

Report to:	Overview & Scrutiny Committee (Adult Social Care and Health)	Date of Meeting:	21 February 2023
Subject:	Sefton New Directions - 2021/22 Outturn Review of Council Wholly Owned Companies		
Report of:	Executive Director Adult Social Care and Health – NHS Place Director	Wards Affected:	All Wards
Cabinet Portfolio:	Adult Social Care		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The aim of this report is to allow Members to carry out effective scrutiny of Council companies which gives a level of assurance that both the Council's interests and the services or products provided by companies to our residents, are safe and well managed and offer good value for money.

Recommendation(s):

That Members of the Overview and Scrutiny Committee:

- (1) consider the content of the report in respect of Sefton New Directions;
- (2) provide feedback on key issues arising and advise on further information that would support the scrutiny review in future years;
- (3) provide feedback on current performance (operational and financial) and how this supports the council's strategic aims and ambitions and aligns with the objectives and reasons for setting up the company; and
- (4) seek clarification or additional information from officers as appropriate within the meeting in order to carry out the scrutiny function.

Reasons for the Recommendation(s):

The recommendations will support the effective and transparent governance of the Council's 3 wholly owned Council companies and best practice.

Alternative Options Considered and Rejected: (including any Risk Implications)

No alternative options have been considered

What will it cost and how will it be financed?

(A) Revenue Costs

Key financial issues and implications are included within the body of the report

(B) Capital Costs

Key financial issues and implications are included within the body of the report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): Any resource implications arising are included in the body of the report	
Legal Implications: There are no legal implications arising	
Equality Implications: There are no equality implications	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	Yes
Have a neutral impact	No
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

Contribution to the Council's Core Purpose:

The Council's 3 wholly owned companies were set up with specific objectives that would support the delivery of the council's core purpose. These objectives are set out in the body of the report and between the 3 companies contribute to the delivery of each element of the Council's core purpose.

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:

Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6993/22) and the Chief Legal and Democratic Officer (LD.5193/22.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Engagement and information provision was sought from each of the 3 companies in the production of this report

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 The Council aims to ensure that the governance of its wholly owned companies meets best practice within the sector. As information and guidance becomes available then the council’s approach will similarly evolve.
- 1.2. The next step in the governance cycle is to provide members with a review of performance for the previous financial year. As such this report provides that for Sefton New Directions.
- 1.3. Members should be aware that as part of the continual drive to ensure that best practice is followed a self-assessment for each of the council’s company’s is currently being undertaken against the Local Partnerships document ‘Local Authority Company Guidance Document’- this review will be led by the council’s

Monitoring Officer. This document has helped inform the areas to be reported within this report.

2. Aims of the Annual Report

- 2.1. The aim of this report is to allow Members to carry out effective scrutiny of council companies which gives a level of assurance that both the Council's interests and the services or products provided by companies to our residents, are safe and well managed and offer good value for money by:
- a. Challenging the suitability of their business plans and objectives in meeting the needs of the council, service users and residents
 - b. Testing the financial benefits to the council and economic benefits to the community
 - c. Reviewing the outcomes and achievements of commercial operations against their original plans
 - d. Testing whether the value of the Council's investment into these vehicles is being protected and public funds are not exposed to excessive risk ; and
 - e. Checking that responsible business standards are met.

3. Expected Outcomes

- 3.1. In considering the following detail, the key outcome will be to provide effective scrutiny of Sefton New Directions to give a level of assurance that both the Council's interests in and the services provided by the company to Sefton residents are safe, well managed and offer good value for money. This report is provided for consideration following all 3 companies being the subject of review at the recent meeting of the Overview and Scrutiny Management Board.

4. Sefton New Directions

What are the council's objectives for the Company?

Council Objectives for the Company

New Directions was set up as a wholly owned company by the Council in 2007 as a private company limited by shares. Under procurement law the company is regarded as a 'Teckel company' which means that the Council can make direct awards of contracts to the company without going through a procurement process. In turn the company is bound by the Public Contract Regulations.

As outlined in their business plan the key aims of the company are:

- **Being Provider of Choice** – This is a New Directions objective set by their Board. New Directions are aiming to be the Council's key provider for delivering services such as services to support people with complex

needs and the delivery of the joint Sefton Intermediate Care Strategy. In addition, further work with the Council on existing and new contractual arrangements. However, this needs to be set in the context of the New Directions capacity to provide sufficient provision to meet demand. The Council through the DASS retains its duty to ensure that there is a sufficient supply of good quality care and support to meet need as outlined in the Care Act 2014.

- **Being Employer of Choice** – development of a well-trained, resilient and capable workforce which can deliver required services, and which is supported through a comprehensive Learning & Development Programme, and through robust organisational and performance management arrangements
- **Delivery of good quality services** – which are outcomes focussed and informed by gaining feedback from people receiving services and supported through effective systems, processes and training.

These aims link to the Council's core purpose in terms of:

- **Protecting the most vulnerable** - Under contractual arrangements New Directions provide care and support services to vulnerable people in Sefton and the plan outlines work to take place to ensure ongoing provision of quality services
- **Commission, broker and provide core services** - The Council has a contractual arrangement with New Directions and the plan outlines how this arrangement will be taken forward and also how New Directions can support the Council to deliver its strategic objectives and future commissioning intentions
- **Facilitate sustainable economic prosperity** – in terms of New Directions will seeking to operate as a Provider and Employer of choice

New Directions are seen as a key strategic partner in supporting Adult Social Care with delivering the aims of having services to support people with complex needs, supporting people to remain independent in their own homes, delivery of enabling services and offering day opportunities for people. However, this is set within the context of the Market Position Statement and the emerging Market Sustainability Plan.

Further work will be ongoing to establish how the key priorities for Adult Social Care can be supported by New Directions in a challenging market and landscape. The approach will consider agreed Adult Social Care strategies in place to deliver the Adult Social Care Vision and Market Sustainability Plan and will require a response from New Directions in its adapting or developing models of support to align to these strategies.

The Council has appointed a shareholder representative in the Cabinet Member for Adult Social Care who is an observer to the Board.

As 100% shareholder in the company there are matters reserved for the Council to decide upon, for example, to make any material change to the nature of the business. Council Officers also hold regular meetings with the Managing Director of the Company to discuss company performance and key issues.

Commissioners have regular meetings with members of the New Directions Leadership, however it is recognised that there is a need to formalise these arrangements and ensure that there are associated processes in place for reporting key actions and decisions and identifying and escalating risks.

In 2019 a Partnering Charter was agreed which outlines how the Council and New Directions will work together to provide quality services to local people.

With respect to the New Directions 2022-25 Strategic Business Plan this was submitted by Adult Social Care to Cabinet on 23rd June 2022.

Prior to this submission Adult Social Care Officers worked with New Directions on its formulation and required content.

Going forward it is recognised that there is a need to review the 2022-25 plan on a regular basis to ensure that the action plans within it are delivered and reported.

Governance arrangements in place for the company in 2021/22

New Directions Governance Arrangements

The governance arrangements are set out in the articles of association. These were reviewed and updated in 2020 in consultation with the Shareholder.

The Board has in place a scheme of delegation which outlines the responsibilities of the executive leadership team. This was updated in 2020 and is due to be reviewed in 2022.

The governance responsibilities of the Shareholder Representative, Non-Executive Directors, Executive Leadership Team and interface arrangements with the Council are set out in the following chart:

New Directions, established by Sefton MBC, is a private company limited by shares which means it exists as a separate legal entity from its owners (Sefton MBC) and is responsible for its own finances and decisions. Any surplus is either invested back into the company or given to the sole shareholder (Sefton Council) as a dividend. To ensure good governance there are two distinct relationships between Sefton MBC and the company. Firstly, a shareholder ⇔ company relationship for governance assurance and secondly a commissioner ⇔ provider relationship focused on providing quality adult social care services meeting the needs of individuals locally.



The Managing Director has monthly meetings with the Shareholder representative and quarterly meetings with the Chief Executive of SMBC. Members of the Leadership Team have regular meetings with commissioners. The Board is made up of independent non-executive directors, who do not have an executive function and are not employees of the company.

Board meetings are at least every two months. Each sub-group has six meetings per year; with an annual 'away day' for focused strategic planning. Occasionally special meetings are convened, for example, during the Covid Pandemic board meetings were held monthly.

The Shareholder Representative receives board packs and minutes as part of transparency and good governance and regularly attends most Board meetings.

The Board has previously conducted a skills matrix to identify and understand the skills available to the board; this will be revisited in 2022 with the departure and introduction of two nominee non-executive directors.

There is a need to test the robustness of the internal governance arrangements through an assessment by the Council's Internal Audit Officers.

Key Objectives for the Company as per the Business Plan in 2021/22

It is firstly important to highlight that there was no specific 2021/22 plan. The plan submitted to Cabinet was a Strategic Business Plan for 2022-25.

However, key objectives for the Company in 2021/22 were

- **Being a Provider of Choice** – Customers, Commissioners and Partners choosing them to deliver services
- **Employer of Choice** – working to attract, retain and develop a committed workforce to support with the above aim of being a Provider of Choice
- **Financial Stability** – positioning the company to maximise opportunities for growth
- **Governance and Strategic Arrangements** – framework in place which includes a growth strategy
- **Engagement and Communication** – having an effective framework to engage with Staff and Service Users and their Families to create effective working relationships and improve services
- **Quality** – working to aspiration of making all services rated as Outstanding

Review of Performance 2021/22

In 2021/22 New Directions achieved the following:

- Over 50,000 hours of Domiciliary Care delivered
- 902 supported through the Reablement service – with average length of stay in reablement is 23 days in comparison to the national average of 34 days
- 719 nights of respite care provided
- 1,091 Hospital Discharge cases accepted by New Directions
- 1,325 outreach meals provided during the lockdown period
- 12,490 hours of outreach support provided during the lockdown period
- Work on remodelling of Day services – including consultation with people who currently use day services to refresh understanding of their needs in developing the day services offer and approach
- One 'Outstanding' CQC regulated service
- Remodelling of Woodlands short-term service for people with Mental Health Conditions

Performance in 2021/22 was affected by the Pandemic (as with other Providers) and New Directions did work on adapting their services, for example offering alternative types of support to people who were not able to attend Day Centres. However, performance was also affected by the ability of certain services to adapt to emerging priorities and deliver services in a more flexible way.

There are also ongoing issues with New Directions position in certain care markets and their future intentions on continuing to deliver services in these markets.

Financial Performance 2021/22

The company has been trading since 2007. Turnover for the year ended 31 March 2022 was £10,365,292 (2021 - £10,442,218) with a pre-tax profit of £26,420 (2021 - loss of £580,081).

The annual accounts 2022/23 were provided to the Council in August 2022 and will be published at Companies House.

Future employer pension contributions in respect of the defined benefit pension scheme will be expensed to the profit and loss account as incurred/paid. Net assets following the derecognition of the pension liability increased from net liabilities of £505,120 to net assets of £4,230,840.

Key challenges facing New Directions are of inflation and the proposed increases to pay scales linked to NJC negotiations. These inflate the cost base for New Directions significantly. The company continues to look for efficiency savings and new and innovative ways of creating value for money for the Council but without inflationary uplifts, the viability of some services is in question. The company has a strong cash base, which provides financial resilience in the short to medium term for the company.

The company continues to drive efficiencies in the provision and improved outcomes for the people of Sefton and is in discussions with Sefton about future funding arrangements.

A key issue is the internal financial planning, budget management and oversight arrangements within New Directions and how elements such as unit costs for services are reviewed and calculated, as previous exercises conducted have reported different outcomes which have then impacted on Adult Social Care financial planning and expenditure calculations. In addition, this has caused a delay in relation to the progression of key market intentions for Strategic Commissioning. This has been further exacerbated by the lack of consistency in relation to the Head of Finance for New Directions.

Key areas of risk during the year

New Directions have identified the need to strengthen their approach to risk management, specifically establishing the risk appetite of the organisation and

ensuring that it is aligned with strategy.

At their meeting on 25 July 2022, the Board agreed to use a risk appetite framework, similar to that utilised in the NHS, which supports better risk sensitivity in decision making. This more robust approach to risk management will be finalised at a board away day in November 2022; the Shareholder Representative attends these sessions.

New Directions takes all necessary measures to prevent fraud and bribery by developing an open and transparent culture with which everyone can identify and subscribe. Anyone who has suspicions or evidence of fraud or bribery occurring in any aspect of the running of the company is expected to report their concerns and will be protected as a result of doing so by the whistleblowing policy.

New Directions has a comprehensive system of auditing and accounting in place, which makes sure that any financial transactions involving staff are always open and above board and the business is conducted to achieve the highest standards of probity. The finance team regularly receive fraud awareness training through their Bank, NatWest.

There is a code of conduct policy which sets out the standards expected for all staff at Sefton New Directions and a register of interests is in place for the Board to prevent any conflicts of interest.

The Board of New Directions has established a board assurance framework, which is an annual cycle of internal company controls. Company Directors and the Shareholder Representative receive these reports

New Directions are in the process of strengthening its arrangements by developing an Anti-Bribery policy.

The Shareholder Representative has full delegated authority from the Cabinet to act as the Shareholder in respect of all Shareholder decisions relating to the New Directions companies, including:

- Appointing and dismissing directors of the Boards.
- Assessing and making recommendations in respect of the performance of the Boards and individual directors.
- Approving the Annual Business Plans.
- Approving any in-year changes to the approved Annual Business Plans, including new investments to be made by the Companies.
- Making decisions in respect of Reserved Matters.
- Chairing the Annual General Meetings (AGMs).
- Voting on behalf of the Shareholder at the AGMs.

The Shareholder Representative is supported by the Council's Executive Leadership Team in ensuring the performance of the company and the continued alignment of the business of the company with the objectives of the Council. They may also seek further consultation or approval from Cabinet on any matters for which they feel this would be appropriate, at their discretion, or for which this is required under the Council's constitution. This may simply be to gain support in

assessing information and making decisions.

Risks identified are that there is no definitive information on costs for each individual service delivered under the block contract arrangements and that there is a need for greater transparency on the internal governance and audit arrangements for the Company. There are also no formal contractual arrangements in place linked to each area of provision, with no routine monitoring of compliance or quality. In addition, there has been no formally agreed approach to the future modelling of annual inflationary uplifts.

Evaluation of performance in 2021/22 compared to Council objectives for setting up the company and approved Business Plan for the year

The performance reported in this report has supported the Council to meet its objectives around the continuation of services and/or putting in place alternative service provision arrangements during the pandemic, the drive to support more people in their own homes and to ensure that services are in place to support with hospital discharges and therefore reduce pressures in the wider Sefton Place Health and Social Care system.

The main challenge has been around workforce impacted on due to COVID, recruitment challenges, however, this has started to improve.

Going forward, the focus will be to improve accessibility of reablement over winter to meet the performance requirement of the NHS which funds the service through the BCF – Better Care Fund. There is an expectation that there will be sufficiency of reablement to meet both community and hospital discharge demand and prevent avoidable delays to people returning home from hospital. This will enable the wider system to maintain hospital flow and ambulance turn around times and although this service is a small part of the wider health and care system the service supports discharges for Sefton patients from a hospital which is under performance scrutiny. It is therefore important that this service continues to improve and develop capacity to meet demand.

Full performance has been difficult to access due to upgrade of the New Directions I.T. systems.

As with other adult social care providers, performance during 2021/22 was impacted by the pandemic. Council officers will work with New Directions on its competitor analysis work that is identified as being a key workstream in its 2022/23 action plan.

A full performance review will take place in Quarter 4 of 2022/23 and will inform the development of new contractual arrangements.

What are the Delivery and Improvement Plans for 2022/23

As identified in the **Strategic Business Plan 2022-25**, the key objectives for

2022/23 for New Directions are:

- **Provider of Choice**
 - Stabilisation of the block contract with agreed processes for uplifts
 - To be instrumental in the delivery of Intermediate Care/Reablement strategy
 - To support proportionately more people with complex needs, behaviours that challenge, people with autism and dementia
 - Expand into mental health services, with a specific focus on the recovery model and adolescent support to meet the local gap and commissioning need
 - Create an innovative approach to support 16-19-yearolds through the shared lives model
 - To create a supported employment programme
- **Employer of Choice**
 - Implement a collaborative Learning and Development (L&D) culture
 - Develop leaders and managers to promote effective performance management and enhance organisational, team and individual practice outcomes
 - Develop a highly capable and resilient operational workforce to ensure services are specialist providers in their field
 - Initiate a holistic wellbeing approach designed to enhance the resilience of the workforce
- **Improving Quality of Care**
 - Collate, measure and use data more effectively – demonstrating outcomes
 - Undertake an annual mock inspection of all services (including non-CQC registered services)
- **Effective Engagement and Participation**
 - Ensure individuals who use the service will be involved in decisions about their support - Co-production is embedded into all future decisions; and people tell us they feel they have control over their daily life
 - Improve levels of staff engagement to maximise business performance
- **Effective, Efficient and Financial Sustainability**
 - Ensure performance systems are in place that monitors effectiveness
 - Develop high-level performance management indicators for the board
 - Develop a digital strategy to support the effective and efficient operation of the business
 - Create an investment plan in line with 'the offer' and service expansion and redesign
 - Conduct a competitor analysis of local competitors in key markets.
 - Identify and secure areas of new business growth
 - Minimise the risk associated with the pension liability
 - Implement a financial investment strategy with financial targets

- Produce a medium-term financial plan
- Review and implement a new internal audit programme

From an Adult Social Care perspective there is firstly a need to ensure that is a synergy between New Directions 2022/23 plans and its own plans and commissioning priorities.

It is also the view of Adult Social Care that governance arrangements for New Directions need to be strengthened to ensure that Adult Social Care commissioning decisions and plans are communicated fully within New Directions and its Board.