

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for People

to

Cabinet

on

20th January 2015

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Outcome of the Review of the Decision to close
Priory House and re-develop Delaware House
People Scrutiny Committee

Executive Councillor: Councillor David Norman
Part 1 Public Agenda Item

1. Purpose of Report

To present to Cabinet the outcome of the review of the decision to close Priory House and re-develop Delaware House; to make new recommendations regarding the future direction of both homes and the proposed creation of a new vehicle to deliver adult social care services.

2. Recommendations

2.1 In the light of the Review which has been undertaken and current circumstances (including the reduction in the number of care home places in Southend):

- (a) That the Cabinet decision made in November 2013 to close Priory House is not endorsed and implementation stopped with immediate effect;
- (b) That the Cabinet decision made in November 2013 to establish a dedicated dementia facility be supported in principle subject to the revised approach set out below and further consultation where required; and
- (c) That residents, relatives & carers, and staff at Delaware House and Priory House be informed of the position.

2.2 In the short term the following arrangements be agreed:

- (a) To note progress on making a revenue saving of £540K in 2014/15 in respect of Priory House and Delaware House and to use £167K from the Business Transformation Reserve to finance revenue expenditure in 2015/16, whilst details of a medium term solution are finalised;

- (b) To undertake capital works to Priory House to address issues identified in a recent condition survey and that the sum of £225K be earmarked from the Council's Capital Reserve; and
- (c) That subject to the outcome of consultation with users, their carers and affected staff, the Priory Day Service be closed from July 2015.

2.3 To deliver a medium term solution:

- (a) The principle of setting up a Local Authority Trading Company (LATC) or Charitable Trust be agreed. This LATC or Charitable Trust will be designed to deliver dementia care facilities (and other Council services) subject to necessary consultation and such model being demonstrated to be viable through an independent assessment of a detailed feasibility study and business case; and
- (b) A detailed and costed feasibility study be undertaken in respect of establishing a new dementia facility to replace both Priory House and Delaware House: Such new facility to be located on a site comprising Priory House and the adjoining school site.

And that the sum of £100K be earmarked in the Business Transformation Reserve to fund the consultation, investigations and studies referred to in (a) and (b) above.

3. Background

3.1 Delaware House and Priory House Residential Care Homes

- (a) On 19th November 2013 Cabinet agreed:

“That in principle a partnership be established with the independent sector to develop a dedicated dementia facility, preferably on the Delaware House site, or other suitable site. Delaware House will continue to run as a Council operated facility (subject to assisting with any transfers from Priory House) until the proposed new facility is developed” (minute 506 (1)).

“That in principle (subject to collective consultation with the Trade Unions) Priory House is closed over the next 18 months on a phased basis, to ensure residents and relatives have time to look for alternative accommodation if needed, and supported to do so. In the event of illness, distress or other significant factors, some flexibility may be applied to this timescale” (minute 506 (3)).

“That no further admissions be permitted to Priory House” (minute 506 (4)).

“That if any vacancies occur in Delaware House, residents at Priory House who have acute dementia would have the opportunity to move to Delaware House” (minute 506(5)).

“That subsequently, if any further vacancies occur in Delaware House, any other residents of Priory House are given the opportunity to move to Delaware House. All consideration where possible to be given where residents form friendships with residents around them, that these stay intact, if that is their wish” (minute 506 (6)).

- (b) In March 2014 officers carried out an extensive consultation with staff at Priory House and Delaware House with a view to winding down Priory House by July 2015 and re-deploying the staff. A plan was developed to profile this over the period of the closure.

3.2 Priory Day Centre

On 19th November 2013 Cabinet agreed:

“That a formal review of Priory Day Centre be undertaken to ascertain the future provision for this service. A report on the outcome would be made to Cabinet during 2014” (minute 506 (3))

3.3 New Joint Administration

Following the elections in May 2014 the new Joint Administration agreed to review the decisions taken by Cabinet on 19th November 2013.

This commitment for a review was agreed at Cabinet on 1st July 2014 (minute 26) and endorsed by the Council (as part of the Corporate Plan) on 17th July 2014 (minute 62). At the same time the terms of the review were agreed:

“Consider all information relating to the original decision.

- *Re-examine the financial information to consider whether the financial situation has substantially changed since the original decision was made in November 2013; and*
- *Consider whether all financially viable options have been considered taking into account the condition of Priory House and Delaware House, the financial circumstances of the Council, future projected needs of the local population, availability of any new alternatives and the outcome of the consultation.*

The review will make one of the following recommendations:

- (i) *The original decision made in November 2013 is endorsed and implementation should continue.*
- (ii) *The original decision made in November 2013 is not endorsed and implementation should stop with immediate effect; or*
- (iii) *The original decision made in November 2013 is not endorsed as it stands and the following alternative course of action is proposed.*

The review will be completed as soon as possible and a report will be presented to Cabinet, after pre-Cabinet scrutiny at the People Scrutiny Committee”.

4. The Review

- 4.1 A Review Group consisting of elected Members and senior officers was set up to carry out the Review and the outcome of the work resulted in the production of this report.
- 4.2 The financial and other issues underpinning the Review were reconsidered and it was noted that savings of £540k which were approved by Council on 27th February 2014 when setting the 2014/15 Council Budget are still required for the base budget 2015/16 and on-going financial years.
- 4.3 It was also recognised that the original decision was realistic in that there was sufficient capacity in the market to facilitate the closure of Priory House with no risk to the level of the savings at that time. However since the time of the original decision the situation had significantly changed regarding the lack of availability of beds. When the decision was taken to close Priory House there were over 188 vacant beds within Southend; currently there are only 10. The change is due to other Authorities increasing placements and greater numbers of self-funders. To remove capacity further by the closure of Priory House now may lead to problems (and potentially additional expense) in ensuring a sufficiency of placements. The new Care Act 2014 requires the Council to help develop a market that delivers a wide range of sustainable high quality care and support services: to withdraw bed spaces from a local market that is already operating at full capacity could be seen as counter-productive to fulfilling this duty.
- 4.4 There is also significant pressure on beds within the hospital, which gives the opportunity to provide step down beds at Priory House. Step down beds are an option for frail older people on discharge from hospital who require additional rehabilitation or support prior to going home but who are otherwise medically fit. This has the potential to assist our health colleagues in meeting their capacity issues and also offer a new revenue income stream.
- 4.5 In common with the initial November 2013 Cabinet report, the Review Group recognised a continuing need for a dedicated dementia facility.

Initial Conclusions

- **That the need to make the financial savings originally identified is as strong as ever, but that due to market capacity it would be preferable to keep Priory House open but reduce the cost base and increase income so as to honour the £540K savings target.**
- **That there is a continued need to maintain a dedicated dementia facility.**

4.6 The Review Group therefore went on to consider how it could deliver the necessary level of savings, whilst keeping Priory House open.

Short term solutions (from April 2015):

4.7 Additional Income and Savings:

(a) Additional income opportunities

Delaware House and Priory House currently attracts income through self-funders and health funded clients, which is offset against the running costs of the homes, which upon review of its regularity can now be treated as additional base income each financial year. It is therefore considered reasonable to increase the income budget for the homes by £150k.

(b) Step down beds

A successful proposal to develop 6 Step down beds at Priory House has been agreed with Southend CCG to facilitate improved hospital discharge arrangements. A 6 bedded unit became operational from mid-December through to the end of March 2015 initially, which will be reviewed regarding it being extended beyond March. The expectation is, if successful, that this will be extended and expanded, and will result in potential income of £100k in 2015/16 and a further increase in annual income of £103k in 2016/17.

(c) Review of staffing levels

Staffing levels have been reviewed and advice taken on options available to reduce staffing costs. A number of posts are currently being held vacant as it is difficult to fill posts which have an uncertain future. These posts are currently covered by agency staff. Once a final decision is made about the future of Priory House these posts will be recruited to or deleted as appropriate and in line with Council HR policies.

Changes to staff terms and conditions have been considered as a way of reducing costs. However, there is no legal way to do this in these circumstances without exposing the Council to a significant risk of equal pay and other claims. There is a high probability that these claims would be successful leading to significant costs and reputational damage that may affect the Council's ability to recruit and retain quality staff in the future.

Developing opportunities for apprenticeships has also been explored (see **Appendix 1**). It is viable to develop these opportunities for one apprentice per shift which equates to 3 young apprentices working at Priory House. CQC have advised that the apprentices do not need to be supernumerary but they will expect that the required level of supervision and support is provided. The introduction of apprentices will result in more effective utilisation of staff that will lead to initial part year savings of £35,000 in 2015/16 and a further £35,000 in 2016/17.

Additionally, a longer term apprenticeship strategy would contribute to the pool of knowledge and expertise locally and increase availability of suitably trained carers in the area. It might also offers career development opportunities for local young people but is dependent on young people wishing to pursue a career in care services.

The Review Group also consider that further staffing savings could be achieved if Priory House and Delaware House move onto one site and come under the management of one manager and a new revised structure.

- (d) **Appendix 2** sets out the budgets for Delaware House, Priory House and Priory Day Care Centre, together with the financial conclusions of this short term solution.

Conclusions

That through a combination of income generation and staff cost reductions, and (subject to the outcome of consultation) the closure and reprovision of the Priory Day Centre service, it is possible to achieve the financial saving of £540k by 2016/17, without the full closure of Priory House. However there would be a savings shortfall in 2015/16 against the target of £167k.

4.8 Capital Investment

A recent condition survey on Priory House identified approximately £225,000 of works (including fees) to enable the building to operate for up to the next 3 years. There are two significant costs within the report that require immediate attention:

- (i) The roof has reached the end of its useful life and patch repairs are not acting effectively to protect underlying timberwork and plasterboard ceilings from rainfall.
- (ii) The domestic hot water boilers are also at the end of their life cycle and need to be replaced to provide a reliable robust supply of domestic hot water for washing, personal hygiene and catering. Other works identified in the report address a significant volume of smaller value items to bring the building into safe and effective use.

The Review Group considered that these capital investment items should be undertaken to ensure a safe and warm home for Priory House residents whilst longer term solutions were investigated.

Conclusion

That works to Priory House to address issues identified in a recent condition survey should be undertaken, and that the sum of £225K be earmarked from the Council's Capital Reserve.

4.9 Closure of Priory Day Centre

A review of Priory House day service was carried out in April 2014. This included seeking the views of staff and service users. The review concluded that the service provided by the day service could be provided by external agencies with no loss of quality or opportunity (see **Appendix 3**). The current cost of provision of 12 day care places is £257K against a potential external cost of £140k. This will result in a net full year saving of £117K as a result of closing the Priory Day Centre.

Time needs to be allowed for service user consultation and to plan the transfer of services. It is considered that realistically this saving can be achieved from July 2015. The part year saving effect of this closure in 2015/16 would therefore be £88K, with the full year saving being realised in 2016/17.

Conclusion

That subject to the outcome of consultation with users, their carers and affected staff, the Priory Day Service be closed from July 2015

Medium term solutions

4.10 The Review Group went on to consider two further medium term solutions

(a) Local Authority Trading Company/ Charitable Trust

Further potential savings could be achieved through the implementation of a Local Authority Trading Company (LATC) or a Charitable Trust (CT).

(i) LATC is a private limited company operating as a commercial enterprise.

A number of councils have established such vehicles, which operate as separate entities to each respective council but are wholly owned by them.

LATC's do not include companies where councils only own a stake and the rest is owned by a private company. Such joint ventures need to be treated as another variant on out and out privatisation.

(ii) A CT is a charitable organisation and the organisation must be :

- Exclusively charitable
- Independent of the Local Authority
- Retain its discretion in relation to how its services are delivered.

A number of councils have set up CT mainly to manage culture services e.g. leisure centres, parks etc

One of the key drivers is the need to respond to the growth of personalisation, which significantly changes the market for social care, bringing about person centred practice and user choice and control. Such Trading companies represent a half-way house between keeping services in-house and outsourcing them to the independent sector.

In adult social care, this means they can seek business from self-funders and direct payment users, and also potentially move into many other areas such as prevention and providing support with health related issues.

Some Council's have also gone down the Social Enterprise (SE) route. A SE is still set up as trading company, but would typically have a Board of Governors so the governance is different, but the real difference is that any net profit is re-invested back into the company or the local community or a combination of the two.

Councils that have set up an Adult Social Care 'Social Enterprise' for example include:

- North East Lincolnshire Council
 - Focus – A company limited by guarantee

Councils that set up an Adult Social Care 'LATC' include:

- Wokingham Borough Council
 - Optalis Ltd
- London Borough of Barnet
 - The Barnet Group – Your Choice
- Bournemouth Borough Council
 - 3 Councils providing joint care – Bournemouth / Poole / Dorset CC

A number of Council's (Peterborough, Wigan, LB Bromley etc) have set up CT mainly to manage Libraries, Leisure service, museums etc

All are providing a comprehensive range of care services for their communities and all are being assessed to better understand what we can learn from their operations.

A detailed evaluation would need to be undertaken to assess the right vehicle that would be appropriate for the Council to incorporate in order to deliver the required services that are currently provided by Priory House and Delaware House. Initial investigation appears to be that the benefits of a Local Authority Trading Company outweighs the benefits of a charitable Trust due to issues of council control and the flexibility of extending the remit of the company to take on additional service responsibilities. However, this will be reviewed as part of the evaluation work.

It's all about managing risk and ensuring that the quality of service provision is maintained along with qualifying the potential to generate income, turn a profit and eventually become self-funding.

It is also recognised that the LATC/CT could take on other adult services provider services (e.g. day services) over time to increase its portfolio whilst providing additional efficiencies for the Council.

It is anticipated that following the development of a LATC/CT, existing Council staff will TUPE to the new organisation which will focus on the provision of high quality residential care and a well-developed apprenticeship scheme to ensure sustainability in the quality of care locally.

Initial discussions have also taken place to explore the potential of Anglia Ruskin University assisting with this work particularly in identifying opportunities for the company in trialling assistive living technology and the possible links to the Southend MedTech Campus that could arise from this.

Further details about a LATC are set out in **Appendix 4**.

(b) **Integrated facility to replace Priory House and Delaware House**

The Review Group considered that potentially significant benefits could be derived from the redevelopment of Priory House and Delaware House on a single site, and therefore consider it worthwhile to undertake a detailed, costed feasibility study to determine the optimum development solution for the combined Priory House and adjoining school site to provide a 60-bed specialist residential dementia care home, a new LD day care facility to provide for 45 clients and a number of units of Extra Care housing (specification and demand to be defined) to replace Priory and Delaware Care homes. The expectation is that residents located in Priory House will transfer into the new facility unless as part of the consultation process they express a wish to transfer elsewhere.

In tandem with the redevelopment feasibility, it is also considered desirable to undertake a feasibility study to establish the viability of a

LATC to initially take on responsibility for combining Priory and Delaware Care Homes and the potential to extend to other adult social care provider services.

This feasibility work will take 4-6 months to complete and a budget provision of £100k should be made to deal with the feasibility work in a) and b) above.

Having reviewed a number of potential sites the opportunity given by the combined Priory site would be the preferred solution due to potential viability of the site, accessibility and economies of scale of bring together residential and day care services (Viking – see separate report on the agenda) onto one site.

The combination of a number of services onto one site will require capital investment. Initial indications are that this could be in the order of circa. £8 million (£5m a new care facility, £2m Viking service re-provision and £1m school relocation). Against this gross capital cost there could be the opportunity of capital receipts arising from sites released from this proposal. The full cost of this proposal will be identified in detail alongside the two feasibility studies and the consequent funding of such investments.

At this stage, a sum of £2m for the Viking service re-provision is contained in the approved Capital Programme.

Conclusions

That the principle of setting up a Local Authority Trading Company or Charitable Trust is agreed, and subject to the necessary consultation and proof of viability of the business plan, the LATC or Trust be designed to deliver the Delaware House and Priory House service.

A detailed and costed feasibility study should be undertaken in respect of establishing a new dementia facility to replace both Priory House and Delaware House: Such new facility to be located on a site comprising Priory House and the adjoining school site.

And that the sum of £100K be earmarked in the Business Transformation Reserve to fund the consultation, investigations and studies referred to in 4.10 (a) and 4.10 (b).

4.11 The conclusions and recommendations within this report reflect the current situation regarding the local market and the opportunities to develop additional funding to make up the £540k savings required over the next 3 years. It has to be recognised that these opportunities provide a level of risk, particularly around step down beds, which may require additional resources.

5. Next steps

5.1 A number of Local Authorities are developing LATCs in respect of various adult social care services. Initial work to scope this has highlighted the need to do an in-depth piece of work which cannot be completed in the time available. It is proposed that specialist advisors are commissioned to assist in this piece of work which will include a detailed cost benefit analysis and an assessment of viability.

5.2 The plans set out above represent a phased approach to the future development of Priory House and Delaware House. An indicative timescale is set out below and is very ambitious to complete the consultations and the review for it to be signed off at July Cabinet. The timetable will be reviewed and agreed with the specialist advisors to ensure it is realistic and deliverable:

	2015												2016			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Report to cabinet	■															
Report to Scrutiny		■														
Report to Council - final sign off		■														
Consult with affected staff	■															
Specialist advisors appointed			■													
Open Priory to admissions			■													
Recruit to vacant posts			■	■												
Consult on Day centre closure			■	■		■										
Review of model undertaken			■	■		■										
Review of possible sites			■	■		■										
Establish apprenticeships model			■	■		■										
Consultation on new organisational model			■	■		■										
Outcome of both review's finalised						■	■									
Report to cabinet							■									
Report to Council - final sign off							■									
Day centre closes							■									
Apprenticeships scheme starts								■								
New organisation shadow form								■	■	■	■	■	■	■	■	■
New organisation established																■

6. Other Options

The Review Group is recommending Option (iii) set out in Minute 62 of Council on 17th July 2014 – see section 3.3 above.

Options (i) and (ii) (see section 3.3 above) were considered as part of this review.

7. Reasons for the recommendations

It provides the Council with an opportunity to develop a new modern integrated care home facility whilst at the same time allowing for the potential development of a Local Authority Trading Company that could over time take on responsibility for other adult social care provider services. This model should provide the council with a more cost effective service delivery model which, in turn will generate a profit.

8. Corporate Implications

8.1 Contribution to Council's Vision & Corporate Priorities

Clean, Healthy, Prosperous, Excellent

The aim of this report and recommendations is to provide sustainable, high quality, value for money, residential service for frail older people and people with Dementia in Southend.

8.2 Financial implications

The financial implications for the proposals are set out throughout the report and within **Appendix 2**.

8.3 Legal Implications

Further consultations with staff and service users and their carers will be undertaken that meet the council policy on service changes. Further work supported by specialist advisors will take place regarding the development of a Local Authority Trading Company.

Given that the previous Cabinet decision was preceded by a lengthy consultation process, there would be a legitimate expectation that any new decision making based on new options would also involve consultation with residents, their families and staff. The new consultation process need not be as lengthy as the previous process given that so much information has already been provided by consultor and consultee; however, it should be sufficiently extensive to let consultees know of the new options and be able to comment properly on them.

8.4 People Implications

Council HR processes will be followed and there are staff consultation and possible TUPE issues.

8.5 Property Implications

The property implications are set out in this report. The Asset management and Property and Regeneration Teams have been involved in developing options and advising generally on property issues as part of the project team.

8.6 Consultation

Consultation on the closure of Priory has been undertaken and on-going meetings with staff and carers have continued are next steps are included within the project plan.

8.7 Equalities Impact Assessment

These proposals represent a positive impact on older people in Southend; there are no adverse impacts to note.

8.8 Risk Assessment

If the proposal and recommendations are agreed then the Group will continue to the next stage and invite all other parties needed to ensure there is a clear project and action plan seeing this project through to implementation. This would also entail a detailed Risk Assessment Plan.

8.9 Value for Money

Any contracts will be let in accordance with the Council's contract procedure rules to ensure value for money is delivered.

8.10 Community Safety Implications

N/A

8.11 Environmental Impact

None as the environment will improve and better meet the needs of the clients and carers.

9. Background Papers

None

10. Appendices

Appendix 1 Apprenticeships

Appendix 2 Delaware House, Priory House and Priory Day Care Centre budgets

Appendix 3 Review of Priory Day Centre

Appendix 4 Local Authority Trading Company

What are Apprenticeships?

An Apprenticeship is a way for young people and adult learners to earn while they learn in a real job, gaining a real qualification and skills. Apprentices can help businesses to grow their own talent, by developing a motivated, skilled and qualified workforce. Apprentices are paid at least the relevant minimum wage and training costs are covered for many apprentices. (Please see below)

- Salary – apprenticeship minimum wage 16-18 (under 19) £2.73 per hour but when they get to 19 and second year of apprenticeship reverts to National minimum Wage £5.13. At 19 £2.73 per hour for the first year of the apprenticeship and then National Minimum Wage £5.73
- An apprentice aged 16 to 18 and those aged 19 or over who are in their first year £2.73 an hour. Cost per week of an apprenticeship based on 36 hour week (NB this includes 7 hours to attend college) cost per apprentice a week £98.28 total cost a week for 10 apprentices a week £982.80
- An apprentice 19 plus in second year of apprenticeship framework would cost £184.68
- An apprentice 20 second year of apprenticeship framework would cost £184.68
- An apprentice 21+ second year apprenticeship framework would cost £234.00

Apprenticeships deliver for businesses and help them grow by:

Employment is a fundamental part of an Apprenticeship. An apprentice must be employed in a job role with a productive purpose, helping to improve productivity and competitiveness. Training apprentices will be a more cost effective than hiring skilled staff, leading to lower overall training and recruitment costs. Apprenticeships will enable the proposed Care Home to grow its own their skills base.

- Increasing productivity
- Developing a skilled, motivated and qualified workforce
- Improving customer service results
- Providing financial return on investment.
- Reducing training and recruitment costs

National Apprenticeship Service reports that the average Apprenticeship increases business productivity by £214 per week, with these gains including increased profits, lower prices and better products. Businesses that offer Apprenticeships view them as beneficial to their long-term development. According to the British Chambers of Commerce, most employ an apprentice to improve the skills base within their business.

New research from the Centre for Economics and Business Research (CEBR) reveals that apprenticeships will contribute £34 billion to the UK economy in 2014. This figure includes gains to the economy from higher wages, business profits and taxes of £31 billion per year, an estimated reduction in unemployment benefit payments of £370 million per year, and benefits to organisations while training apprentices of £1.9 billion per year (in 2014 prices). The ratio of benefits to costs of apprenticeships is £21 for the national economy for each £1 of public money spent.

Apprenticeship Training Agencies

Proposed changes in the Care Home structure could also include a proposal to establish an Apprenticeship Training Agency. This would not only enable the Local Authority to develop a skilled work force in Adult Social Care but would also generate additional income.

What is an Apprenticeship Training Agency (ATA)?

Apprenticeship Training Agencies (ATAs) offer a unique approach to the recruitment of apprentices. The ATA model is intended to support the delivery of a high quality Apprenticeship programme with a focus on small employers who wish to use the services of an ATA to source, arrange and host their Apprenticeships. This could be for a number of reasons including them not being able to commit to the full framework, short term restrictions on employee numbers, or uncertainty about the value of an Apprenticeship.

The distinctive feature of the ATA model is that it is the ATA which acts as the apprentice's employer and which places them with a host employer. The host employer pays the ATA a fee for the apprentice's services; this fee being based on the wage agreed with the host (at least the minimum Apprentice rate) and the ATA management fee.

If circumstances change and the host employer is unable to retain the apprentice the ATA will find alternative and appropriate employment for the apprentice giving them the reassurance that they can continue their Apprenticeship.

- Support with recruitment, finding the right apprentice to meet the employers' needs
- Responsibility for the wages, tax, National Insurance as well as administration and performance management
- Supervision of the apprentice during the Apprenticeship period
- Links with an approved training provider and support to both the apprentice and host employer throughout the Apprenticeship

The ATA is not a 'temporary work' business but rather a means to manage and give real flexibility to the delivery of a high quality Apprenticeship. This flexibility also applies where employers may not be able to offer all aspects of a framework but linking them with other host employers allows the full range to be covered.

For the apprentice the ATA gives another route into an Apprenticeship which can offer them the opportunity to experience a range of employers and increased security around the continuation of their Apprenticeship.

Delaware House, Priory House and Priory Day Care Centre budgets

The table below provides an analysis of the cost of the service at Priory House, Priory Day Centre and Delaware House including the potential savings that can be achieved over the next 3 years based on the implementation of the report recommendations.

2014/15 Budget	Delaware	Priory House	Priory Day Centre	Combined
Account(T)	Original Budget	Original Budget	Original Budget	Original Budget
Employees	923,050	877,000	197,500	1,997,550
Premises	59,550	65,000	5,200	129,750
Transport	1,600	300	42,150	44,050
Supplies and Services	75,100	68,000	25,800	168,900
Third Party Payments	250			250
Depreciation And Impairment Losses	9,600	45,750		55,350
Total Expenditure	1,069,150	1,056,050	270,650	2,395,850
Other Grants and Reimbursements	(2,900)			(2,900)
Sales	(1,050)	(4,500)	(10,800)	(16,350)
Fees And Charges	(214,600)	(165,350)	(2,750)	(382,700)
Total Income	(218,550)	(169,850)	(13,550)	(401,950)
Total Net Expenditure/(Income)	850,600	886,200	257,100	1,993,900
Proposals to deliver the original £540k saving for the base budget				
Close Day Centre	(257,100)			
Reprovision of Day Centre Service	140,000			
Staffing Review	(70,000)			
Step Down	(203,000)			
Other Income	(150,000)			
Total	£540,100			
Plan	2015/16	2016/17	Total	
within existing configuration				
Close Day Centre July 2015	(87,825)	(29,275)	(117,100)	
Staffing Review	(35,000)	(35,000)	(70,000)	
Step Down Income @ Priory	(100,000)	(103,000)	(203,000)	
Recognise other income	(150,000)		(150,000)	
	(372,825)	(167,275)	(540,100)	
	(372,825)	(167,275)		
C/F Savings from 2015/16		(372,825)		
Savings expected	372,825	540,100		
Saving Target	(540,000)	(540,000)		
Shortfall / (Surplus)	167,275	(100)		

The table above illustrates that the expected savings of £540,000 can be achieved in full over the next 2 years. The potential savings and costs have been calculated based on best estimates and the greatest risk relates to income from step down. The above estimates indicate that the balance of saving to be delivered will require funding from the earmarked Business Transformation Reserve of £167,000 in 2015/16. Any shortfall to these estimates would lead to a further call on reserves in the proposed transition period.

Initial advice has been sought from external financial advisors on the concept proposed and experience of other Local Authorities use of LATC's and Charitable Trusts. In the meantime, however, there is a requirement for a budget provision of £50,000 to undertake the necessary financial feasibility and Business Plan assessment.

In addition, the feasibility into the redevelopment of Priory House and Delaware House will require a budget provision of £50,000.

Both feasibility studies will be financed from the Business Transformation Reserve.

The initial views of the financial advisor, Grant Thornton, on this reports proposals are as follows:-

We are performing an initial report on the proposed local authority trading company (LATC) or trust set up for the social care function. Our observations so far lead us to believe that it is worthwhile for the Council to carry out a more detailed appraisal of these options in relation to the delivery of this service. We have seen other authorities set up such structures and there are benefits to be gained (for example London Borough of Barnet has created a company for part of its adult social care service which is projecting surpluses over the next two years since its creation in 2012). Alternative models of delivery offer the opportunity to make service improvements, manage the risk to the Council from changing markets and retain control where this is needed. However, there are various factors to be taken into account which the Council should consider carefully at the next stage. These include:

- The type of Council that Southend on Sea Borough Council wishes to be i.e. a buyer, seller or sharer of services and what is its attitude to risk? A LATC is typical where the authority seeks to retain control and there is a commercially viable proposition. A Trust is more common where there is an expensive asset to be transferred, new funding streams are available and the authority relinquishes some control
- The rationale for creating a new vehicle – what are the objectives for the Council? For example is it protection of staff welfare, retention of control, increased income generation, improve service quality or free up resource to focus on other services?
- Finance – it has the potential to reduce costs but generally these take 2 or more years to deliver savings (in the region of 10-15% typically)
- Quality – it has potential to improve quality but this is dependent on creating cultural change which can be challenging if there is no input of commerciality from a third party to bring new ideas

- Risk to the council – limited if the council remains the main commissioner of services. The Council retains full control if a LATC is created but this is reduced if a Trust is formed. If the venture does not deliver and needs to be brought back in-house, the process for this needs to be established. We have seen this occur in the case of both vehicles in other authorities

In our experience, authorities that have considered the above in their business case development have been more likely to succeed in their objectives.

Review of Priory Day Centre

This review addresses the options for Priory Day Centre.

Recommendation

That the service provided by the day service could be provided by external agencies with no loss of quality or opportunity and therefore Priory Day centre can be closed.

Background

On the 26th November 2013 Minute 547, Cabinet made the decision that Priory House be closed over the next 18 months on a phased basis, to ensure residents and relatives have time to look for alternative accommodation if needed, and supported to do so.

Following the elections in May 2014 the new Joint Administration agreed to review the decisions taken by Cabinet on 19th November 2013. As a result a detailed review of Priory House day service has been undertaken.

Summary of Opportunities

A Use of other providers or use of Direct Payment

A meeting has been held with other day care providers in Southend that we currently use and it was felt that there was provision in the market for the Service Users to have their needs met from other day care services. There is also the possibility to have additional capacity should we need it with other providers and this would be pursued once a decision is made if needed.

On mapping the current Service Users there are some benefits for doing this as some would spend less time travelling to and from day care, as they could be matched to their geographical area. However we would also need to carry out a review with them, and discuss their wishes, They all had reviews last year as part of the Priory and Delaware consultation, but this would need to be completed again and any processes explained to them.

We would also endeavour to maintain friendships that people have made where we can.

A full year gross saving of £257K can be achieved through the closure of Priory House day service from July 2015. There will need to be reprovision of this service, which is estimated to cost £140,000 per annum. This will result in a net full year saving of £117K as a result of closing the Priory Day Centre. The part year saving effect of this closure in 2015/16 would be £88K. This will allow time for consultation and planned transfer of services.

The current Priory Day care staffing equates to 4.29 full time equivalents but a total of 10 staff would be affected should we go with this option.

In addition to this Service Users could have the opportunity to use a Direct Payment, which would mean they could choose different ways of having their day care. They could have a personal assistant to take them out for the day for social stimulation and support.

B Other Options

Use of Avro Site

On the 18th March 2014 minute 862, it was decided that 49 Alexandra Street and the two satellite units (Ambleside and St. James) be designated as the permanent sites for service provision for the Avro Service Users and that the Avro service ceases to operate from its current site.

That in the short term, no change is made to the service provision at Viking. Options should be explored for relocation to a new building and proposals brought to Cabinet in due course.

With the above in mind and changes to Viking, it will take approximately 3 years.

We could consider moving over the current Service Users to this site.

There would be minimal cost to moving Service Users and staff to this site.

However this would only be a temporary solution as the Avro / Viking site would close in the longer term.

The staffing would stay but the saving above would not be realised.

C Other Council Properties

Having investigated whether we could use any existing property stock there was nothing that would meet the needs of our current clients, at an affordable rate.

D Use of Facilities at Westward Extra Care Housing Scheme

This scheme is situated on Eastwood Old Road, within Belfair's Ward of the Borough. The building is managed by South Essex Homes and 15 people live there.

The current facilities could be utilised as there is a large lounge / dining area with kitchen facilities.

There are toileting and bathing facilities but these would need to be increased by one toilet and one bathroom, to meet the needs of our current client group. There is a possibility this could be achieved but would need the correct professionals to take a look at this in more detail if this proposal is agreed.

An approximate cost of this would be in the region of £10,000.

In addition to this, the tenants would need to be fully consulted for their approval to allow this to proceed. There are benefits in pursuing this in terms of bringing the community to the community, and offering other ways of stimulation and interaction.

Consideration needs to be given to the fact that traffic maybe a problem as some people would be on the bus longer than they are now and this is a heavy traffic area at the times that people would be travelling.

This option would also cost the same as the current provision and the staff team would stay as it is.

Reasons for Recommendation

The closure of Priory day centre achieves a significant contribution to reducing costs of the Priory House service whilst maintaining the same level of service

Equalities and Diversity Implications

An previous equality impact assessment was completed for the Priory House and Delaware House Cabinet Report.

The Equality Act 2010 requires the local authority to consider specific protected characteristics as part of the Equality Assessment.

Analysis of the residents profile Priory Day care indicates that the key protected characteristics which apply to these proposals are age and disability.

The Service Users at Priory Day care are all aged over 64 years with half of the attendees being over 86 years and over. All current Service Users are suffering from dementia and/or physical frailty associated with old age. There is no overall adverse impact in respect of frail older people as the Council is proposing to meet the needs of this group through alternative provision. On mapping the current Service Users there are some benefits for doing this as some would spend less time travelling to and from day care, as they could be matched to their geographical area. However we would also need to carry out a review with them, and discuss their wishes. We would also endeavour to maintain friendships that people have made where we can.

Analysis of the profile of the staff group affected by the proposals indicates that the staff are predominantly women in employment. If the proposals are agreed any changes affecting staff will be managed in accordance with the Managing Organisational Change Procedure, Redeployment Procedure, Redundancy Policy and the Pay Protection Policy. Any restructure resulting from the proposals will be subject to a separate Equality Assessment.

If the proposals are agreed a working group will oversee the implementation and monitor the process for Service Users and staff to ensure there is no adverse impact.

Risk Assessment

Any of the above options may present particular risks to service users and therefore a thorough risk assessment will need to take place on the agreed option. A clear action and communication plan will need to be put in place for a clear transition to a changed service.

Local Authority Trading Company

Specific advantages of a LATC would be:

- **Limited Liability** – The obvious advantage of a Limited Liability Company is the financial security that comes with business. Due to its very nature, such a limited company is deemed to be a separate legal entity from its owners. This has several advantages, including the fact that the company will exist beyond the life of its members. If they retire or die, the company will continue to exist and operate. This ensures security for employees and other members and also is an advantage which other legal forms of business are not subject to.
- **Taxation and Tax Advantages** – Limited Companies are only taxed on their profits (usually at a rate of 21%) and as such are not subject to the higher (personal) tax rates placed on sole traders or partnerships which can reach 40%. There are ways to use the limited company form to benefit the members/directors and their interests.
- **Business Presence** – Having a Limited Company would give GMS a certain 'presence' in the marketplace, and that level of credibility to compete on equal terms with the competition.
- **Business Strategy** – Whilst not just an advantage of being a Limited Company, but in essence the company would need to ensure that:
 - Its business strategy is proven and its business forecasts can be substantiated
 - Its customer service is second to none
 - Its customers are left fulfilled, happy and are also successfully leveraged
 - Its cost base is pruned and serviceable
 - Its profitability is accounted for

Other advantages of a LATC would include:

- The ability to sell, at a profit, to other public bodies, private individuals and private organisations
- The ability to sell to people on direct payments, personal budgets and people who fund their own care
- The opportunity to access different funding streams (grants etc)
- Being more effective in working in partnership with local businesses
- Being more flexible to changing needs (increasing/decreasing services etc)
- Being able to re-invest some or all of the profit made into the business

- Being able to offer support to people who are not eligible for council services (preventing isolation and a need for future services)
- Maintaining standards and quality through the retention of council staff, good overall support including training and regular checks on delivery of outcomes
- Responding more creatively to required changes in service delivery and this includes the recruitment and retention of volunteers
- Being able to advertise and engage with the wider community more effectively
- Providing a vehicle that can take on further care or non-care council services.
- Having a proven business model that has delivered savings and provided a more effective and efficient service delivery model

There are also disadvantages and risks associated with an LATC.

- A LATC might fail to achieve the revenue and business turnover projections if the market associated with it is of too small a scale
- Local authorities are naturally risk adverse and the essence of commercial trading is taking risk and investing time and money to make money
- **Complex Accounts** – There are more complex and restrictive rules governing the accounts and bookkeeping of Limited Companies. The Company is expected to produce yearly financial accounts incorporating a full P&L and balance sheet as well as other notes.
- **Restricted Capital Raising** – For Private Limited Companies, there is a restriction on the raising of capital via sale of shares. As mentioned, PLCs can gain further funding by the sale of shares, but this ability is lost to Private Limited Companies whose shares are restricted.
- **Unrewarding if we haven't done our homework** – This is only a realistic option if we have done our due diligence and calculated our numbers on the basis that this is a viable business option for Adult Social Care Services on the basis that there are viable business opportunities to strive for and that we can be competitive with our own market share, almost from day one.

Specific options available to the Council could include:

Option 1	Continue 'Status Quo' Provision	Overall Possible – But not being considered
Option 2	Community Interest Company (Social Enterprise)	Overall Meets Criteria – But with risks
Option 3	Local Authority Trading Company (LATC)	Overall Meets Criteria – Some risk
Option 4	Contract with another Council owned LATC	Overall Meets Criteria – Least risk, but less control.