the business plan, but these detailed concerns had been ignored (Barnet UNISON, 2010, 2011 and 2012). Service users had formed the Campaign Against the Destruction of Disabled Support Services (CADDSS), which was critical of the lack of meaningful participation of service users. YCB had made no attempt to consult to service users, carers and community organisations about the nature and scope of the changes in service delivery, including the quality of services, other than to send them letters notifying them of the changes. Both UNISON and CADDSS have called for the services to be returned to in-house provision at the earliest practical opportunity (CADDSS, 2013).

The situation is a far cry from the LATC 2012 business plan to achieve an annual profit of over £700,000 by year 4! Despite the £180,000 first year cost saving measures and the financial impact of the restructuring proposals, the financial position remains precarious.

Stockport LATC closed

Stockport Council established Individual Solutions SK (ISSK) as a Local Authority Trading Company in 2009 to deliver home care and related services. Two hundred staff were transferred to the new company. Home care accounted for £4.1m of ISSK's £5.1m budget. However, performance targets were missed, overhead costs increased despite a pay freeze and IISK failed to win any contracts. Over 80 care workers plus 16 clerical staff and 16 managers were given 90-day redundancy notices in autumn 2012 as ISSK sought to make £1.2m savings. In January 2013 the Council agreed to return the home support service back to the Council in order to *"…improve performance and to take advantage of opportunities for collaboration and integrated working with health and social care partners"* (Stockport MBC, 2013).

ISSK ceased trading at 31 March 2014 with community meals and passenger transport services and staff transferred back to the Council. Day services will be transferred to a new company created by Age UK Stockport with ISSK staff transferred back to the Council and then seconded to the new company (Stockport MBC, 2014).

Kensington and Chelsea LATC closed

Chelsea Care was formed as an arms length company by the London Borough of Kensington & Chelsea in 2009 to provide personal care and a brokerage to offer independent information and advice on how to manage and pay for care and support. However, Chelsea Care suffered a financial collapse and closed in 2011.

Key issues

Failure to identify the LATC problems and closures creates reflects selective research and creates the illusion that they are a win-win option.

Ignoring the potential risks of failure could have a significant negative impact on the County Council.

Part 6

Governance, viability and sustainability of proposed model

This section comments on governance and changing terms and conditions at the Adult and Community Services Overview Committee on 16 April 2014.

Governance

The Minutes of the Adult and Community Services Overview Committee on 16 April 2014 state:

> *"It was suggested that an elected member be on the Board as an observer to enable decisions to be monitored. This was supported by other members. Care and Health Solutions advised that they would consider a member on the Board to be a conflict of interest, as the County Council had commissioned the Company. Ultimately, it would be for the Council, through the business plan to decide who would be on the Board. However, they would promote the inclusion of someone who understood balance sheets and profit and loss accounts."*

If the County Council decides to proceed with a LATC it is important that it considers political representation on the Board. Because the Council 'commissioned' the LATC does not prevent democratic representation on a County Council owned organisation. It is vital that the County Council holds all contracts, joint ventures, partnerships and arms length companies to democratic accountability, participatory and transparency obligations and rigorously monitors their performance.

Changing terms and conditions

> The Minutes of the Adult and Community Services Overview Committee on 16 April 2014 state *"…that each year the LATC would have to present a report to the County Council, and its terms and conditions of staff could not be amended without County Council approval."*

Decisions about cutting terms and conditions are usually made in response to financial crises or contained in bids submitted in a procurement process to win additional work. They rarely coincide with an annual report and in most cases the County Council will be presented with a fact accompli by the LATC.

Viability

The claim that a 'LATC would become commercially viable resulting in a reduction of costs' is frequently made by those promoting this model. But 'commercial viability' is never automatic and corporate overheads are not automatically reduced (they increased in the London Borough of Barnet LATC). Cost reduction in the social care sector has long been primarily linked to wage cuts and reduced terms and conditions together with service reductions.

The viability of a LATC is ultimately dependent on the County Council's social care budget, the achievement of efficiency and productivity increases that maintain quality of service and the ability to recruit and retain trained and skilled staff

Sustainability

The adoption of an increasingly commercial approach by a LATC could ultimately lead to proposals for full privatisation, either from private contractors, from within the LATC or possibly within the County Council.

History shows that once services are externalised to arm length companies they rarely return to direct public provision. **The pathway from public sector to publicly owned commercial organisation to full privatisation is the hidden objective.**

Part 7

Alternative in-house model

It is essential that an in-house option is comprehensive and forward-looking. It should have three key components:

Firstly, an operational plan for Adult Social Care Services, which sets out the overall strategy including the scope for joint working and/or shared services projects with other local authorities and the NHS.

Secondly, the preparation of a 3-year Service Innovation and Improvement Plan to be fully monitored with regular review by overhead and scrutiny. The plan would be prepared with the participation of service users, staff and trade unions and would include the following:

- Priorities for change and improvement.
- Improving service delivery performance.
- Increasing effectiveness and efficiency.
- Scope for innovation.
- Improving business processes to review service delivery and working practices.
- Reducing sickness absence and improving attendance – better management.
- Financial performance and use of resources.
- Reducing the cost of utilities, goods and services.
- Reducing inequalities.
- Increasing accountability and transparency.
- Making better use of facilities.
- Training, staff recruitment/redeployment and workforce development.

Thirdly, three yearly Service Reviews to assess service and financial performance and provide the basis for the next Service Innovation and Improvement Plan. A transfer or procurement process would only be triggered if the service failed to meet operational and performance objectives.

These three approaches are designed to for long-term planning, an emphasis on innovation and improvement and a regular review to provide a framework to ensure policy/project implementation and the achievement of objectives.

A combination of local authority political commitment, management and staff/trade union cooperation have achieved significant improvements, innovation and more effective and efficient services.

We believe this approach will be more sustainable in providing good quality sustainable Adult Social Care Services in Dorset.

Part 8
Conclusions and recommendations

The options appraisal has fundamental shortcomings and the methodology adopted is inadequate for making important decisions for the future of Adult Care Services in the County.

The County Council is proceeding to make far-reaching decisions affecting service users, staff and the public interest without fully taking account of the viability and sustainability of key services, democratic governance and accountability.

Not withstanding the usual caveats that 'no decision has been made', it would appear that elected members have been steamrolled into agreement to establish a LATC based on a flawed and inadequate options appraisal. The same consultants are currently preparing a business plan for the LATC with the intention of commencing operations and transferring staff on 1 April 2015. A final decision will be made in September or October 2014.

Recommendations

The County Council should:

1. Immediately halt the production of the LATC Business Plan and carry out a comprehensive and rigorous options appraisal only after a comprehensive in-house option has been drawn up.

2. The in-house option should incorporate a three-year Service Innovation and Improvement Plan with a plan for subsequent service reviews.

3. The in-house option should be developed with the participation of service users and staff and their representative organisations.

4. If a full options appraisal is deemed necessary the process should include a formal consultation of the options with service users and staff and their representative organisations.

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