



Wirral Council

Review of New Service Delivery
Model for Day Services and Day
Opportunities

by
V4 Services

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Contents

Executive Summary	4
Introduction	6
The Project Brief	6
Our Methodology	6
Viability of a New Delivery Model	8
Background.....	8
Financial Efficiencies	9
Financial Analysis	9
Stability and Sustainability	13
Market Analysis	13
Outcomes and Priorities	17
Outcomes	17
Priorities.....	18
Adaptability and Development	19
Trend Analysis	19
Opportunities and Risks	20
SWOT Analysis.....	20
Management and Governance	22
Management.....	22
Governance	23
Forecast Savings	25
Financial Projection Plan	25
Additional Opportunities for Savings	28
Identification of Additional Areas.....	28
Potential Savings and Improvements	29
Recommended Actions.....	29
Recommendations	31
Conclusion	33
Appendix	35

Executive Summary

Executive Summary

In 2012, the Council undertook an options appraisal to select a preferred model of delivery for day services and day opportunities. It is understood that any new model of delivery must:

- Maintain or increase current standards of quality for care
- Develop and maintain a sustainable service
- Develop a service model that is flexible, responsive and rehabilitating
- Provide a model of service provision that reflects a response to the personalisation agenda
- Create a culture where relationships are a priority

After various exploratory exercises and discussions with possible partner local authorities, the preferred option identified was a Local Authority Trading Company (LATC). Upon Cabinet approval of this option in July, Wirral Council must develop a Strategic Business Case, setting out a clear rationale for the establishment of a LATC that will deliver sustainable services whilst meeting MTP savings.

In determining the viability of a LATC to deliver specific day services, the following analysis has been completed and findings have been incorporated into this report:

- The impact of personal budgets / direct payments.
- The financial sustainability and viability of the services.
- The market sector, demographic changes and future trends.
- The impact of employment and pension policies.
- The relationship with and impact on service users and their carers.
- The management and governance of services.
- The risks associated with these services.

The creation of an LATC is consistent with the council's desire to become a commissioning organisation, and provides a politically acceptable solution for transferring services to the marketplace. The fact that the council will own the company (although it is independent and legally required to act in the best interests of the company, not the council) enables the new organisation to retain association with the trusted local authority brand, while also maximising flexibility.

Overall our assessment is that the proposal for the LATC is viable and can be substantiated. It should be recognised however that the delivery of income and efficiency targets will require the development and implementation of clear Operational Business Plan by the LATC management, and the financial risks will need to be identified clearly and tested by the new LATC Finance Director.



**REDUCE
YOUR
CARBON
FOOTPRINT**

Vision

Introduction

Introduction



The Project Brief

In February 2014 V4 Services was commissioned by Wirral Council to undertake a review of the proposed Local Authority Trading Company (LATC) for Day Services and Day Opportunities.

The brief was to explore the viability of a new Local Authority Trading Company (LATC) delivery model for these services. Of significant importance was the assessment of:

- a) The likelihood of the LATC to deliver the medium term financial plan; and
- b) The ability of the LATC to deliver these services with long term stability and sustainability.

Specific key lines of enquiry included:

- Identification of key risks associated with the LATC and recommendations to ensure success.
- Identification of opportunities associated with the LATC and recommendations to improve and expand services.
- Identification of indicative cost base and financial modelling of the proposed LATC.
- Identification of recommendations with a form of prioritisation and suggested timescales to ensure the successful delivery of the LATC.

Our Methodology

The review commenced on 3rd February 2014 and was required to be completed in time for submission to Cabinet on 13th March.

Our methodology included the review of a number of key project documents, interviews with key stakeholders and attendance at various meetings with partners.

A list of the key documents reviewed and stakeholders interviewed is provided at Appendices 1 and 2 of this report.



Review of the Proposal for a LATC

Viability of a New Delivery Model

Day Services and Day Opportunities

The Council recognises that financial and demographic pressures alongside national policy drivers mean that in-house provision of day services will not be sustainable. In the future, this model would struggle to deliver the required levels of service within available resources.

Cabinet in December 2013 considered a number of different delivery models including a shared services unit for Day care services with a neighbouring authority. Other options considered were the establishment of a Local Authority Trading Company (LATC) or form of social enterprise.

The LATC and Social Enterprise options are similar in that:

- Both can achieve savings and could generate income from other sources such as direct payments, private funders and potentially other contracts from outside of the Council.
- Both have potential to provide leadership in a relatively disparate market which could help to manage quality issues in the external market. This ensures that the Council can continue to meet its legal obligations in the event of market failures.
- Savings can be made through reduced absenteeism, greater staff productivity, and through procurement.

However, restricted Council control, limited access to generated income and unfavourable procurement regulations for a Social Enterprise (i.e. the need to subject the enterprise to competitive tender) means the LATC is the most viable option.

The additional benefits of any proposed LATC for the Wirral include:

- More favourable governance arrangements as it would be wholly owned by Wirral Council and elected members would be on the Board
- The potential benefits of a LATC are viewed positively by stakeholders such as the Co-design Project Group and staff locally.

Outsourcing is also a viable option, with the potential to reduce cost and ensure a financially sustainable service. However, there are significant risks:

- The Council will lose ultimate control of the service affecting, for example, the flexibility to implement policy initiatives
- The Council will not be able to generate income
- Outsourcing is not viewed as a popular option amongst service users, carers and Council staff.

Financial Efficiencies

Financial Analysis

The immediate impact of the arrival of the LATC onto the social care market in the Wirral will be minimal. Initially, the LATC will continue to deliver equivalent services and volumes to those currently delivered by Wirral Council.

The Council cannot be relied upon as a direct source of funding and all providers will have to increase the extent to which they compete in order to win more market share. Price is an important factor in consumer choice and therefore this competition has the potential to drive down costs to the consumer. However, quality is an equally, if not more important factor for people selecting a care service, and if providers are to retain business it will be essential for quality to remain high, creating a buyer's market of lower prices and higher quality.

Initial indicative assessments of financial projections indicate that the LATC would be able to reduce the cost base for day services by approximately 31% over a two year period (see Forecast Savings). For the Council this would mean that the average cost of a day service session (1/2 day) would reduce from £23.84 to £16.67.

Current and Predicted Unit Costs for Day Service Sessions

Day Service	2013/14 Unit cost per session (£)	2014/15 Predicted unit cost per session (£)	2015/16 Predicted unit cost per session (£)
Cambridge Road Day Centre	31.15	28.86	21.84
Eastham Centre	19.86	18.29	14.67
Heswall Centre	20.28	18.68	14.70
Highcroft	15.34	14.61	10.20
Moreton Centre	29.79	28.58	18.99
Pensby Wood	41.07	37.03	30.19
Best Bites	43.49	37.26	32.21
Dale Farm	20.27	19.03	14.12
Royden Project Day Care	15.31	12.71	10.65
Star Design	19.48	16.08	11.12
Masque Theatre	5.88	5.47	4.64

In 2012 the cost of a day centre session to a full cost client (i.e. those with capital above £25k) was £14.88. In 2014 this equates to £15.18. If we use this figure as a baseline then we can see that the Council are currently subsidising all but one of their day services. For the LATC to be sustainable it

would need to introduce a sliding scale of charges based on the complexity of need and support service users require as a result.

During our review we have been able to ascertain the minimum cost of a ½ day session for an individual with complex needs is £50 (The Autistic Society). The cost of a session at Pensby Wood, with the necessary equipment and adaptations to support an individual with complex needs is approximately £30. On this basis the LATC would be able to complete in the market place and provide an alternative service option.

Over time, the LATC will look to diversify its provision, expanding services into types of support not currently provided by the Council i.e. community based support and support for carers that would expand and improve the quality of care and support available. These are types of support that may be currently only available from the independent and voluntary sector and would be attractive to those eligible disabled individuals and self-funders alike as part of a holistic programme of support.

Eligible disabled individuals through access to flexible personal budget funding, will be able to choose a wider a range of support relevant to their personal needs from the LATC. In addition those disabled people who currently fall outside Wirral’s eligibility criteria, will be able to purchase care and support previously unavailable to them.

The number of people in receipt of a direct payment is steadily increasing as people chose to arrange their own care and support. Wirral currently provides direct payments to approximately 385 people with learning disabilities, physical disabilities and mental health issues. These people are currently unable to use their direct payment to buy back day services from Council provision. Income generation from direct payments and individual budgets cannot be tapped into without a new delivery model.

Number of People in Receipt of a Direct Payment During the Year

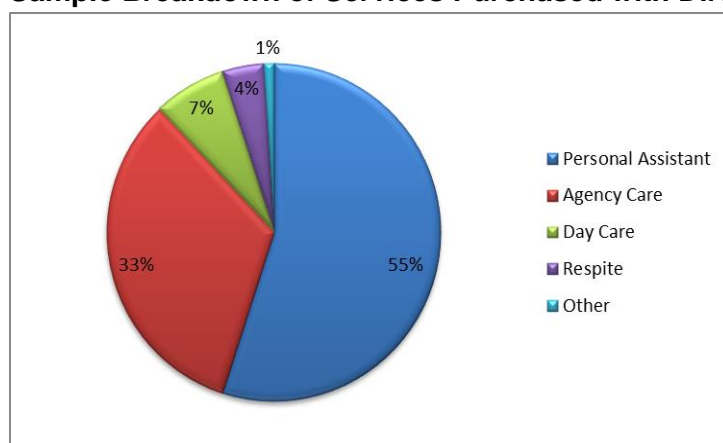
Client Group	2009/10	2010/11	2011/12
Older Persons	125	155	190
Physical Disabilities / other	135	175	210
Mental Health	15	15	35
Learning Disabilities	65	95	140

Analysis of the 2013/14 actual and forecast gross expenditure for Wirral Adult Social Services highlights that the expenditure on direct payments is predicted to be £6,502,947.

Expenditure on Direct Payments During the Year

Client Group	2012/13 Expenditure (£)	2013/14 Expenditure to 31 Jan 2014 (£)	2013/14 Forecast Expenditure (£)
Older People / Physical Disabilities	4,653,030	3,616,239	3,781,266
Learning Disabilities	2,388,620	2,417,423	2,603,919
Mental Health	132,656	116,016	117,762
Total	7,174,306	6,149,678	6,502,947

Due to the flexible nature of direct payments, there is no available data that provides a comprehensive overview of how people spend their allocated budget. However, a sample of 50 cases has indicated that people chose to spend approximately 7% of their direct payment on day care.

Sample Breakdown of Services Purchased with Direct Payments

By extracting the expenditure on older persons direct payments, a balance of £4,569,740 remains available for the purchase of services by people with learning disabilities, physical disabilities and mental health issues, of which 7% i.e. £319,881 is being used to purchase day care. The LATC will be in a position to attract customers to use this element of their direct payment to purchase a range of day services and day opportunities provided.

Analysis of the current usage of day services has indicated that there are approximately 454 vacancies across the Wirral.

Usage of Day Services and Day Opportunities

Day Service	Sessions per week		
	Capacity	Current Usage	Vacancies
Cambridge Road Day Centre	400	500	-100
Eastham Centre	750	706	44
Heswall Centre	900	884	16
Highcroft	350	338	12
Morton Centre	350	316	34
Pensby Wood	250	248	2
Best Bites	504	320	184
Dale Farm	250	257	-7
Royden Project Day Care	230	172	58
Star Design	160	97	63
Masque Theatre	220	72	148
Total	4,364	3,910	454

By using the baseline figure of £15.18 as the current cost of a day centre session, and assuming the LATC would operate at 98% capacity i.e. 4,276 sessions per week then an additional weekly income of £5,555 could be generated. This equates to an additional income of £288,905 per annum.

There is limited knowledge regarding self-funders and further work should be undertaken to understand the self-funders market and demand for day services and day opportunities.

Stability and Sustainability

Market Analysis

There are estimated to be approximately 4,600 people aged under 65 years with a learning disability in the Wirral. This number is expected to have reduced by 4% by 2020.

Predicted Number of People with a Learning Disability

	2012	2014	2016	2018	2020
People aged 18-64 with a learning disability	4,583	4,533	4,495	4,456	4,416
People aged 18-64 with a moderate or severe learning disability	1,028	1,019	1,013	1,007	1,001
People aged 18-64 with a severe learning disability	271	268	265	263	262

Adults with a learning disability are experiencing increased longevity and the population as a whole is ageing. As the population ages there will be an increasing trend of older adults with learning disabilities with increased levels of frailty due to age requiring support, including those whose parents have been caring for them but can no longer do so due to their own increasing frailties as they age.

There are a small but significant number of young people who are currently supported by children's services and who are due to transfer to adult social care as they become adults. Estimates for the next 3 years suggest approximately 40 new cases year on year.

The Council is the main provider of day services within Wirral and currently operates six day centres for people with physical and learning disabilities, three day centres for people with mental health needs and six day services offering "work type" placements for people with a disability. These have close links with their communities, operate increasingly personalized services and carry out a range of trading activities including catering and sale of plants and produce. This dominance within the local market is only challenged by the Autistic Society, which delivers more specific services to highly complex service users. There will also be community organisations and third sector organisations within the Wirral taking some of the responsibility for providing specialist services and low level services at present and in the future.

The Wirral has a slightly higher than average population percentage with learning and physical disabilities. This, as well as higher levels of deprivation means that there is a greater reliance upon council provision of day services. However, there are sections of the populace that do not currently utilise the council services, although these services could accommodate their care and support needs.

Adults Living with a Learning Disability Known to Local Authorities

Period	England Average %	North West %	Wirral %	No. of Adults
2008-9	4.14	4.45	5.83	1,065
2009-10	4.21	4.66	5.36	980
2010-11	4.27	4.71	5.25	960
2011-12	4.27	4.64	5.35	1,020

This disparity would suggest that the model of operation needs to evolve further to meet national expectations and changing needs. The use of Personal Budgets has increased demand for flexible support packages, and reduced demand for traditional long term day care. This is particularly evident with young people who are making the transition from children's to adult services who are exercising their choice not to attend day centres.

Demand for day services has remained relatively high in the Wirral compared with the rest of the UK. This would suggest that the Wirral remains competitive when compared nationally.

Adults Using Day Services

Period	England Average	North West	Wirral
2008-9	406.14	411.14	281.69
2009-10	364.47	370.30	290.82
2010-11	352.42	357.42	312.50
2011-12	347.20	346.61	313.73

This demand is based on a number of factors:

- The level of people with learning disabilities and / or physical disabilities is rising
- A deprived proportion of the population with little choice but to remain using existing services
- An aging population of care users who have consistently used existing services for an extended period of time
- The relatively low take up of personal budgets / direct payments to date.

Adults with Learning Disabilities Receiving Direct Payments

Period	Wirral	North West	England
2010-11	35	1,275	7050
2011-12	60	1,915	11,470
2012-13	70	2,175	15,135

There is evidence of an increasing demand for “work type” placements delivered in six of the council’s day services. These currently offer the equivalent of around 130 full time places a day to service users.

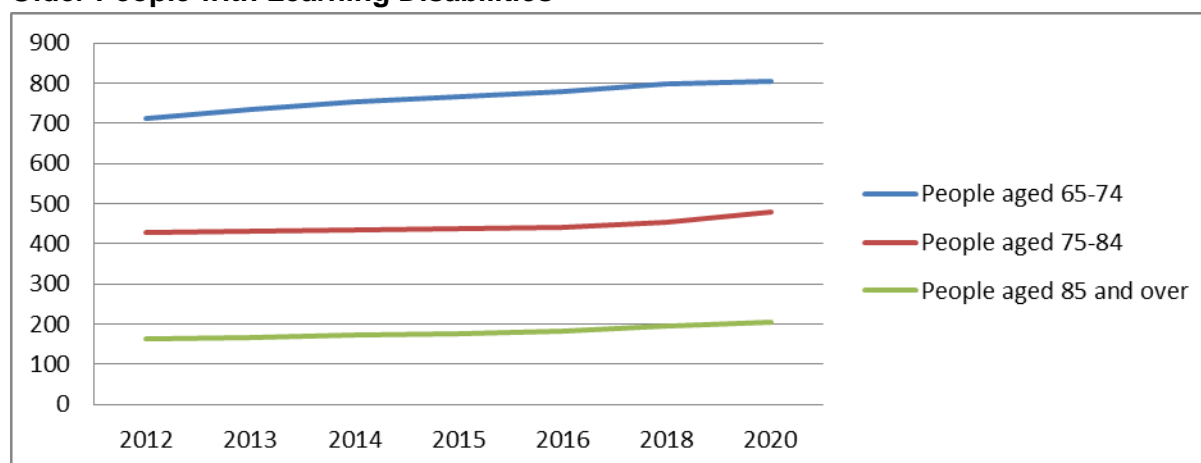
There are also continuing changes in the number of people requiring support in the community, with a steady rise in the number of people with the highest support needs who will continue to require specialist centres which can offer skilled therapeutic support and appropriate equipment and facilities. The Autistic Society (local annual budget £14m) is the sole substantial competitor to council services with an increasing market share of service users highly complex of care needs and the Council would be advised to enter in to an open dialogue with them as an organisation. This would enable the Council to understand their operating model in more depth, to develop a more amicable local working environment in the sharing of a knowledge base and to explore the interdependencies that would be created in a LATC organisation that could be exploited to mutual benefit (national data sets on key demographics, back office functions, possible sharing of assets and wider resources). This will be explored further in the development of an Outline Business Case.

In addition the population that attends day centres is ageing and is likely to require a different range of services into the future.

If the vision of the market over the next ten years is based upon demographic changes solely, then if the status quo were to continue there is a possibility that the demand for places would outstrip that of provision by the council as well as the third sector.

There is a noticeable trend of people with learning difficulties and physical disabilities living longer with more complex care needs and a relative decrease in the 18-25 year olds in the Wirral as a percentage of the overall population. In addition is the national trend and policy drive towards increasing Reablement and personal choice for those with learning disabilities and physical disabilities which is set to continue for the foreseeable future;

Older People with Learning Disabilities



The spread of the population in the Wirral is very even, however the spread of service users is more concentrated in certain areas, which also corresponds to the deprivation index and the location of centres along the coast. This indicates that the current location of day centres is well placed to serve the local population, with some possible refinement to meet future changing needs.

Current Location of Wirral Day Centres



Day Centres

1. Cambridge Road Day Centre
2. Eastham Centre
3. Heswall Centre
4. Highcroft
5. Moreton Centre
6. Pensby Wood
7. Dale Farm
8. Royden Project Day Care
9. Star Design
10. Best Bites (onsite organisation)

Outcomes and Priorities

Outcomes

All people with a learning disability are people first with the right to lead their lives like any others, with the same opportunities and responsibilities, and to be treated with the same dignity and respect. They and their families and carers are entitled to the same aspirations and life chances as other citizens.

People with learning disabilities should be able to commission their own services to live independently and have real choice about the way they live their lives.

Wirral's aspiration is to ensure that all people with learning disabilities and their families have a fulfilling life of their own that includes opportunities to work, study and enjoy social and leisure activities.

The LATC will work with service users and carers to build a system of day care, support and opportunities that is designed with their full involvement and tailored to meet their needs.

In particular this will focus on:

- Maintaining a good quality of life – the LATC will be focused on delivering quality provision under financial constraint and will provide a market leading role to improve innovation and quality amongst other market providers.
- Promoting an active and productive lifestyles – the LATC will be flexible and innovative to meet service user aspirations born out of self-directed support, enabling people a greater ability to be more independent and able to lead more productive lives.
- Providing lower level early intervention and prevention services – the LATC will provide access to timely, quality activities and services, working with voluntary organisations and local communities.
- Promoting social inclusion – the LATC will focus on preventing people with a learning disability and / or physical disability from becoming socially excluded, relieving the needs of those people who are socially excluded and assisting them to integrate into society.
- Co-design and co-production with service users and their carers – the LATC will bring commercial expertise and instil a culture of creativity and innovation within the organisation that will lead to the development of new services more aligned to individual aspirations.
- Helping the most vulnerable – the LATC will continue to deliver services to Wirral's most vulnerable people and will allow the Council to adhere to its statutory requirement of provider of last resort.

Priorities

The Corporate Plan for 2014-2016 was agreed at Council on 2 December 2013.

Crucially, the plan will ensure that the priorities identified will be underpinned by a sustainable budget over the next two years and can be delivered within resources available to the Wirral.

The Corporate plan cites:

“Wirral will be a place where the vulnerable are safe and protected, where employers want to invest and local businesses thrive, and where good health and an excellent quality of life is within the reach of everyone who lives here”

In reality the Corporate Plan sets out the Council’s vision, strategic objectives, medium term aims and one year improvement priorities alongside a framework for delivery. It provides the strategic direction for departments which are responsible for delivering the Council’s objectives through their departmental plans.

Effective service planning and financial planning are essential to the delivery of the objectives in the Corporate Plan. The medium term financial strategy of any new proposed LATC will support the Corporate Plan by giving a longer term overview of the financial issues. This helps with the allocation of the resources needed to deliver the Council’s objectives and priorities.

The next phase of work including business transition planning and price modelling will test out the new way of working alongside the overall ambitions for the new LATC.

The Council does recognise that it is on a pathway of improvement requiring it to change virtually every aspect of its operation; from corporate governance arrangements and service delivery models to organisational design.

Two major themes of the Corporate Plan include

- Local Solutions, Local Decisions
- Promoting Independence

Both of these support a new delivery concept within day services, day opportunities and the proposed LATC.

Adaptability and Development

Trend Analysis

Day services and day opportunities must adapt to demographic pressures alongside increasing personalisation in order to remain viable. Financial constraints mean that these services have high MTP commitments, which demand an ambitious and innovative approach.

The LATC will bring commercial expertise and instil a culture of creativity and innovation within the organisation that will lead to the development of new services more aligned to individual aspirations.

Day Opportunity Centres will become community hubs with flexible space that allows the local community to utilise this and create more inclusive service provision. The LATC will provide the innovation and commercial expertise to ensure these assets are used by communities. It will engage proactively with the mixed economy of providers to develop a culture of collaboration, including opportunities for community health services to provide clinics within the hubs as well as space to develop the public health agenda within local communities. They can also provide space for third sector organisations to provide important added value universal services close to where people live.

The LATC will work in collaboration with NHS partners and seek out opportunities for health and social care service integration. This will enable the LATC will provide a new conduit to deliver community health services and enable greater integration of health and social care services. The LATC will pursue opportunities to win business from Health and to offer integrated health and social care provision.

The LATC will offer the Council the opportunity to explore the inclusion of additional services which extend along the care pathway. The moving away of care management from direct local authority provision is one of the tenets of the Care and Support Bill. The LATC provides an appropriate vehicle for the delivery of care management services, combining a level of independence with retained Council control.

The current learning disability service market within the Wirral lacks diversity. The LATC will seek opportunities to develop services which do not simply duplicate provision which already exists within the borough, but which provide choice and flexibility.

The LATC will support the development of a local specialised support market, resulting in greater choice and flexibility for service users, developing evening social activities and weekend activities.

Leisure facilities may see an increase in demand as service users use their budgets for services other than day centres.

Opportunities and Risks

SWOT Analysis

As with any transfer of services there will be both opportunities and risks. Given that the analysis of the service at this stage has not developed any detailed financial sensitivity or modelling it remains important that some broad principles associated with new delivery models in particular around Local Authority Trading Companies (LATC) are considered.

Transfers of this type are complex in nature, and further consideration of a range of issues would normally be provided when developing the Outline Business Case, including:

- Vires
- Financial modelling – including funding mechanism
- Risk analysis
- VAT analysis
- Approvals and procurement routes
- NNDR savings analysis (application of Council Policy and Savings realisation)
- HR / TUPE considerations
- Governance and company form
- Service Outcome requirements and Business Planning
- Delivery Plan

Listed below are a selection of the outline strengths; weaknesses; opportunities and threats associated with setting up and operating a LATC.

Strengths and Opportunities

- Wirral Council would remain in control via company ownership and hold up to 100% representation on the main board.
- Initial savings can be delivered quickly, with further savings potential in future years (there is evidence to suggest that a combined broader scoped controlled company could save greater costs in the short term).
- The scale of a combined learning disability and leisure controlled company would be able to generate further savings and maximise income by combining skills, experience and resources. In addition it would be capable of growth and versatility to accommodate new services and facilities.
- Wirral Council would retain the operational control over the facilities and management of the services.

- The company would be a Non-Profit Distributing Company retaining the Public sector ethos.
- As controlled by Wirral Council; the Council does not then have to follow EU procurement and tendering arrangements as it is compliant with the 'Teckal' test.
- The company would support the wider council's ambitions by ensuring its reserves policy when formed is able to support long term business employment opportunities in the Wirral.
- There is a necessity to include a 'community interest statement', and an 'asset lock' - a legal promise stating that the company's assets will only be used for its social objectives. This will be tested during the development of an Outline Business Case.
- The company would safeguard pension rights of staff in any transfer of control.

Weaknesses and Threats

- The option of transferring services is not a perfect solution and does act as a quick fix to resolve all possible financial issues e.g. the Council still has to find money to repair and keep buildings in good condition. This can constitute a not insubstantial challenge for a Council with older facilities in need of investment.
- The Council does not negate 'trading risks' and if the company is struggling to compete e.g. ability to attract new clients with direct payments to cover the cost of provision, then they will have recourse to public funds through the council.
- There are costs of time and money to set up any new company, and in the first year this can possibly offset any savings. There can also be 'new costs', such as external auditors that may not have been foreseen.
- Not all of these arrangements succeed and often this failure is because the Council and the new company disagree over levels of funding or because of a conflict between the Managing Director, the Board of Directors and other Council officers and members.
- The company usually 'buys back' support services from the Council for a period of time. However, the company may find that they can buy some of these services at lower cost elsewhere, resulting in the Council having to review their corporate services.
- Local people may perceive the Council is privatising services. However, it has been found that local people are more interested in what happens in the facilities, how good the service is, and how much it costs and are less concerned with who employs the staff.
- The Council will have to deal with the Board of a company that is technically independent, but ultimately the Council holds the balance of power.

Management and Governance

Company Structure

The initial scoping of this work suggests the proposed structure of the LATC complies with the Teckal exemption, since the LATC will be wholly owned and controlled by Wirral Council. The Teckal exemption will allow the Council and the LATC to use each other's services using formal contract arrangements without conducting a procurement process. The conditions of the Teckal exemption are:

- The LATC must carry out the principal part of its activities with the Council
- The Council must exercise the same kind of control over the LATC as it does over its own departments
- There must be no private sector ownership nor any intention to introduce such ownership

The risk of a challenge on state aid grounds (when any public body gives financial support to another organisation) is considered to be very low because an exemption to state aid applies where the Council are financing public sector obligations. This will apply in the case of the LATC where the majority of the work carried out by the LATC will be on behalf of Wirral Council. The state aid rules apply throughout the life of the LATC and therefore the legal issue of state aid should be reviewed, particularly when the LATC undertake bids for other work.

The size of potential additional revenue generated through trading with third parties should be taken into account when considering the addition of new services. The suggested limit for non-Council trading activities, to remain Teckal compliant, is 10%. There is a new EU procurement directive which is expected to come into force by 30 June 2014 at the latest which will require at least 90% of the LATC's activities to be carried out for the Council or for other bodies controlled by the Council. This will therefore limit the activities carried out by the LATC for third parties to 10% of total turnover. There is discussion about changing these regulations to 20/80% although there is no confirmation of this as yet. This can be reviewed on the establishment of the LATC but it would be expected that the LATC would work within this rule pending the implementation of the directive. This will be tested throughout the outline business case work we will progress during March/June 2014.

If the additional services are likely to generate revenue with third parties that exceed the Teckal trading ceiling, then LATC will be taken out of the Teckal exemption, requiring all services delivered to the Council to be competitively tendered.

However, the Council could choose to incorporate the services in a separate trading arm that sits outside of the LATC. It could use the same governance mechanism as the LATC, i.e. reporting quarterly to members, but would be a completely separate entity, with accounts and tax treatment distinct from the LATC. Again we intend to model this throughout the transition stage.

Management and Governance

Shareholder governance is an essential component in creating a LATC in order to ensure that the requirements of the Teckal Exemption are satisfied (i.e. the need for the Council to exert control and influence over the Company).

There is a need however, to achieve a balance between the Council's 'control and influence' and the space the Company needs to be able to develop. It is possible that too close control and influence will create the risk of recreating a Council Directorate and not enough may mean that the Council cannot demonstrate the control required. This would need further modelling throughout the next phase of work.

The LATC will require a Management Board which oversees the business. As outlined it is assumed that the LATC is a primarily a day care services delivery vehicle, and hence it is recommended the Management Board is set up ensuring a balance between commercial and social care knowledge and experience.

The Management Board will be:

- Legally accountable to the shareholder (the Council) for the operations of the Company;
- Responsible for setting the strategy and operational decisions to meet the objectives of the Company as set out in the Memorandum and Articles of Association and Shareholder Agreement

The Board structure will reflect the commercial nature of the LATC. The proposed composition of the Board at set-up of the company will be tested throughout the next phase of work but initial views reflect a composition of:

- Independent Chair (part/time);
- Managing Director;
- Finance and Commercial Director; and
- 2/3 part-time Non-Executive Directors (could potentially include a service user representative)

The structure of the Company Board has to be future-proof. For example, if there is the likelihood or potential that the Council may want to consider other Council services for inclusion in the LATC, the Board and in particular the Managing Director would need to have a skill-set that can manage diversity in the portfolio and therefore this should be seen as an investment in the future rather than a cost now. There may also be opportunities to include other services, such as leisure and cultural facilities, health, within the LATC and therefore the board structure may want to reflect partner representations.

The hybrid nature of the Company, independent but owned by the Council, means that it may be helpful that one or more members of the Management Board provide a combination of previous experience from both commercial and local authority backgrounds.

This will assist in the transition of moving the business from a Local Authority culture to providing the commercial focus that will be required and will be achieved by external appointment and internal transfer. However providing the Company with a commercial focus will facilitate the significant culture change that is required for the company to succeed.

The Management Board should report to a nominated council committee on a quarterly basis. This will be determined during the next phase of work. It will report on its performance, budget, strategy, investment plans and apprise the Council of any impending legislation or regulatory changes that will impact its services.

The details of the Company's governance will be set out in the Memorandum and Articles of Association. This will be an important document to ensure that the Council's expectations of the Company are clearly articulated. Again this will be undertaken during the outline business case and transition stage.

Whilst the focus of the implementation of a LATC will be on the forming of the Company it is also important to ensure that the relationship between the shareholder and the commissioner is clearly articulated as this is where the value will be secured for the whole of the Wirral. Further more detailed work will be necessary to develop this further as part of the overall Outline Business Plan to be articulated during the next transition stage.

Forecast Savings

Financial Projection Plan

The development of a LATC should not be seen as primarily a cost cutting venture but it is about services being able to be flexible, accessible, responsive and approachable. However there is scope for savings by stream lining management structures and back office systems, creating more flexible job descriptions and by addressing sickness levels and staff turnover all of which are shown to improve when staff feel more valued and involved, as is often the case with LATCs.

Initial indicative assessments of financial projections for 2013/14 show that the total gross expenditure for day centres will be approximately £5.9 million. During the development of a LATC in 2014/15 this expenditure will reduce to £5.4 million and reduce further on the establishment of a LATC in 2015/16 to £4.2 million.

Day Services	Projected Cost		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Cambridge Road Day Centre (LD/PD) ¹	655,100	600,376	454,367
Eastham Centre (LD/PD)	774,359	713,242	572,009
Heswall Centre (LD/PD)	949,012	874,207	687,810
Highcroft (LD/PD)	718,076	683,690	477,358
Moreton Centre (LD/PD)	542,196	520,183	345,657
Pensby Wood (LD/PD)	533,913	481,441	392,464
Best Bites (LD/MH)	1,139,859	976,632	844,128
Dale Farm (LD/MH)	263,501	247,426	183,564
Royden Project Day Care (LD/MH/PD)	183,062	152,003	127,339
Star Design (LD/MH)	162,085	133,767	92,552
MASQUE Theatre (LD/MH)	48,907	45,514	38,578
Total	5,970,070	5,428,485	4,215,831

These expenditure reductions are predicated on a number of assumptions. These are:

- An increase in the staff productivity by approximately 10% in 2014/15 and 15% in 2015/16 will be achieved during the development phase (2014/15) by streamlining management arrangements, addressing sickness levels and rationalising staff rotas and shift patterns.
- Reducing agency staff levels where applicable.

¹ LD – Learning Disability, PD – Physical Disability, MH – Mental Health

- The costs of premises i.e. lease arrangements remains unaltered during 2014 – 2016.
- The LATC is able directly purchase supplies and services for the day centres, outside of the Council's procurement arrangements.
- The LATC is able directly purchase transport services from independent providers and / or negotiate rates with the Council's transport unit.
- The LATC is able to directly purchase building maintenance services for the day centres and / or negotiate rates with the Council's facilities management service.
- The LATC is able to directly purchase corporate support services for the day centres and / or negotiate rates with the Council's corporate centre.

Initial indicative assessments show that efficiency savings of £541,585 are able to be generated in 2014/15, with a further £671,068 in 2015/16. In total the savings equate to £1,212,653 over the two year period.

Predicted Efficiency Savings

Day Service	Predicted Efficiency Savings	
	2014/15 (£)	2015/16 (£)
Cambridge Road Day Centre (LD/PD) ²	54,724	146,008
Eastham Centre (LD/PD)	61,116	141,233
Heswall Centre (LD/PD)	74,805	186,397
Highcroft (LD/PD)	34,386	206,332
Moreton Centre (LD/PD)	22,012	174,525
Pensby Wood (LD/PD)	52,473	88,977
Best Bites (LD/MH)	163,228	132,503
Dale Farm (LD/MH)	16,074	63,862
Royden Project Day Care (LD/MH/PD)	31,057	24,664
Star Design (LD/MH)	28,317	41,21
Masque Theatre (LD/MH)	3,392	6,935
Total	541,585	1,212,653

There will be minimal change to day services and day opportunities during implementation and the establishment of the LATC (2014/15 and 2015/16). A period of stabilisation will be required during the first year of operation before service development can begin to truly transform.

² LD – Learning Disability, PD – Physical Disability, MH – Mental Health

Additional Opportunities for Savings

Additional Opportunities for Savings

Identification of Additional Areas

In the light of the financial pressures facing Wirral Adult Social Services to deliver year on year savings and efficiencies it is recommended that Wirral Council reviews all services to determine the potential opportunities to provide these services in a different way in the future.

Within the next five years the size of the provider budget is likely to reduce and this cannot be achieved without having the flexibility to develop a more financially sustainable model which can generate new business that the local authority does not have the powers to do.

During the time allocated to the review of a new service delivery model for day services and day opportunities it has not been possible to review other complementary services. However, the following services could be considered when developing the Outline Business Case for the LATC.

Early Intervention and Prevention Services

The purpose of early intervention is to work in partnership to improve outcomes for individuals with disabilities and their families. Early intervention requires a shift in focus onto the causes rather than the symptoms of problems. Investment in prevention and early intervention has been proven to reduce the demand on specialist services in the longer term.

Short Breaks

A short break can support family carers to have time for themselves and to take a break from caring. Short breaks can also support the individuals with disabilities to try new things, form new friendships and in some circumstances start to prepare for greater independence.

Respite Care

Respite provides a break for carers and for individuals with disabilities from their usual routines in order to improve their quality of lives and support their friendship. Early intervention and regular breaks help to keep families together and sustain carers in their long term caring role. Without this care, many people would be at risk, their quality of life would be poor and they may require admission to permanent care.

Shared Lives

Shared lives works when a family or individual shares their family and community life with someone who needs some support to live independently. A shared lives carer and someone who needs support get to know each other and, if they both feel that they will be able to form a long-term bond, they share family and community life. This may mean that the individual becomes a regular daytime or overnight visitor to the carer's home or they may even move in permanently.

Home Share

Home share is similar to shared lives in that a homeowner welcomes an individual to live in their own home. Home share matches up the people who have their own home and who have developed some support needs or are anxious about living alone with somebody who cannot

afford housing. Home share is not a scheme that has been utilised to date in Wirral but there are clear benefits for:

- Disabled people who need support to move towards or maintain independent living
- Family carers who are struggling with isolation or who juggle work and caring

Supported Living

Supported Living is a service aimed at enabling people to live in their own home and receive care and support in order to promote their independence. It aims to enable the person to be as autonomous and independent as possible, and usually involves social support rather than medical care.

The emerging model in Wirral is a move away from traditional residential care towards flexible support to promote independence. This is evidenced by number of residential care homes previously registered to provide care to people with a Learning Disability having now deregistered to provide a supported living service.

Potential Savings and Improvements

Since the inception of personal budgets there has been growing incidences of groups of young people pooling their resources to commission care to help maintain their independence. The impact of this for the LATC and other providers relates mainly to self-promotion and how they can attract business in an increasingly competitive market place.

It is crucial that the LATC and other providers adopt a flexible approach to allow individuals to customise care and support packages to their individual needs rather than offering a prescriptive service. For the LATC to capitalise on this then it must be able to provide a full range of services to support the needs of individuals with disabilities.

During the time allocated to the review proposal of a LATC it has not been possible to complete an in depth analysis of the services mentioned above and any impact of the transfer of these into the LATC.

Recommended Actions

It is recommended that the Council reviews each of the above services during the development of an Outline Business Case for the LATC to determine whether there are additional efficiencies and service improvements than could be achieved.



Recommendations

Recommendations

Recommendations

It is recommended that Wirral Council present this report at the March Cabinet seeking approval in principle to the development of the LATC.

Following approval it is recommended that the Council develop a project team to:

- Complete due diligence, defining the strategic direction of the LATC
- Develop the proposed company governance and management arrangements
- Specify the support services required by the LATC
- Complete the Outline Business Plan for review and approval at the July Cabinet.

Following approval at the July Cabinet work should progress on implementation of the LATC, including developing and transferring supporting systems and processes, implementing the governance structure and recruiting the senior management. Staff, unions, service users and other key stakeholders will be consulted and engaged with as part of this process.



Conclusion

Conclusion

Conclusion

We have reviewed key documents and are beginning to develop a Strategic Business Case setting out a clear rationale for the establishment of a LATC that will deliver sustainable services whilst meeting MTP savings. The Council has set recently a further savings target of £45million over the 2015/17 period which represents nearly 18% of the overall Council's net revenue Budget of £270m. Given this context it is even more imperative there is clear recognition that further due diligence on the development of an outline business plan for any proposed LATC is necessary. We forecast a phased approach to this work including transition planning and clear financial modeling. This will lead to an Outline Business Plan (OBP) that draws together key documents that will have been produced as part of the first phase of the LATC implementation process. The OBP would contain the following sections:

- LATC alignment to the Council's strategic objectives: describes how the LATC meets the Council's strategic objectives, both initially and as it develops.
- Governance and Management: describes the company structure, governance arrangements, relationship with the Council and key personnel job specifications.
- Support Service Specifications: sets out the Design principles for support services and outline specifications given current costs incurred by the service which seems high set at 30% of business turnover
- LATC Financial Projections: this will set out the outcome of the due diligence work compared to original business case, a revised company P&L, cash flow and balance sheet.
- Further due diligence on the financial projections of each of the services in scope
- Tax advice on the proposed structure and the most efficient way of operating this Council controlled company.
- Established a LATC Project Board with workstream leads from the service and each support service
- Workshops with Team Managers to develop business propositions and agree revenue generation assumptions based on Personnel Budgets

The detailed design of the LATC, including arrangements for the organisational, governance and management structure, the design of the support services function, establishment of the Council's Commissioning Statement, and due diligence of the financial position particularly in relation to new or reconfigured service areas will be a focus of the next phase of work (approx. 10-12 weeks).



Appendices

Appendix 1

List of Key Documents Reviewed

Wirral Council	
Advice Re Shared Services	Wirral MBC Market Position Statement
Appendix A – Consultation Report1	H Hayes – DP-PB Expenditure 12-13 and 13-14
Copy of Day Services – Sept 2012	Best Bites Report
CP Report on staffing implication to Social Enterprise Nov 2013	Social Enterprise Development 13-03-14
Day Services – Sept 1012	Revenue Budget 2014_2017 Appendices 1
List of staff 241013 Sara Morris Oct 13	Capital Programme and Financing 2014-2017
Provider Services Business Case	Month 8 Tabs
Provider Services Business Case for Improvement	Copy of Budget Estimates for Condition Survey with On costs
Provider Services Review – Key Decision 1	Jan 29 th Strictly confidential NewCo Wirral
Review of Day Services cost summary from Sara Morris Oct 2013	Visio-DASS New Org Jan 2014
Social Enterprise Development 101213 REVISED (2)FINAL	Dass Estab (CPOct 2013) V5 inc Sickness
Staff Profile Appendix A Nov 2013	Pensions Info from CP Meeting MS
Analysis of Age, Length of Service, LGPS, etc...	Pensions Info for 4 Options Oct 2013
Prevention and Early Intervention Comm Plan 12 th April 203	LD Commissioning Plan – March 2013
Non-Council	
WMBC – Advice on establishment of a company to provide adult social care (Eversheds)	
Other Resources	
www.poppi.org.uk	www.pansi.org.uk
www.nascic.hscic.gov.uk	www.hscic.gov.uk
www.ons.gov.uk	www.charitycommission.gov.uk
www.england.nhs.gov.uk	www.autistic.org
www.sharedlivesplus.org.uk	

Appendix 2

List of Key Stakeholder Interviews

Wirral Council

Clare Fish, Strategic Director Families and Wellbeing

Graham Hodgkinson, Director Adult Social Services

Christine Beyga, Head of Delivery

Janice Fryer, Senior Manager Delivery

Lorraine Moran, Strategic Operational Manager

Carol Pilgrim, Human Resources Officer

Jenny Spick, Senior Manager Financial Services

Cheshire West and Chester Council

Alistair Jeffs, Strategic Commissioning

Karen Macaulay, Legal Services

Non-Council

Frances Woodhead, Eversheds

Jackie Head, Eversheds

Claire Hardy, Eversheds

Appendix 3

Financial Analysis

Cambridge Road Day Centre	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	378,664	340,798	283,988
Agency	16,174		
Premises	16,193	16,193	16,193
Transport	594		
Supplies and services	7,085	7,085	7,085
Third party payments	90		
Transfer payments			
Recharge – transport	131,300	131,300	65,650
Recharge – support	9,500	9,500	28,400
Recharge – management	16,400	16,400	
Recharge – inter-departmental	50,700	50,700	25,350
Capital financing - depreciation	28,400	28,400	28,400
Total	655,100	600,376	454,367

Eastham Centre	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	517,263	465,536	387,947
Agency			
Premises	19,819	19,819	19,819
Transport	3,833		
Supplies and services	20,387	20,387	18,348
Third party payments	85		
Transfer payments	5,472		
Recharge – transport	45,600	45,600	22,800
Recharge – support	11,400	11,400	38,794
Recharge – management	29,700	29,700	
Recharge – inter-departmental	73,000	73,000	36,500
Capital financing - depreciation	47,800	47,800	47,800
Total	774,359	713,242	572,009

Heswall Centre	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	575,585	518,026	431,688
Agency	8,688		
Premises	27,299	27,299	27,299
Transport	2,069		
Supplies and services	30,782	30,782	27,703
Third party payments			
Transfer payments	6,489		
Recharge – transport	54,500	54,500	27,250
Recharge – support	18,300	18,300	43,168
Recharge – management	43,300	43,300	
Recharge – inter-departmental	102,600	102,600	51,300
Capital financing - depreciation	79,400	79,400	79,400
Total	949,012	874,207	687,810

Highcroft	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	341,988	307,789	256,491
Agency			
Premises	12,775	12,775	12,775
Transport	187		
Supplies and services	2,826	2,826	2,826
Third party payments			
Transfer payments			
Recharge – transport	248,900	248,900	124,450
Recharge – support	11,300	11,300	25,649
Recharge – management	18,100	18,100	
Recharge – inter-departmental	53,100	53,100	26,550
Capital financing - depreciation	28,900	28,900	28,900
Total	718,076	683,690	477,358

Moreton Centre	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	125,462	112,915	94,096
Agency			
Premises	30,505	30,505	30,505
Transport	203		
Supplies and services	6,163	6,163	5,546
Third party payments			
Transfer payments	9,263		
Recharge – transport	69,400	69,400	34,700
Recharge – support	20,300	20,300	9,409
Recharge – management	50,800	50,800	
Recharge – inter-departmental	117,400	117,400	58,700
Capital financing - depreciation	112,700	112,700	112,700
Total	542,196	520,183	345,657

Pensby Wood	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	338,391	304,552	253,793
Agency	16,645		
Premises	22,270	22,270	22,270
Transport	17		
Supplies and services	16,319	16,319	14,687
Third party payments	177		
Transfer payments	1,795		
Recharge – transport	15,500	15,500	7,750
Recharge – support	8,100	8,100	24,364
Recharge – management	20,100	20,100	
Recharge – inter-departmental	50,000	50,000	25,000
Capital financing - depreciation	44,600	44,600	44,600
Total	533,914	481,441	392,464

Best Bites	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	865,289	778,760	648,966
Agency	28,088		
Premises	12,301	12,301	12,301
Transport	4,545		
Supplies and services	97,571	97,571	87,813
Third party payments			
Transfer payments	44,066		
Recharge – transport			
Recharge – support	10,600	10,600	64,896
Recharge – management	17,100	17,100	
Recharge – inter-departmental	60,300	60,300	30,150
Capital financing – depreciation			
Total	1,139,860	976,632	844,128

Dale Farm	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	154,106	138,695	115,579
Agency			
Premises	3,088	3,088	3,088
Transport	495		
Supplies and services	4,043	4,043	3,638
Third party payments			
Transfer payments	169		
Recharge – transport	48,400	48,400	24,200
Recharge – support	5,900	5,900	11,557
Recharge – management	8,900	8,900	
Recharge – inter-departmental	25,800	25,800	12,900
Capital financing - depreciation	12,600	12,600	12,600
Total	263,501	247,426	183,564

Royden Project Day Care	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	142,562	128,305	106,921
Agency			
Premises	178	178	178
Transport	4,252		
Supplies and services	2,220	2,220	2,220
Third party payments	250		
Transfer payments	12,299		
Recharge – transport	3,000	3,000	1,500
Recharge – support	1,700	1,700	10,692
Recharge – management	4,500	4,500	
Recharge – inter-departmental	12,100	12,100	6,050
Capital financing - depreciation			
Total	183,061	152,003	127,339

Star Design	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	61,636	55,472	46,227
Agency			
Premises	12,476	12,476	12,476
Transport	13,778		
Supplies and services	7,419	7,419	6,677
Third party payments			
Transfer payments	8,376		
Recharge – transport			
Recharge – support	8,000	8,000	4,622
Recharge – management	10,700	10,700	
Recharge – inter-departmental	34,300	34,300	17,150
Capital financing - depreciation	5,400	5,400	5,400
Total	162,085	133,767	92,552

Masque Theatre	Predicted Expenditure		
	2013/14 (£)	2014/15 (£)	2015/16 (£)
Employees	33,933	30,539	25,449
Agency			
Premises	8,066	8,066	8,066
Transport			
Supplies and services	409	409	368
Third party payments			
Transfer payments			
Recharge – transport			
Recharge – support	600	600	2,544
Recharge – management	1,600	1,600	
Recharge – inter-departmental	4,300	4,300	2,150
Capital financing - depreciation			
Total	48,907	45,514	38,578

Appendix 4

National Context

The following legislation provides public service commissioners with the context and scope to consider alternative service delivery models.

- General Power of Competence, which came into effect in April 2012 within the Localism Act gives Councils a new freedom to act in new ways to drive down costs and meet local people's needs, as long as it's not prohibited by law;
- The Public Services (Social Value) Act (2012) requires public services to consider how the economic, social and environmental wellbeing of an area would be improved by the commissioning of a service.
- The Health and Social Care Act 2012 puts clinicians at the centre of commissioning, frees up providers to innovate, empowers patients and gives a new focus to public health. The Act contains a number of provisions to encourage and enable the NHS, local government and other sectors, to improve patient outcomes through far more effective co-ordinated working. The Act provides the basis for better collaboration, partnership working and integration across local government and the NHS at all levels.

Additionally, a number of Government and Department of Health publications and policy announcements have also provided support for the development of health service providers in the market place.

- Department of Health (2008) – 'Right to Request' -

The Department of Health's programme aimed at enabling its staff to take the lead in leaving the NHS - or 'spinning out' - to set up health social enterprises. These are independent bodies delivering services, previously provided in-house, under contract to Primary Care Trusts.

Those social enterprises launched as recently as April 2011 strictly speaking having no track record. However, it can be said that the Department of Health has not set measurable objectives specifically for the Right to Request Programme against which to evaluate its success. PCTs expected social enterprises to deliver more benefits than other providers, but did not generally contract for them to deliver savings or any other additional benefits.

- Department of Health – A Vision for Adult Social Care

In November 2010, following the Spending Review, the Coalition Government released a Vision document for Social Care, outlining how they see the sector progressing with the values of Freedom, Fairness and Responsibility underpinning it. The Vision document essentially reinforces the tenets of 'Putting People First', and explains the areas which require reform and improvement in the changing context.

There are seven principles which are outlined in the Vision: the seven P's as follows:-

- Prevention
- Personalisation
- Partnership
- Plurality
- Protection
- Productivity
- People

In light of the efficiency programme, 'Prevention' will be particularly crucial in order to reduce or ultimately halt the growth in expenditure on adult social care services.

In July 2011, the Government published the Open Public Services White Paper, an agenda driven by the Government's desire to make sure that everyone has access to the best possible public services.

The aim of the Open Public Services (OPS) White Paper was to set out the Government's programme for public services over the next few years driven by a comprehensive policy framework across public services based on the key principles of increasing choice, decentralising services, opening services to a range of providers, ensuring fair access and accountability to users and taxpayers.

A key driver of this strategy is to improve quality for all and particularly for the most vulnerable, by opening up public services and targeting funding at the most disadvantaged.

In 2010 White Paper, 'Equity and Excellence: Liberating the NHS', the Government announced that Clinical Commissioning Groups (CCG's) - groups of GPs - will, from April 2013, be responsible for designing local health services in England. They will do this by commissioning or buying health and care services including: Elective hospital care; Rehabilitation care; Urgent and emergency care; Most community health services; Mental health and learning disability services.

In short, the national context within which public service delivery is being transformed:

- Reducing public sector purse
- Growing demographic pressures
- Wider private market, co and self-funding
- Personalisation and the use of personal budgets
- Big society and redefining the role of the state
- New powers including freedom to trade