

Report to:	Overview and Scrutiny Committee- Social Care and Health	Date of Meeting:	20 February 2024
Subject:	2022/23 Outturn Review of Council Wholly Owned Companies - Sefton New Directions		
Report of:	Executive Director of Adult Social Care and Health- Cheshire and Merseyside ICB Place Director Sefton	Wards Affected:	All Wards
Cabinet Portfolio:	Adult Social Care		
Is this a Key Decision:	No	Included in Forward Plan:	N/A
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. The report provides detail on the wholly owned company Sefton New Directions Limited ('New Directions').

Recommendation(s):

That Members of Overview and Scrutiny Committee:

- (1) Consider the content of the report in respect of Sefton New Directions Limited ('New Directions');
- (2) 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 companies; and
- (3) Seek clarification or additional information from officers as appropriate within the meeting to carry out the scrutiny function.

Reasons for the Recommendation(s):

The recommendations will support the effective and transparent governance of New Directions as one of the Council’s three 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: Sefton New Directions operate services that support the Council’s legal duties and obligations under the Care Act 2014, pertaining to the delivery of services to Residents of Sefton, who from a Care Act assessment and review of need, require these important services. Sefton New Directors also support the Council through a trusted partners role and responsibility, meaning they support with Care Act assessment and review activity, working closely with the Council’s adult social care Staff.	
Equality Implications: There are no equality implications arising from this report specifically. Equality impacts and mitigations for the company are addressed via the strategy and business plan for years beyond the period to which this report relates.	
Climate Emergency Implications: The recommendations within this report will:	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for	N

report authors	
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There are no environmental implications arising from this report specifically.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

Sefton New Directions are a Provider contracted to deliver care and support services to vulnerable people in order to meet their assessed care and support needs.

Facilitate confident and resilient communities:

Supporting communities and ensuring the adoption of a strength-based approach is a key aspect of the services Sefton New Directions deliver.

Commission, broker and provide core services:

The Council has a contractual arrangement with Sefton New Directions and the review will inform how Sefton New Directions can support the Council to deliver its strategic objectives and future commissioning intentions.

Place – leadership and influencer:

Drivers of change and reform:

Work taking place with Sefton New Directions to transform services will support with deliver of wider change and reform, such as to support more people to remain living independently in their own homes for longer.

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 (FD7540/24) and the Chief Legal and Democratic Officer (LD5640/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Engagement and information provision was sought from the board and management of the company in the production of this report.

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Appendices:

There are no appendices to this report.

Background Papers:

New Directions Annual Report: <https://ndirections.co.uk/>.

Statement of Accounts: [application-pdf](#)

1. Introduction

- 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 Limited ('New Directions').
- 1.3 The same process is undertaken in the other wholly owned companies as well, and on an ongoing basis good practice and lessons learned relating to governance are shared between the companies. There will be respective reports to the relevant Overview and Scrutiny Committee.
- 1.4 A service review has been completed and Cabinet received a report on this review in January. The report set out the need to transform the service to ensure it is equipped to meet the service requirement within the available Council resources set aside for New Directions. The final section of this report provides further detail, but, essentially, the review was required following New Directions board reported concerns regarding the future investment needed from the Council to address a funding shortfall. The company had previously sighted the Council on the impact of the cost-of-living increases and staff costs. The block contract value has not increased at the same rate as inflation over the course of the contract although additional funding has been made available over and above the block contract. Cabinet approved, at this meeting, the commencement of a period of 12-month transformation to address this potential resource gap in collaboration with commissioners to ensure a balanced financial position can be maintained into the future. Any risk to this approach will be reported immediately to the Council's Cabinet.

2. New Directions Annual Report

- 2.1. New Directions produce a report on an annual basis for their Board. The purpose of presenting this report to Overview and Scrutiny Committee is to enable members to carry out effective scrutiny of this Council owned company which will give a level of assurance that both the Council's interests and the services or products provided by such wholly owned 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. Council Objectives for the Company

3.1 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.

Governance Arrangements

3.2 The Council has appointed a shareholder representative as 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.

The Council's 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.
- Making decisions in respect of Reserved Matters.
- Chairing the Annual General Meetings (AGMs).
- Voting on behalf of the Shareholder at the AGMs.
- Update the articles of association.
- Approve the strategy and business plan.

Council's Cabinet must approve the following:

- Approving the Annual Business Plans and ensure monitoring is in place.
- Approving any material in-year changes to the approved Annual Business Plans, including new investments to be made by the Company.
- With respect to the New Directions 2022-25 Strategic Business Plan, this was submitted by Adult Social Care to Cabinet on 23 June 2022.

Governance arrangements in place for the company in 2022/23

3.3 Governance arrangements were set out under an Article of Association at the point of inception 2007, subject to be monitored and reviewed thereafter. These were reviewed and updated in 2020 in consultation with the Shareholder at which point it was agreed further monitoring and reviews would take place. The Board has in place a scheme of delegation which

outlines the responsibilities of the executive leadership team. This was last updated in April 2023.

The governance has been amended and strengthened and a new Shareholder meeting has been put in place with terms of reference and diarised meetings throughout the year. Membership includes the Chair of New Directions Board, the Cabinet Member shareholder representative, the Chief Executive of Sefton Council and the Executive Director of Adult Social Care and Health. It is in this meeting that progress against the business plan is outlined by the company to the council and from which a decision to escalate any matters back to cabinet are taken.

In addition to this there are separate commissioning and planning meetings held between New Directions managing director and his operational team and Council officers in Adult Social Care. The Board is made up of independent non-executive directors who do not have an executive function and are not employees of the company.

The Board meetings are at least every two months. There are two sub-groups that meet at least four times a 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 Board meetings.

The Board annually conducts an asset-based skills matrix to identify and understand the skills available to the board. This skills matrix contributes to the replacement of directors and will be used as part of the planned departure of a nominee director in May 2024.

With respect to the New Directions 2022-25 Strategic Business Plan and 2021/22 Finance Plan, this was submitted by Adult Social Care to Cabinet on 23rd June 2022.

4. Key Objectives for the Company as per the Business Plan in 2022/23

4.1 The Company produced a business plan which agreed at Cabinet in June 2022. This section is taken from the New Directions Business Plan and Annual Report.

The key objectives for the Company set out in the business plan 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, caring and skilled workforce to support with the above aim of being a Provider of Choice.
- **Financial Stability** – positioning the company to maximise opportunities for growth.
- **Ensuring good governance** – putting a framework in place for strong governance and measuring progress.
- **Engagement and Communication** – ensuring customers, families and employees feel engaged and involved.
- **Improving Quality of Care** – working to improve the quality of care and support.

Review of Performance 2022/23

4.2 The following is taken from New Directions reporting:

The Company has contributed to the Council's intermediate care strategy, working with adult social care and health services.

New Directions services are also joint funded in that the Adult Social Care receive income from the Cheshire and Merseyside ICB to contribute to Chase Hey, James Dixon Court, Supported Living and Reablement. It is therefore important that the company's performance meets the requirement of both social care and health commissioners. During the year, the company introduced an additional offer to the intermediate care service within James Dixon Court, helping support the transition from hospital discharge to offering a vital route back home, significantly easing pressure on hospital and health service partners.

- 142 people have used the service (a mix between reablement and transitional).
- Average length of stay for people in reablement beds is 6 days.

The company has been proportionately supporting more people with complex needs and autism; within day opportunities: -

- 34 individuals with complex needs are now being supported in day

services.

- The number of individuals supported grew by 13%, although it should be noted there is still capacity to deliver more within the block contract.
- There are 8 partnerships with community groups and partners which contribute to the person-centred approach to support individuals.
- Over 30 social therapeutic and well-being activities are offered each week.
- Over 1,500 hours of support are being delivered each week.

The mental health recovery service at Woodlands, which has 11 tenancy placements, with an additional 2 respite/emergency placements, has been improving outcomes for individuals: -

- The average length of stay has been reduced to 12 months,
- 5 tenants have moved into their own accommodation with low-level support,
- 1 person moved into supported living,
- 12 outcome benchmarks achieved for every supported person in a person resettlement plan.

Shared Lives has been improving the lives of individuals: -

- 3 individuals are in paid employment.
- 17 individuals are in volunteer roles contributing to their local community.
- 1 supported person gained and holds an apprenticeship role.
- 23 individuals had reductions in other adult social care services, meaning individuals live more independently, with fewer restrictions and reductions in the local authority budgets.
- Over 75 individuals supported in 53 shared lives placements across Sefton.
- 100% of individuals say they are doing all the things they want to do.

During the year out of the 11 individuals in Supported Living: -

- 3 individuals are volunteering and contributing to their local Sefton community.
- 6 individuals have improved their independence, resulting in reductions in costs to commissioners.
- 3 people are actively involved in local Sefton community groups.

The company provides respite or short break services, the company's 10 commissioned beds over the year have provided essential respite for individuals, a significant number of whom have complex needs: -

- 133 people are supported: - 110 individuals with a learning disability as their primary needs and individuals with additional support needs, including 50 people with a physical disability and 42 people on the autistic spectrum.

Reablement services continue to support individuals to regain skills they

need for daily living lost due to injuries or health conditions. During the year:

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- The average length of a completed reablement episode was 23 days – compared to a national average of 34 days, delivering an efficient service to the commissioner and maximising the volume of people who can be supported.
- 43% of individuals leave the service with a reduced care package in place.
- Between 90% and 95% of people aged 65 and over remained at home 91 days after discharge from hospital into New Directions reablement. Sefton remained in the top quartile compared to statistically nearest neighbours, North-West and England, in each of the three months, which means the service is high-performing compared to others across the Northwest [ASCOF 2B1]. [data October 2023].
- During the year, following the success of the pilot in the north, the Company expanded its rapid response community reablement services in the south of Sefton, supporting health colleagues delivering the 2-hour urgent community response service, supporting a speedy hospital discharge and preventing avoidable hospital stays.

Employer of Choice

4.3 New Directions aspiration is to be the provider of choice for the Council. This is the way in which they will achieve this:

- 10% of the workforce engaged in co-producing the Company's workforce development plan, improving levels of staff engagement to maximise business performance.
- The company restructured the senior leadership team to include a Head of Learning and Development as part of its aspiration to be a learning organisation, committed to quality and compliance.
- Implemented a new value-based recruitment process for senior managers.
- 12 staff completed professional management qualifications ranging from level 2 diploma to level 5 leadership management in care.
- A senior management development programme was created and delivered, which included 360-degree appraisal and feedback.
- The company improved its well-being offer to employees through various actions such as more effective promotion of the active workforce menu, Employee Assistance programme services, working in partnership with trade unions to promote health and wellbeing services available to staff and implementing a menopause policy and new wellbeing policy.
- Other People Performance Indicators for 2022/23: -
 - The vacancy rate is 7.2%, which is below the national sector average of 9.9%.
 - 87% of operational staff hold relevant social care qualifications,

compared to a national average of 48%.

- 6 individuals volunteer for New Directions, contributing to social value and supporting individuals to contribute to their local community.
- Staff attrition rate of 14%, compared to the national sector average of 28.3%.
- Recruitment of 63 new staff.
- There are no staff on zero-hour contracts.
- 83% of New Directions staff live within the Borough of Sefton and 97% in the Merseyside area, contributing to the local economy.
- 13.5% of New Directions staff have disclosed that they have a disability, (by comparison, 3.7% of NHS staff declare a disability).

Engagement and Quality Assurance

4.4 The Company surveyed 178 individuals who use services and compared this to the national Adult Social Care Outcomes Framework (ASCOF) data, which demonstrated the following: -

- 95% of individuals stated they feel safe and happy with their service – compared to 84.4% of individuals in the northwest who say their services help them feel safe and secure.
- 91% of individuals stated they feel they have choices (what you eat, where you go, what you do, etc.) compared to a northwest average of 78.7% of people who say they have control over their daily lives.

As part of the Quality Assurance framework, the company conducts several audits to identify areas for improvement and ensures delivery of the recommendations from these audits: -

- Conducted 30 internal quality and health and safety audits.
- Commissioned 16 external independent health and safety audits.
- Commissioned 16 external independent fire risk assessment audits.
- Commissioned 7 external independent CQC mock inspections.
- Commissioned an external independent audit of the payroll function.
- To support good governance, 17 policies were reviewed and updated during the year as part of a 3-year cycle to ensure policies are current, and we amend them to reflect lessons learned.

Further Improvements to internal Governance

4.5 The company has strengthened its Governance arrangements although there are further improvements to be made identified through a recent internal audit and service review: -

- Improved performance indicator tool based on priorities.
- Recruited three non-executive directors who are independent from Sefton Council.
- Appointed the first Chair, who is independent from Sefton Council
- Created a 3-year strategy.
- Improved the training and development of non-executive directors.

- Created a board assurance framework to monitor key areas of activity.
- Improved the risk management framework.
- Implemented a more robust quality performance dashboard to monitor and learn from incidents, accidents and near misses.
- Commenced learning and development programme and training, which is part of the company's aspiration to be a learning organisation.

5. Financial Performance 2022/23

New Directions managed a planned deficit of £0.891m (with turnover of £9.775m) in 2022/23 and has agreed for 23/24 that a deficit of £0.990m will also be experienced as the Board have decided to continue to subsidise vital services for people in Sefton and expand reablement (utilising money from their reserves) to assist the shareholder, Sefton Council and to support local, vulnerable people, in advance of the reform of the company taking place. At the end of 2022/23 balances held by the company were £3.3m and these will reduce to c.£2.3m at the end of 23/24. These figures exclude the investment in 2023/24 to expand Reablement.

The annual accounts for 2022/23 were provided to the Council in July 2023 during the AGM, which was Chaired by the Shareholder Representative and were subsequently published at Companies House.

New Directions has passed on to Sefton Council £0.811m in dividends in the last 6 financial years and has absorbed inflationary pressure during this period. Although additional funding as one-off payments and health income has been made available.

The increases in the minimum wage and inflation create financial pressures for New Directions. The Leader of the Council has requested that New Directions be a Real Living Wage employer, which was implemented in late 2023 and contributes to the budget pressures.

However, there is now the ongoing challenge to continue to deliver within the current budget envelope. This is the key activity in the development of a medium-term financial plan.

Following the review in 2023, it was agreed there would be a transformation programme, which will be co-designed. Any investment over and above the available resource will need to be demonstrated through full business cases linked to a saving in the Councils revenue budget for Adult Social Care.

Based on the strategic review, a financial and operating model will be developed that will ensure that the services commissioned are delivered and provide for the company to return to making an in year profit and longer-term financial sustainability- detail of this will be included in reports to

Cabinet as shareholder in 2024. Any risks to this approach will be reported to the Council.

6. Key areas of risk during the year

It must be noted that there are challenges to ensuring occupancy in some services are maximised and that the growth of reablement has not met demand which means that the Adult Social Care budget is under pressure and there has been a requirement to commission alternative services in the independent sector. These areas will be subject to a transformation plan.

Risks are managed through risk registers and identifying key mitigations. Significant risks are raised with Sefton Council. The Company has reviewed and strengthened its approach to risk management and created a risk management policy for the first time, which identifies the responsibilities of the board and the executive. Risks are discussed at the Shareholder Meeting.

New Directions takes 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 because of doing so by the whistleblowing policy. New Directions reviewed its financial procedures and strengthened arrangements by developing an anti-Bribery 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 that 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 that 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 and Shareholder Meeting receive these reports.

Key risks identified are: -

- Ensuring financial sustainability and the impact of inflation, which is reflective of challenges the wider marketplace.
- An agreed approach to modelling annual inflationary uplifts between the commissioner and the company.
- Reducing financial risk to the Council and the Company through service review and transformation.

7. Council Delivery and Improvement Plans for 2023/24 in relation to New Directions

On the 6th of March 2023, the Council's Executive Director of Adult Social Care (DASS), set out in writing the requirement that New Directions would be subject to a significant review of services. With the company delivering a planned financial deficit position in 22/23 and 23/24, which has been reported to the Council, the strategic review is of importance to support the company in the long term and protect the financial interests of the council- any variations or concerns that the aims of the strategic review cannot be met including financial sustainability will be reported to cabinet immediately.

The key elements of the review were jointly agreed with by all partners at the start of the process and formalised through agreement of the high-level plan with the New Directions Board in July 2023. The main purpose of the review was to identify options which deliver value for money and long-term sustainability.

The review was completed within a shorter time period than originally agreed and planned, in order to meet the Council budget setting time framework and as a result actions and proposals being recommended from the services review will need to be delivered during a future twelve-month change and transformation programme which will commence in January 2024. This was agreed by Cabinet in January 2024.

Linked to the above, New Directions Board of Directors have defined focus on the following key priorities which is to achieve financial sustainability through review and transformation of services in partnership with the Council and to produce a medium-term financial plan as part of this transformation. This includes becoming a Real Living Wage Employer.

The priorities above will ensure that the company has future synergy with commissioning priorities, and following the outcome of the service review, it is recognised that the company will be reviewing its business plan for 2024/25 to reflect joint priorities. Risks will be escalated through to the Council.

8. Conclusion

Committee is asked to note this report and to identify further areas of scrutiny in relation to New Directions.