

## **Report of the Sefton New Directions Board to Sefton Council Proposed response to contract reduction of £3m**

### **1. Introduction**

Sefton Council at its meeting on 3 March agreed its budget for 2011/12. That budget finally confirmed that a contract reduction of £3m would be made from Sefton New Directions (SND). In addition, and in response to a petition from Trade Unions, the Council resolved to seek a report on the implications of the £3m reduction from independent officers of the Council.

Following clarification from Council Leaders, the Board of SND has been requested to report the implications to Council Officers who will review the document and advise Councillors appropriately.


This report provides the Council with the background to the current issues facing SND and more particularly the specific proposals regarding the £3m contract reduction.

The report is provided to the Council as shareholder of the Company.

### **2. Current Issues Facing SND**

SND is at a watershed in its relatively short life.

There are a number of issues which have a significant impact on the future viability of the Company:

- a) The Company is currently defending a large number of Employment claims lodged by employees and Trade Unions. Numerous attempts (including meetings through ACAS) have been made to reach an agreed settlement. The value of these claims exceeds the assets of the company. 

- b) SND was notified in November 2010 that the Council wished to see a reduction in the fee paid to SND in order to bring this in line with other providers. We have been informed that a reduction of £3m was approved by the Council in September 2010.
- c) The core services offered by SND need to modernise to ensure they can meet commissioning objectives of personalisation, transforming social care and the expectation and aspirations of service users. The current approach will not satisfy current and future customers and there is a real risk that service users will choose not to access SND services.

Each of these issues is significant in its own right. Taken together, they represent a real and immediate threat to the Company. In order to manage the risk associated with this position the Council advertised for Expressions of Interest from companies willing to undertake the work currently performed by SND. Sefton New Directions has returned the Expressions of Interest and awaits any response from the Council. In the meantime, the Company continues to deliver the contract requirement while planning for the issues above.

### **3. Response of SND**

#### **3.1 General**

The Board of SND is acutely aware of the challenges facing the company. It receives regular updates and has taken a proactive approach in trying to resolve these issues. It has employed a specialist company Fresh (Care Consulting) Limited to provide interim management to identify opportunities for the Company to modernise its services and to ensure its viability.

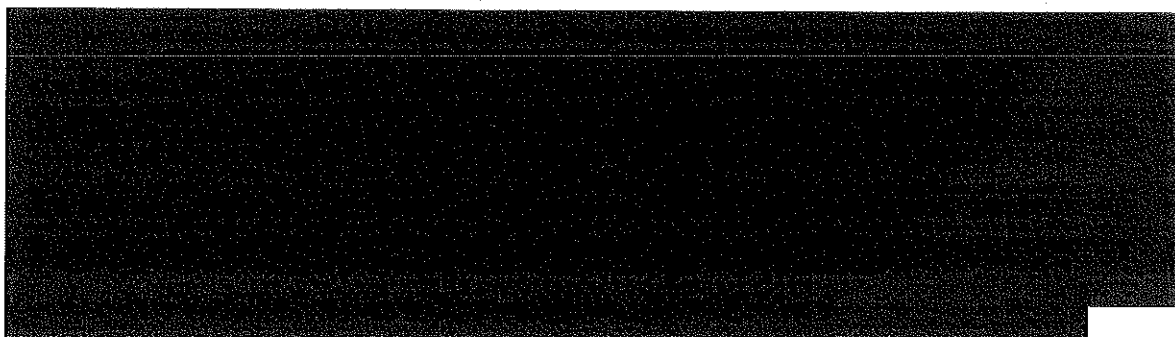
The Board is also conscious that if the Company is to remain viable that Governance structures need to be revised. The SND Board would welcome an early discussion with the Council about revised Board membership and accountability as well as an appropriate efficient mechanism for the Council to guard its shareholding.

#### **3.2 Fresh Care Consulting**

Fresh Care Consulting (FCC) was originally appointed to provide an assessment of SND in May 2010. They were subsequently appointed to undertake their existing role in December 2010. It is important to stress that Fresh are interim managers acting on the Board's instructions.

FCC is a respected healthcare industry specialist. It brings considerable experience in developing, delivering and implementing strategic change within commercial Care operations. Combined with this is extensive public and voluntary sector experience. FCC works with Care operations often in the most difficult of circumstances, even through Administration or Receivership, where they work with Creditors and other stakeholders to manage change. The two consultants engaged with SND bring considerable personal experience in Strategic Planning, Marketing, Service development and the much-needed consolidation required of SND.

#### **3.3 Employment Tribunal Claims**





### **3.4 Modernisation**

SND offers a traditional but well loved package of services to older people and people with physical, learning or mental disabilities.

Services are provided from twenty-five locations across the borough of Sefton. These include a comprehensive range of services covering:

- Residential services including Supported Living and Shared Living
- Intermediate and Respite Care
- Re-enablement including hospital discharge
- Short breaks for Learning Disabled younger adults
- Day care placements for Adults including Older People and those with Physical and Learning Disabilities

However there are growing demands on the service to change to reflect modern approaches to, and personalisation of, these services to meet the wishes of service users.

A transformed SND would focus on three distinct service areas – Homecare, Inclusion for younger adults and Senior Living to provide dignity, respect and enhanced quality of life for all service users. The service features would include:

#### **Home Service**

- A targeted and structured re-enablement service, with additional professional input and guidance from Health and Social Care professionals and possibly NHS input. This would be geared to ensuring meaningful and effective re-enablement takes place
- A tailored domiciliary care and emergency/crisis hospital discharge service
- New Domiciliary Care and personal assistance for older people and younger adults with special needs including an enhanced dementia service
- Intermediate care at home or in day service units
- Supported living expanded
- Shared Lives

- A Telecare operation to provide remote assistance would also be created to support independence of our **Home Service** users.

Intensive homecare is the emerging alternative to residential care but is caught in the trap of being unable to expand without the growth of alternative providers. SND can expand into this market locally and in neighbouring areas to reduce dependency on Sefton Council contracts and capture more personal budget holders.

## **Inclusion**

This would be an integrated service focused on expanding SND's services to younger adults (under 65) including service users leaving the care of children's services.

SND's range of services would be in line with a philosophy to ***“delivering a pathway to inclusion and community for life and employment”***.

A comprehensive range of services would include:

- Day Services - Traditional Day Centres would be reshaped to provide improved pathways to other services. Premises use would be overhauled as they are transformed where appropriate from destinations in their own right to Service Support Units and transition gateways to superior venues and facilities (including the Council's own highly specified Leisure Services)
- Residential services for those where Supported Living is not feasible or where small group living is preferred by self-funding or budget holding service users
- Respite accommodation for LD and MH clients serving the local and wider community (beyond Sefton). This will include holiday breaks
- Outreach support, facilitating recreation and life-enhancing activity to add value and differentiate ND from the ordinary providers
- Employment creation through support for social and community enterprise, building on existing links to training and education providers
- Transition and Moving On services for children leaving care or those young people with LD and MH issues who are in contact with the Courts / Criminal Justice System.

The objective is to work with service users and other agencies to deliver an integrated and holistic service approach geared to meeting individual needs within the context of the local, regional and national Transformation agenda.

## **Senior Living**

This service would mirror aspects of inclusion and community and link into the Home Service where appropriate.

This business arm would organise the provision of accommodation where necessary - either residential or day space.

SND will transform current services with improved emphasis on:

- Specialist Dementia services for older people
- Intermediate care and respite services - ND would look to include a nursing provision where required by commissioning partners while working with health and social care partner services (e.g. GP commissioners, H&SC and NHS) to provide back-up support and a joined up discharge service for clients
- Day Services - Traditional older people Day Centres would be overhauled and perhaps consolidated in the same as our younger people day services

The refreshed SND would be structured to enable staff and resources to be used effectively to meet the existing and new challenges.

### **3.5 Contract Reduction**

As indicated above, SND has been notified that its fee will be reduced by £3m in 2011/12. The Company has agreed a payment schedule with the Council which delivers this reduction. The Board accepts that its current overall cost base is significantly higher than the market and that its ability to compete is weak. The main reason for the high cost base is that staff transferred with, and have maintained local government terms and conditions which are significantly better than our competitors. The Company has also had the protection of a long-term block contract with the Council which was negotiated when the Company was formed.

Delivering cost reductions which meet the Council's requirements is essential. It is also essential if the company wishes to compete for work from others. As identified above, the Council is seeking Expressions of Interest from other organisations wishing to provide the services which SND currently provide. SND have submitted an Expression of Interest at rates lower than its current cost base. The Company understand why the Council has sought these Expressions of Interest.

In order to reduce costs by at least £3m, the company has been developing a package of proposals which will achieve the reduced contract sum. These include:

- Additional income opportunities outside the Council
- Revised terms and conditions of employment for staff
- Restructuring the workforce including:
  - Targeted reduction in some parts of the workforce including opening a voluntary redundancy scheme
  - Recruitment of new staff to reshape the organisation and meet service demands

- Identifying all opportunities to streamline costs across the whole business operation.

An initial package was developed and SND Board mandated Fresh to consult with staff and Trade Unions. This initial package is summarised at Appendix A. It is clear that whilst elements of the package relating to new business was attractive to the Trade Unions, the revised terms and conditions and restructuring the workforce was not. It has become very controversial with media pressure and councillors being lobbied.

The Company was copied into an e-mail from Trade Unions to Councillors suggesting that a similar package of changes to terms and conditions to that being introduced to the Council should be considered and that the Council should relax the £3m reduction. It is up to the Council to consider the latter point. In relation to the first, this package would produce around £300,000 of savings for SND which is significantly less than required. In addition the package is not appropriate for SND because the Unions' proposals for staff to take unpaid leave at Christmas could not be provided for as the business operates throughout this period and cover is required to deliver much needed services to the community including those in residential services or those at home and vulnerable.

Following these consultations a revised package has been devised and this is summarised in Appendix B. This will be communicated to the Trade Unions week beginning 14 March. This results in lower pay reductions but results in more redundancies. However following the approach to staff around voluntary redundancy/ early retirement it may be possible to cushion a number of these job losses by voluntary means. The initial reaction of Trade Unions is relatively positive and the Company awaits a formal response.

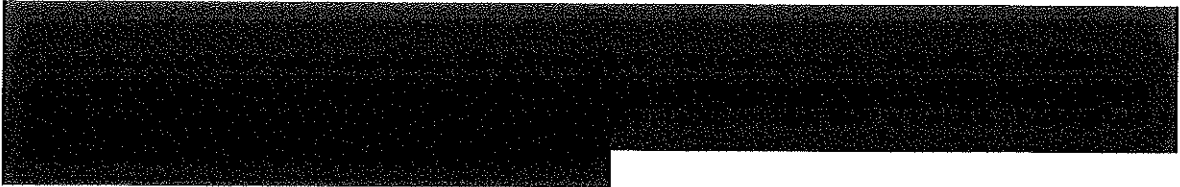
This package of proposals would produce the required cost reductions and would ensure the company is better able to compete. However they will have to be viewed as an interim measure as even if these changes were introduced the cost base on SND remains considerably higher than the market.

Assuming this package of proposals was implemented the Company would be able to achieve the £3m cost reductions. However in order to mitigate the implications of job losses, the Company would prefer to take advantage of the significant number of people who have expressed an interest in leaving the Company on voluntary means. This would incur additional cost and the business case for this is currently being developed. The Company would want to discuss this business case with the Council should the package at Appendix B be capable of being implemented.

### **3.6 Reaching a Final Agreement**

The Board is conscious that the issues of Tribunal claims and viability have been hanging over the Company for years. The latest position represents the best chance to ensure this company is both financially viable and providing services that meet the needs of the Council and service users.

If the Company is to flourish these two issues must be resolved together. It would be inappropriate to agree revised terms and conditions only to find that the Company is unable to continue trading as a result of Tribunal claims. [REDACTED]



In addition to the risk of challenge the spectre of these issues is hampering the Company's progress in restructuring and transforming its service offer to meet the standards and aspiration of modern care services.

#### **4. Conclusion**

This is a very difficult period for the Company. The combination of employment claims, contract reduction and modernisation requirements are all having an impact on the future viability and sustainability of the Company. It is also impossible to separate out these issues as they are completely interrelated.

SND has to change if it is to have any future. The Board believes the company can achieve a £3m cost reduction but this requires changes to the way the company operates and the employment terms and conditions of staff. The latest package of proposals is the best the Company can offer at this time.

However even if these proposals were accepted, the future viability of the company remains at risk primarily from the employment claims but also from its ability to modernise and attract new business from others. The Board would be derelict in its duty if it did not ensure that any successful negotiation on terms and conditions was linked to resolution of the employment issues.

The Company would like to agree the way forward with Trade Unions and staff by 1 April. The Council as shareholder is recommended to endorse the approach taken by the Company to ensure the future viability of the Company.