

ABERDEEN CITY COUNCIL

COMMITTEE: Social Care and Wellbeing

DATE: 1 September 2011

DIRECTOR: Fred McBride

TITLE OF REPORT Formation of a Local Authority Trading Company –
Implementation Costs

REPORT NUMBER: SCW/11/059

1. PURPOSE OF REPORT

The purpose of the report is to seek approval from Committee to the cost of external support for taking forward the preparation of a full business case and implementation plan for a Local Authority Trading Company (LATC), to include older people's and rehabilitation services.

2. RECOMMENDATION(S)

It is recommended that members note the information in this report and agree that external, expert support for implementation of an LATC be engaged through an appropriate procurement process, with associated costs of up to £500,000 to be met from the Social Care and Wellbeing budget

3. FINANCIAL IMPLICATIONS

3.1 The LATC would be a company with around £25 million turnover, based on the current service budget for the following services proposed for inclusion in the LATC:

- older people's resources;
- occupational therapy and rehabilitation resources;
- learning disability resources (one day centre and one supported accommodation complex); and
- learning and development.

3.2 The LATC will have powers to trade and, through this, the ability to generate income. The Outline Business Case presented to full Council on 29 June 2011 demonstrated that the LATC has the potential to generate a trading surplus that will provide a basis for investment in services for the future and/or redistribution back to the Council.

3.3 A Value for Money comparison has demonstrated that, at constant demand, the Council will be £3 million better off after 5 years compared

to continuing as at present with the services that would transfer to the LATC.

- 3.4 The costs of the second stage of implementing an LATC, estimated in the Outline Business Case to be £500,000, will met from the Social Care and wellbeing budget.
- 3.5 Aspects of the work to prepare the full business case for the LATC, will be undertaken through the corporate contract awarded at Urgent Business Committee on 19 July 2011 to KPMG/Pinsents, for support with the externalization of services. This will include areas of tax, VAT, pensions, TUPE, company structures and governance.

4. OTHER IMPLICATIONS

- 4.1 The LATC will be wholly owned by the Council and the Council will exert influence through a contractual relationship that will define arrangements for robust performance management.
- 4.2 The LATC provides an opportunity for the Council to ensure that services are flexible and adaptable so that they remain sustainable for the future. The expected benefits of the LATC are:
 - improved value for money through a formal contractual relationship that incentivises services to improve;
 - efficiency savings, providing the Council with a reduction in costs or opportunity to invest to meet increasing demand;
 - opportunity for the workforce to secure a stake in their own future in an entrepreneurial culture that rewards performance;
 - services that are more flexible and adaptable so that they remain sustainable, respond to current and future demand and deliver improved outcomes;
 - promotion of choice and potential to generate income through trading; and
 - retention of the vital function for the Council of provider of “last resort”.
- 4.3 The LATC supports the policy agendas of shifting the balance of care towards community based services and reshaping care for older to meet growing demand through new ways of working.

5. BACKGROUND/MAIN ISSUES

- 5.1 In February 2011, the Council approved a Priority Based Budget (PBB) proposal that Social Care & Wellbeing should prepare a business case for the establishment of a LATC.
- 5.2 Social Care & Wellbeing contracted with consultants Ernst & Young to assess the feasibility of establishing a LATC as a mechanism to enable the Council to achieve efficiencies while improving outcomes for vulnerable people. The result of this was an option appraisal and Outline Business Case for establishment of a LATC

- 5.3 On 29 June 2011, report was put to Council by the Director of Social Care and Wellbeing which sought approval to take forward the implementation of a LATC. Council approved the recommendations: that the Council –
- (a) note the content of the report;
 - (b) approve the request to progress to implementation of the LATC;
 - (c) accept the Outline Business Case as the basis for development of a full business case and a plan for the implementation of the LATC;
 - (d) agree that support be provided from within the Council's Corporate Governance directorate to ensure that the Council's requirements on financial, legal and HR matters are met;
 - (e) agree that external, expert support for implementation be engaged through an appropriate procurement process, with associated costs to be met from the Social Care and Wellbeing budget; and
 - (f) agree to accept a further report on the plan for implementation of the LATC

- 5.4 Colleagues in Legal Services have advised that the necessary expert external support can be procured via a framework agreement established by OGCbuying Solutions - Framework Agreement RM353 (Multi Disciplinary Consultancy). The Council cannot determine which of the Service Providers on that Framework Agreement are capable of delivering best value nor of delivering the precise requirements of Social Care and Wellbeing. As such, it is proposed that the Council carry out a Further Competition in accordance with the provisions of the Framework Agreement. This process is a quick and cost effective way of ensuring compliance with the Public Contracts (Scotland) Regulations 2006, as the timescale for responses to the Further Competition can be restricted to as little as 14 days. Template documentation for the Further Competition has been provided by Legal Services and will be completed following on from the Committee's decision.

6. IMPACT

- 6.1 The proposal supports the Single Outcome Agreement, Local Outcome 6: "Improve the overall health and wellbeing of the people of Aberdeen City in particular by supporting those most vulnerable; this outcome particularly focuses on improving the health and wellbeing of older people."
- 6.2 The proposal supports the following strategic priorities of the Council's Five Year Business Plan:
- provide for the needs of the most vulnerable people;
 - ensure efficient and effective delivery of services by the council and with its partners;
- and the plan for delivery:

- make best use of the financial resources available to us, ensuring best value for the public purse;
- have a flexible, skilled and motivated workforce; and
- listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed.

6.3 The joint Partnership Agreement for Reshaping Care For Older People in Aberdeen 2010-2013 states, "Optimising independence at home or in a homely setting will be a key success measure."

7. BACKGROUND PAPERS

In preparation of the report, reference has been made to the following documents:

Report to Council of 29 June 2011, Formation of a Local Authority Trading Company

Options Appraisal and Outline Business Case - Establishing an Alternative Delivery Model for the Social Care and Wellbeing Directorate, Aberdeen City Council

Aberdeen City Single Outcome Agreement

Aberdeen City Council Five Year Business Plan 2011/12 to 2015/16

Partnership Agreement for Reshaping Care for Older People in Aberdeen 2010-2013

8. REPORT AUTHOR DETAILS

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