

Agenda Item	13.b
Report No	HC/40/18

Highland Council

Date: 25 October 2018

Report Title: **Council Redesign - Final Report on Commissioned Children's Services**

Report By: Redesign Team – Children's Commissioned Services

1. Purpose/Executive Summary

1.1 This report submits the findings of the Redesign Review Team's review of Commissioned Children's Services. The report focuses on the potential benefits and saving that could be achieved for commissioned services including the development of an in-house hub. The report also considers the opportunities and benefits that could be achieved by aligning this work to the already approved review of Children's Services to improve outcomes for Looked After Children. More work is needed with the Third Sector in order to achieve changes in service requirements to meet priorities and achieve identified savings targets.

2. Recommendations

2.1 The review team wish to present the following recommendation to the Highland Council for consideration:

- I. To take forward the proposals presented in section 11.3 and agree to integrate the proposed in-house hub for Placement and Support Services for Children into the overall agreed approach to the review of Children's Services delivery;
- II. To continue to have dialogue with the Highland Third Sector Interface (HTSI) and other stakeholders to ensure that proposed savings can be made with minimum impact to individual clients and families;
- III. Agree savings a savings target of £779k over 2019/20 and 2020/21 with contract lead officers delegated the responsibility to develop proposals as outlined above to achieve the overall targets indicated. It is recognised that these targets and timescales may need to be reviewed in the context of the Council's future budget considerations.

3. Introduction

3.1 This report sets out the findings of a review of the funding for preventative services commissioned for children. The review was undertaken by a redesign team which comprised:

- Councillor Maxine Smith
- Councillor Andrew Jarvie
- Allan Maguire, Head of Development and Regeneration
- Evelyn Johnston, Corporate Audit and Performance Manager
- Fiona Hampton, Head of Business, High Life Highland
- Ian MacPhee, Unison
- Sandra Campbell, Head of Children Services

3.2 The review was carried out in consultation with lead officers and other stakeholders and provides a series of recommendations for Members to consider in setting out how the Council takes forward key priority areas for children's services in the future.

4. Background

4.1 Children services were reviewed as part of the 2016/17 Redesign Programme and key recommendations were to:

- Scope and undertake a Best Value Review (BVR) of current funding against outcomes to establish value for money;
- Consider future commissioning arrangements.

4.2 In undertaking this review, it was anticipated that there would be potential savings through rationalising services, refocusing the allocation of funding and re-procurement. It was also acknowledged that, as well as potential savings, the process would ensure that funding is used to support initiatives and third sector contribution to the key aims of preventing children entering care or achieving the best outcomes for formerly Looked After Children.

4.3 The review group recognised that this is a very complex area of dispersed but interconnected service delivery with several statutory and discretionary functions which impact on some of the most vulnerable sections of Highland communities.

4.4 Currently there are 29 commissions in place which have a value of £5.85M. Some of these are long-standing legacy arrangements going back many years, and have only been reviewed as part of annual budget setting. Others were strategic initiatives, agreed by Committee at various points in the development of integrated children's services. While there are also some recommissioning arrangements, from recent tendering exercises, the majority of these contracts have not been subject to retendering. Written agreements have been developed to reflect current service demands, and regular contract monitoring visits are in place.

5. Scope of Review

5.1 The scope of the review was agreed by the Redesign Board at the meeting of 19th September 2017 and is attached [here](#).

5.2 To complete the review the following key tasks were proposed by the review team and approved by the Board:

- Organise a workshop to confirm service priorities with key stakeholders;
- Map current provision to service priorities and carry out a gap analysis;
- Use the process to identify more affordable services to deliver priorities;
- Identify any opportunities for income growth for potential suppliers;
- Seek to adopt a more commercial process to commissioning services;
- Meet with NHS to identify a more cohesive approach.

6. Consultation Process

6.1 The review team met individually with all of the lead managers from the Council for each commission to obtain a full understanding of the following:

- The services provided by each commission;
- How each commission assists the Council in meeting its service priorities;
- Improvements that could be made in delivering the services;
- Alternative options for commissioning.

6.2 A half day workshop was then held in October 2018 with Members, managers and other stakeholders to confirm the service priorities for the Council and how they could be delivered in the most efficient and effective manner. The workshop also reviewed each of the ten re-design options against each commission to identify which options should be considered in more detail.

Appendix 1 summarises the outcome of the appraisal of the ten options for each commission.

6.3 A further workshop was held on 18th April at the Rugby Club in Inverness to explore the ALEO option with again a range of Members, managers and other stakeholders. This was helpful in developing the outline case for an ALEO which was presented to the Redesign Board on 25th April 2018. At this point the Board asked for the ALEO proposal to be further developed. On 8th June 2018 the Board received a further paper on the ALEO option considering current developments of its use at a national level and a paper on the option to create an in-house hub. The Board favoured the approach to an in-house hub in a final paper to the Board to propose recommendations for Council approval. This is the purpose of this paper.

6.4 Members of the team met with lead representatives for the 3rd sector contracts for the commissioned services at Eden Court on 19th April 2018. This was helpful input into the overall process and enabled the team to listen and respond to concerns. Views on current arrangements included:

- There is not enough focus in SLAs/Contracts on outcomes;
- That the focus should be on prevention;
- Access to Education is essential in getting the right support around a child and further work is needed on this area of support;
- More information was sought on the cost effectiveness of an ALEO in order to better understand the option;
- Identified a need to the Council to improve communication especially around budget decisions;
- A recognition that they (3rd Sector) needed to consider their own redesign process.

7. Service Priorities

7.1 The consultation process identified that the overall approach needs to refocus on prevention through a greater focus on care services and edge of care. This requires a shift in the balance of services in order to prevent children coming into care and its high costs both socially and financially. The following service priorities were highlighted:

- Services for Looked After Children (including placements);
- Support for alternative education packages which avoid Out of Authority Placements or enable the return of young people to Highland;
- Edge of Care Support (intensive support to families);
- Support for young carers;
- Support for children with a disability (including Autistic Spectrum Disorder);
- Support for Kinship Carers;
- Child-care provision including wrap around care;
- Information, advice and advocacy services.

8. Inter-dependencies

8.1 The consultation process also highlighted the following areas of inter-dependency which need to be reviewed to support the shift in focus to edge of care. This will require policy review and the support from Head Teachers and other Care and Learning teams:

- School exclusion of children in care;
- More wrap around care needed;
- Education provision needed in order to move children back into authority area including alternatives to the curriculum;
- Work in fostering and adoption.

A report on the Education of Looked After Children was approved by the People Committee on 6th October 2018, including an improvement plan which addressed many of these inter-related issues.

8.2 A small number of the services are commissioned jointly with NHS Highland, where a service covers both children and adults. NHS Highland are currently undertaking a similar review of their commissioned services and prior to implementation of any of the proposals outlined later in the report further discussion would be required with NHS Highland.

9. Initial Options Appraisal

9.1 The feedback from staff and stakeholders was used to identify which of the ten re-design options should be considered further. The workshop through a mapping analysis exercise narrowed the options appropriate to the redesign to the following five:

- Status quo;
- In sourcing;
- Re- procurement;
- Stop or reduce service;
- ALEO.

9.2 The review team then undertook an assessment of the benefits and risks of each of the five options, along with the mitigating actions that could be implemented to minimise each risk. A summary for each option is listed below.

i) Status Quo

a) Benefits

The main benefit of this option is that it presents no new financial or reputational risk to the Council and no additional workload for internal staff.

b) Risks

The key risk to this option is that it offers no progress towards achieving savings, greater value for money or the ability to respond to commercial opportunities.

ii) In Sourcing

a) Benefits

This option offers the opportunity to re-design services to meet priorities and achieve greater value through alignment with core services. In doing so it increases the opportunity to develop a commercial approach to service delivery.

b) Risks

There is a risk that insufficient internal capacity or expertise in the short term will delay or limit the benefits from being realised. At the same time it is likely that there will be an adverse reaction from the third sector organisations who traditionally delivered commissioned services on behalf of the Council.

iii) Re-procurement

a) Benefits

This option will achieve savings or at least better value for the Council through exposing all commissions to a competitive market. The process will also ensure resources are matched to service priorities through the development of new specifications.

b) Risks

It is possible that the procurement process adds to the workload of internal staff and becomes more bureaucratic than beneficial. The same negative reaction from the third sector is also likely.

iv) Stop/Reduce

a) Benefits

This option would deliver savings for the Council.

b) Risks

There would be an inevitable reduction or cessation of some services which will reduce support to some clients and there would be an adverse financial impact on the organisation traditionally delivering the commission.

v) ALEO

a) Benefits

A Council owned arm's length organisation would be able to operate on a more commercial footing and be better placed to respond flexibly and quickly to market opportunities, ensuring resources were matched to service priorities while seeking to deliver savings.

b) Risks

The size of the commissioned services alone would not be large enough to warrant an ALEO on their own and would require the grouping of other core children's services within the ALEO. The removal of commissions from the third sector would stimulate an adverse reaction for the Council.

10. Developing Proposals

- 10.1 Having completed the options appraisal, the benefits and risks were applied to commissions that had been grouped by the review team into related service areas.
- 10.2 It should be noted that while the review group has appraised each commission and the services in scope, the impact on other interdependent services will be significant and further work will be required to determine further synergies and potential savings that could be made. It should also be noted that any changes to existing contracts will require negotiation and have to take recognition of notice periods as specified within individual provider's contracts.

11. Analysis of Service Groupings

- 11.1 The recommendations from the review group for each group of services can be summarised as follows.

i) Services for looked after children

This is the area which has the greatest budget consideration and also the most implications for other services. The recommendation is that the various commissions are in-sourced to enable the Council to configure delivery with other core services and direct funding to achieve service priorities. In particular the service can prepare a business plan to deliver new residential homes with educational packages in the Highlands reducing the number of expensive out of area placements.

ii) Counselling and advice services

It is considered that while many of these commissions provide a very helpful service to some of the area's most vulnerable people, the services are not statutory, are sometimes not Highland wide, nor part of the core services for the Council. It is recommended that the Board consider stopping the funding of some of these commissions and group some of the services together as part of re-procurement exercise. This will enable the Council to redirect funding to meet the needs of core priorities and achieve better value for money. Close liaison would be required with the agencies concerned to try and identify alternative sources of funding were practicable.

iii) Carers support

These commissions are limited to specific geographic areas and in other areas of the Highlands no service is given whilst in other areas organisations deliver a similar service with no financial commitment from the Council. Whilst it is recognised that these commissions provide a very good service, it is recommended that the services are re-procured to ensure best value for money whilst other funding opportunities and a Highland wide model are explored.

iv) Childcare

Consideration was given to in-sourcing these commissions but due to the overall pressure on childcare in the Highlands and increased hours it was considered that re-procurement would be the most suitable option to ensure that the specification for services meets organisational priorities and achieves better value for money.

v) Kinship

This commission supplements support provided by Highland Council Care and Learning services and whilst there is some benefit in separation of role, the service could be delivered in-house.

vi) Awareness training

There are currently two commissions providing this training. Part of awareness training could be brought in house (in sourcing) as it ties in with other training provided through the Council, while other services could be re-procured to ensure the specification meets priorities and service staff are able to be tighter on the outcomes required.

11.2 Consideration of Arm's Length External Organisation (ALEO) option

The option to create an ALEO has been considered during the later stages of the re-design process and was viewed as viable for all commissions. The review team recommend however that the size and scope of the commissions alone were too small to warrant the creation of an ALEO and that further exploration of the opportunities and implications was required.

At that point the review team recommended that a full business case was developed to consider an option to create an ALEO that would comprise core and commissioned children's services for the purposes of achieving further service enhancement, year on year efficiencies and future savings. Further investigation and report to the Board on 8 June 2018 resulted in a decision not to follow this option (see paragraph 11.3 below).

11.3 In-house hub for Placement and support services for children

i) Introduction

This approach came about following further research into the ALEO option and linked to feedback from officers, managers and 3rd sector representatives. Research suggested that an ALEO was potentially a high risk option considering the nature of children's services and model being a relatively untried in terms of strong evidence as yet to support the approach. A short paper on the issues was considered by the Board on 8 June 2018 (see **APPENDIX 2**) and at that point the Board determined to pursue an in-house option aligning the approach with the already agreed approach to the overall review of Children's Services.

ii) Rationale for hub approach

The number of Looked After Children in Highland is growing; after a number of years of stability at around 450, the total is now around 510. This has put pressure on placement capacity, both in residential care and fostering. The spot purchase of residential placements had reduced but has grown again in the last year, with a resulting increased overspend. At the same time there has been increased use of Independent Fostering Agency placements (spot-purchased), mainly for sibling groups and older children.

This growth is in response to changes in society, such as substance misuse, domestic violence, and poverty, impacting on families and children and an increase in children diagnosed with autism.

A business case was approved by the Education, Care and Learning Committee in March 2018 (see link below) to address these issues, and this aims to reduce dependence on expensive purchased placements, and replace them with Highland-based placement resources but with significantly enhanced support services to prevent the need for external placements and to support young

people to remain with their families. This plan is now underway but the changes outlined in this report for the Redesign Board workshop would supplement the plan and bring overall cohesion to the management of services.

https://www.highland.gov.uk/download/meetings/id/73287/item_9_business_case_for_placement_services_highland

iii) **Current structure managed by the Head of Children's Service**

NB (only those posts/services relevant to this review are listed)

- Fostering and adoption
- Budget for purchased placements
- Programme manager for alternatives to Out of Authority Placements
- Resource manager for Residential care
- Resource manager for Looked After Children
- Some commissioned services
- Placement officer
- Small team to lead the plan to re-shape placement services

iv) **Proposed hub**

The in-house residential homes and residential respite centres would be brought together with the services described above, enabling an overview of placement services. It should be noted that residential homes were managed centrally until 3 years ago when the line management moved to the local areas where the resources are located.

In relation to commissioned services, the figures for savings and the grouping in the following tables are those presented at an earlier workshop. It is proposed that all services relevant to Looked After Children would be managed via the hub as they would form part of the development of services for Looked After Children and those on the edge of care.

The balance of commissioned services would remain with the individual designated managers to take forward proposals and deliver saving; this will require co-ordination between the lead officers to ensure targets are met across the three years. It is recognised that these targets and timescales may need to be reviewed in the context of the Council's future budget considerations.

The target savings listed below are in relation to the commissioned services only which are services which the redesign group were originally to consider. The real benefit of the in-house Hub approach however is to provide a more coordinated, focused approach to minimise the amount of out of area placements providing a better service for Looked After Children and tackling the current budget overspend in this area.

12. Potential Savings from the review of contracts within the in-house hub model

- 12.1 The largest element of the budget is in relation to Looked after children with commissioned services of over £3.8 million. It is considered that by bringing these services in house and therefore having greater control over the services delivered we could make a saving target of c. £380,000 per annum from year 2 outlined at 12.7 below.

- 12.2 Further Significant savings however would be achieved through a total redesign of placement services and wrap-around support, including educational support over the next 5 years, reducing the need for purchased (out of area) placements.
- 12.3 The budget for out of area placements is £9.3m but is significantly overspending. The demand for specialist placements is increasing and although actions to develop alternatives are estimated to save around £1.6m per year, in order to impact on the growing cost and demand there will need to be a redesign of placement resources. This would be a combination of additional support to maintain young people with their families or extended families, support for foster placements, education support and additional residential provision.
- 12.4 Each purchased placement costs on average £4,230 per week or £220k per year. Many young people remain in placement for 3-4 years; therefore the total cost is significant. Further detailed work is required to develop a full business case but it is estimated that if we replace purchased placements with Highland-based residential provision plus wrap-around support the saving per placement per year would be at least £40k per placement. Assuming 20 young people could be supported in this way, the saving each year would be £800k. This would be a year on year saving, amounting to £2.4m in three years. It should be noted that this will require capital investment, the servicing of which would be included as a cost of the project

Other family-based placements would achieve much higher savings.

- 12.5 The remaining commissioned services are smaller financially but will have significant impact on third sector partners, however if the options identified are agreed by the Redesign board it is estimated that further savings of up to c. £400,000 could be made through a combination of stopping some services, reducing others and savings through re-procurement and combining contracts outlined in tables at 12.7 below.
- 12.6 The initial approach was discussed at a 2nd workshop of stakeholders on the 18th December 2018, where while there was a general consensus that bringing the residential care option in-house could generate significant savings there was concern that cuts to early intervention programmes aimed at preventing children going into care should be avoided.

12.7 Summary Financial Tables:

Total savings

Budget	Savings 2018/19	Savings 2019/20	Savings 2020/21	Savings over 3 years
Looked After Children		380		380
Counselling and advice services			130	130
Carers support; Childcare; Kinship; Awareness training			269	269
Total budget £5,541k	0	380	399	£779K

13. Key Findings

- 13.1 In order to maximise the benefits of this review it needs to be considered in the context of the already agreed review of Children's Services. A programme team has been established for new services with a target of reducing the number of Looked After Children, improving outcomes and reducing costs. This could deliver savings in 2019/20 but will require leadership and focus to succeed.
- 13.2 A secondary focus will be required to take forward the review of the other commissioned services where savings were proposed, through one of the four options (in-source, stop, reduce or re-procure). This could deliver savings across 2019/20 and 2020/21, giving the Third Sector the opportunity to engage in the process and plan for changes.
- 13.3 It is recognised that further dialogue will be required with Third sector partners and other stakeholders to ensure that the proposed savings can be made with minimum impact on the individual clients and families and to ensure a more consistent service delivery throughout the Highlands. In order to take this forward we will be working with Third Sector partners facilitated by the Highland Third Sector Interface to talk through how the changes and savings can be made. Following the consideration of this matter at the Redesign Board, a submission has been made by the Third Sector which sets out the following suggestions for collaborative working going forward:

1. Third sector organisations work with the Redesign Board on an urgent consultation with children and families likely to be impacted by the Redesign Board decisions.
2. The Highland Council work with the Third Sector to fully understand the value of services offered and the contribution services make to meet both statutory obligations and identified outcomes. This would include, in the future, a regular opportunity to collectively report to the Care, Learning and Housing Committee on progress towards identified outcomes.
3. Third sector groups work in partnership to ensure that the most appropriate organisation works to deliver the best outcomes for our children and families in individual communities in Highland; reducing duplication and challenging for excellence in our services.
4. That the Highland Council work together with the Third Sector Children and Families' Services group to ensure both in-house services and ongoing commissioning of services work in a coordinated and integrated way to deliver the best outcomes for children and families as identified in the Children's Service Plan.

It is considered that these suggestions complement the recommendations in this report and are worthy of further discussion and dialogue as this Review is taken forward to implementation.

- 13.4 The changes required to create an in-house hub are minimal and align with the already approved plan to shift the balance of care from out of authority placements to Highland-based services.

14. Implications

- 14.1 Resources – assistance is needed from the NHS Highland Contract Team to review existing arrangements which they currently support. Assistance may also be needed (from existing resources) from Finance Team and Commercial & Efficiency Team should process or Lean reviews be identified.
- 14.2 Legal – TUPE will be applied where the conclusion of work indicates that in-sourcing is the best option. Where a service is currently delivered by one organisation and the contract then moves to a new provider TUPE may also apply, this will be a matter for the provider. The Council would therefore give due consideration to TUPE on a case by case basis.
- 14.3 Community (Equality, Poverty and Rural) - the recommendations of the report will improve the Council's ability to support our most vulnerable young people and provide the edge of care support required
- 14.4 Climate Change / Carbon Clever – no implications have been identified.
- 14.5 Risk –
- a) If we don't approve the recommendation in full, in particular defaulting to individual negotiations with Third Sector providers, will put a risk achieving the savings targets indicated;
 - b) If we don't implement the recommendations of the report this will impact of the Council's ability to support our most vulnerable young people and provide the edge of care support required. In addition the changes within this report support the wider restructure of Children's Service's and in particular the Council's ability to make savings by reducing the number of young people placed in Out of Authority care and by doing so improving their life chances.
 - c) There is risk to delivery resulting from the interim management arrangements for the Care & Learning Service.
- 14.6 Gaelic – no implications have been identified.

Appendix 1

Providers	type of service	In-House Services	In-Source	Shared Services	Outsourced Services	Partnership And/Or Integrated	ALEO	Commercial Opportunity	Community Run	Reducing Demand	Reducing Service Standards
Highland Children's Forum	support service	n/a	R	R	G	R	G	R	R	R	R
Relationships Scotland - Counselling Highland Ltd	counselling service	n/a	R	R	G	R	G	R	R	R	R
CALA	early years	n/a	G	R	G	G	G		R	R	R
Direct Childcare	early years	n/a	R	G	G	G	G	G	R	R	R
Carr Gomm	support service	n/a	R	R	G	G	G	R	R	G	G
CHIP+	support service	n/a	R	G	G	G	G	R	G	R	R
Skye & Lochalsh Young Carers	young carers	n/a	R	G	G	R	G	R	G	R	R
Sutherland Young Carers Project (TYKES)	young carers	n/a	R	G	G	R	G	R	G	R	R
Highland Community Care Forum (Connecting Carers)	Carers and advocacy	n/a	R	G	G	R	G	R	G	R	R
Home-Start Caithness	support service	n/a	R	G	G	R	G	R	G	R	R

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Home-Start East Highland Ltd	support service	n/a	R	G	G	R	G	R	G	R	R
Safe, Strong & Free	Pre school workshops	n/a	R	G	G	R	G	R	G	R	R
Keeping Children Safe	child protection issues	n/a	R	G	G	G	G	G	R	R	R
Sight Action	advice support service	n/a	R	R	G	R	G	R	R	R	R
National Autistic Society	advice support service	n/a	R	R	G	R	G	R	R	R	R
Children 1st	advice support service	n/a	G	R	G	G	G	R	R	R	R
Call Scotland	new										
Glachbeg Farm	educational programme	n/a	R	R	G	R	G	R	R	G	G

Redesign Board

8 June 2018

Children's Services ALEOs – National context

1. The Board expressed an interest in hearing from an ALEO directly about its operations; however it has not been possible to identify anyone able or willing to provide this information either in person or through discussion with the team. It has therefore not been easy to get a sense of the business model or any external audit reports about the ALEOs in place from a check of web pages. However there is some general information identified through web searches.
2. To date no examples of ALEO's for Children's Services have been identified in Scotland although there is use of the model for social care in Aberdeen, Glasgow City Council and Scottish Borders. A web search during the review did identify that there were ALEO models for children's service in the UK but finding detailed information or key contacts has been challenging. Information from national reports gives some detail on the ALEOs and the reasons for this.
3. In December 2015 the UK Government announced that poor-performing children's services which showed little sign of improvement within 6 months would be taken over by a trust led by a new service leader and formed of high-performing local authorities, child protection experts, and charities. Since then, several councils have made the move to the trust model, using slightly different arrangements. Doncaster and Slough had independent trusts imposed on them by the Government following successive inadequate Ofsted judgements. In these circumstances it wouldn't be appropriate to look at these models given the prescribed nature of the decision.
4. Others made the change voluntarily e.g. Sunderland's children's services are run by an arm's length company owned by and accountable to the council, but with an independent board of directors, while this model is closer to what the Council is familiar with, they are currently between Chief Executives. Birmingham and Reading are currently in the process of following this model so at this point it is too early to measure the success or otherwise of these authorities. An alternative method has been to establish a community interest company. Since April 2014, children's services for Richmond and Kingston councils (and for Windsor and Maidenhead since August 2017) have been run by Achieving for Children, which was created and is owned by the councils, but which delivers services independently. However this is a social enterprise model which would significantly reduce Council control or influence over service provision.

Review of ALEOs in Scotland

5. A recent national report by Audit Scotland on ALEO's looked at four elements: the reasons for using ALEOs, how councils oversee and govern them and what they have achieved. Overall the report recognises that tax benefits have been a driver and that oversight has been strengthened but both these issues have risks associated with them. There is recognition that ALEOs have brought cost benefits but that cost pressures remain. In terms of future direction the report concludes that councils must keep ALEOs under review and consider alternatives to deliver Best Value in terms of assessment cost, quality and other service benefits. Given the complexity of an option for a Children's Services ALEO risk needs to be a central concern and in this context the benefits might not outweigh the risks of moving to a model where the Council, while having influence, will not have full control of these critical statutory services.

6. This national report will be submitted to Audit & Scrutiny Committee on 14th June 2018 and the full papers can be found at:
https://www.highland.gov.uk/meetings/committee/101/audit_and_scrutiny_committee
7. The Peer Review Team would be eager to understand if the Board is still keen for the team to pursue this line of enquiry at this time.

Evelyn Johnston, 5.6.18