

## Value for Money Review

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<b>Date of consideration by Adult Social Care and Health Committee</b>	March 2022

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## 1.0 Executive Summary

### 1.1 Key Observations

The Council as shareholder has entered into a shareholder agreement with Wirral Evolutions Limited. This shareholder agreement gives the Council effective and complete control over the company. Wirral Evolutions is generally well regarded by people that use its services, carers and staff. This is born out in the stakeholder survey. The Value for Money review is concerned with the cost of running an arms-length company for day services rather than issues with the quality of provision.

Wirral Evolutions had a saving proposal in 2020 to 2021 that was delayed by COVID-19 and was presented for public consultation alongside the 2021 to 2022 budget proposals. Council Budget proposals include an expected saving on the Annual Budget for Wirral Evolutions of £0.5m for 2021/22. The number of people using Wirral Evolutions services has reduced by approximately 25%, whilst the cost has not reflected this reduction. The cost of supporting those people who formally were supported by Wirral Evolutions has mostly been picked up by the Council funding alternative care packages.

Wirral Evolutions submitted a proposal to the Adult Social Care and Public Health Committee in January 2021 to bring the operating costs back in line with the contract/budget value. In January 2021, the Adult Social Care and Public Health Committee supported recommendations to continue to contract with Wirral Evolutions for the 2021 to 2022 financial year.

In July to August 2021, the Council commissioned an independent expert to meet with Wirral Evolutions to conduct a detailed assessment and review of the cohesiveness and deliverability of Wirral Evolutions' modernisation plans. The outcome of this external review was that there is an absence of detail in Wirral Evolutions documentation to fully assess the deliverability of the proposed service redesign.

Wirral Evolutions faces a budget pressure due to the transition into a new proposed structure. Any shortfall in the achievement of the £0.5m savings target in this financial year, will be met from the Social Care Grant. This will be made available to Adult Social Care and Public Health Committee through an increase in the budget to meet the additional pressure during 2021.

Wirral Council conducted a Value for Money Review between November 2021 and January 2022, following a request initiated at the Adults Social Care and Public Health Committee on 23 September 2021. The objectives of the review used several criteria to determine value for money, which included, economy, efficiency, stakeholder value and achievability. In addition, stakeholder views were gathered from staff, people accessing the service, and families, carers, and charitable bodies, throughout November and December 2021. Both the value for money report and stakeholder value report are included as appendices to this committee report.

The objectives of the value for money review are set out in the main report (Strategic Value section) and include:

- Does Wirral Evolutions provide sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities to justify the additional costs of running an arms-length company?
- What is the cost comparison of running an arm's length company compared to an inhouse service?

- What are the benefits and disadvantages of having a local authority trading company delivering Day Services, compared to the Council delivering day services direct?
- Does the current operating model provide value for money for Wirral Council?
- What are the costs of running Wirral Evolutions as a Local Authority Trading Company compared to delivering the service direct?
- Wirral Evolutions will be assessed in 8 areas to measure whether Wirral Evolutions offers sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities to justify the additional costs of running an arms-length company.

Wirral Evolutions Ltd was incorporated in 2015 as a private company limited by shares and trading as a Local Authority Trading Company (LATCo) to provide personalised day services and opportunities for adults with a wide range of learning and physical disabilities. Wirral Evolutions has not secured any other block contract over the past six years, and its only significant customer is Wirral Council. There was an expectation that when Wirral Evolutions was established it would grow the business, increase activity, and diversify its customer base, so that it wasn't solely depending on the Council funding to enable it to be financially sustainable.

## 1.2 Conclusions

This Value for Money report alongside Stakeholder Survey analysis demonstrates that while day services are beneficial for people with learning disabilities, the delivery of the contract does not justify the additional costs of running an arms-length company. During the length of the contract (2015 – present) the additional amount of money provided equals 49.9% of the original contract price. For context, the national inflation within this period was 8.6%. The annual cost pressures/cost envelope equates to 10% of the agreed contract price of £5.015m and Wirral Evolutions have not proactively addressed this position, despite an approximate 25% reduction in people accessing the services in the period to November 2021 (314 compared to 410). Whilst caution should be applied to one year's data, particularly given the situation with Covid 19, it does not demonstrate value for money for Wirral Council.

If Day Services were brought in-house there would be efficiencies made from staffing costs and some non-staff costs. For example, management restructure, support/infrastructure functions, head office costs, supplies etc. Efficiencies would be seen by way of other inhouse departments taking on/continuing roles such as HR, payroll, IT etc. If the service was brought in-house, then there would also be potential savings because of the removal of the Wirral Evolutions Board and senior hierarchy.

These roles could potentially be amalgamated/absorbed within Wirral Health and Care Commissioning, for example Contracts and Quality Assurance.

It should be noted however that there are likely to be costs incurred in the initial transfer stage, particularly senior management costs, to ensure the smooth transfer of the service to the Council. Providing the service in-house would require a dismantling of the existing oversight arrangements and a decision would be needed if this can be incorporated into existing Council oversight arrangements.

The Value for Money report provides a number of comparisons between an inhouse model and a Local Authority Trading Company (LATCo) model (section 17). This section is written in a way that it allows the reader to immediately see the advantages and disadvantages.

The Value for Money Report suggests that the current operating model does not provide value for money. It was expected that Wirral Evolutions would grow the business, increase activity, and diversify its customer base, however this has not happened, and Wirral Evolutions remains

dependent upon Wirral Council financially. This means that Wirral Council carries all the risk with little or no control of any value for money. Wirral Evolutions have not delivered the service within the agreed contract price in any financial year. From a quality assurance and contractual perspective, Wirral Evolutions have not proactively sought clear business growth opportunities and driven social value within Wirral. The stakeholder survey analysis provides that the day services offered tend to be predominantly building based and lack innovation and clear outcomes/goals for the people who access their services, their families, and carers.

If the service was delivered inhouse then it would be reasonable to consider a reduction in Wirral Council officer time, however as this data is not recorded the report cannot quantify or put a monetary value against this. It should be recognised that initially and immediately post-implementation and integration of the service under Wirral Council, there is potential for there to be a significant demand on some officers, until Wirral Evolutions are fully integrated as a Wirral Council service. There would be an expected reduction in Wirral Council officer time over time.

### 1.3 Recommendations

After an in-depth Value for Money Review the following recommendations should be made to the Adults Social care and Public Health Committee:

- (1) authorise the Director of Care and Health to extend the contract to provide services to support adults with a learning disability currently held by Wirral Evolutions Limited for a limited period not exceeding six months from the 1 April 2022 so as to enable the effective implementation transition of services currently supplied by the company to the Council.
- (2) approve the transition of services which are currently delivered by Wirral Evolutions Limited to an in-house model of delivery by the Council starting as soon as reasonably practicable with the intention that those services will be fully transferred back into the Council within six months of the 1 April 2022.
- (3) authorise the Director of Care and Health to terminate or allow to expire the contract to provide services to support adults with a learning disability currently held by Wirral Evolutions Limited as soon as practicable after the complete and effective transfer of services currently supplied by the company to the Council.
- (4) establish a Consultative Board with stakeholder and staff membership tasked with oversight of the provision of personalised day services and opportunities for adults with a wide range of learning and physical disabilities, enabling people who access the service and their representatives to have a greater input into the delivery of the service.
- (5) authorise the Director of Care and Health to make all necessary arrangements to insource the services carried out by Wirral Evolutions Limited.
- (6) recommend to the Shareholder Board that the Director of Law and Governance be authorised to progress the necessary steps to transfer Wirral Evolutions Limited's undertaking to the Council, including the cancellation of the current contract with Wirral Evolutions Limited and to consider all appropriate options for the future deployment or disposal of Wirral Evolutions Limited.
- (7) that the Director of Care and Health provide a further report to a future Adult Social Care and Public Health Committee to update on the service transition arrangements

## 2.0 Background Information

In March 2020, the Council commenced a review of the Contract for Day Services for people with a learning disability held by Wirral Evolutions. This review was paused due to the COVID-19 pandemic and resumed in October 2020.

Wirral Evolutions had a saving proposal in 2020 to 2021 that was delayed by COVID-19 and was presented for public consultation alongside the 2021 to 2022 budget proposals. Council Budget proposals include an expected saving on the Annual Budget for Wirral Evolutions of £0.5m for 2021/22

Wirral Evolutions submitted a proposal to the Adult Social Care and Public Health Committee in January 2021 to bring the operating costs back in line with the contract/budget value. In January 2021, the Adult Social Care and Public Health Committee supported recommendations to continue to contract with Wirral Evolutions for the 2021 to 2022 financial year. To deliver services within the contract value, Wirral Evolutions submitted a proposal to the Council to reduce the number of buildings from which Day Services are delivered, develop new ways of working, and restructure its workforce to make financial savings. These changes were proposed to both bring the service back in line with the contract for Day Services and to focus on developing a more financially sustainable service model.

Wirral Evolutions presented a progress report in June 2021 to Adult Social Care and Public Health Committee and attended a workshop in July 2021. A further workshop was held by the Council to discuss Wirral Evolutions in September 2021.

From July to August 2021, the Council commissioned an independent expert to meet with Wirral Evolutions to conduct a detailed assessment and review of the cohesiveness and deliverability of Wirral Evolutions' modernisation plans. The outcome of this external review was that there is an absence of detail in Wirral Evolutions documentation to fully assess the deliverability of the proposed service redesign.

The Adult Social Care and Public Health Committee requested that the Director of Care and Health bring a further report back to this Committee following the Director undertaking a Value for Money review as to whether Wirral Evolutions offers sufficient added value to the Council. This was in relation to the delivery of the contract for day services for people with learning disabilities, to justify the additional costs of running an arms-length company.

Any shortfall in the achievement of the £0.5m savings target in this financial year, will be met from the Social Care Grant. This will be made available to Adult Social Care and Public Health Committee through an increase in the budget to meet the additional pressure during 2021/2022

## 3.0 Scope of the Value for Money Review

Wirral Council has conducted a Value for Money Review as to whether Wirral Evolutions offers sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities to justify the additional costs of running an arms-length company.

The request for the Value for Money Review was initiated at the Adults Social Care and Public Health Committee on 23<sup>rd</sup> September 2021. The Review was completed in November and December 2021.

It has been acknowledged that further work would have been beneficial to assess the suitability of assets used by Wirral Evolutions in line with any proposed service delivery changes.

A report will be presented to the Adults Social Care and Public Health Committee on 3rd March 2022 with the outcome of the review.

## 4.0 Objectives of the Review

Wirral Council used eight criteria as detailed below for the Value for Money Review being conducted on Wirral Evolutions. The below criteria are typically found in a Value for Money Assessment/Review and was used as a guide for this review being conducted in November/December 2021.

1. Economy
2. Efficiency
3. Effectiveness
4. Equity
5. Strategic Value
6. Stakeholder Value
7. Social Value
8. Achievability

The objectives of the value for money report:

- Does Wirral Evolutions provide sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities to justify the additional costs of running an arms-length company?
- What is the cost comparison of running an arm's length company compared to an inhouse service?
- What are the benefits and disadvantages of having a local authority trading company delivering Day Services, compared to the Council delivering day services direct?
- Does the current operating model provide value for money for Wirral Council?
- What are the costs of running Wirral Evolutions as a Local Authority Trading Company compared to delivering the service direct?
- Wirral Evolutions will be assessed in 8 areas to measure whether Wirral Evolutions offers sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities, to justify the additional costs of running an arms-length company.

## 5.0 Definitions of Value for Money

The Council's review is guided by the terms detailed below relating to the general definition of Value for Money:

- Value for Money describes general principles governing good planning, procurement, and management.
- Value for Money is a judgment about the optional use of public resources to achieve stated objectives.
- Value for Money is about obtaining the maximum benefit with the resources available.
- Value for Money is not about achieving the lowest price; it is about achieving the optimum combination of costs and quality.

- Value for Money is based not only on the purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase.
- Value for Money is a balanced judgment based on the benefits and costs ratio which brings together social costs and benefits including public sector costs over the entire life of the contract.
- Value for Money examines whether an organisation has obtained economy, efficiency, and effectiveness in using public funds.
- To help achieve Value for Money, services should be acquired by competition unless there are convincing reasons not to do so.
- Value for Money, in general, refers to an explicit commitment to ensure an organisation achieves the best results possible obtained for the funds utilised.

## 6.0 Wirral Evolutions Limited

Wirral Evolutions Limited was incorporated in 2015 as a private company limited by shares and trading as a Local Authority Trading Company (LATCo) to provide personalised day services and opportunities for adults with a wide range of learning and physical disabilities. The Council previously delivered Day Services to People with Learning Disability in-house until Wirral Evolutions Limited was created and awarded the contract on 1<sup>st</sup> December 2015; the staff then transferred from the Council to Wirral Evolutions Limited. It should be noted that there are no concerns about the quality of service delivered by Wirral Evolutions Limited. Wirral Evolutions Limited has not secured any other block contract over the past six years, and its only significant customer is Wirral Council. There was an expectation that when Wirral Evolutions Limited was established it would grow the business, increase activity, and diversify its customer base, so that it wasn't solely depending on the Council funding to enable it to be financially sustainable.

Wirral Evolutions Ltd has delivered the contract for six years, and costs have continued to increase, and therefore the Council is reviewing whether the service should stay in the same format, or be delivered inhouse, or the Council should commission external providers through a competitive tendering process. Wirral Evolutions' Limited approach is placing the people who it supports at the heart of everything it does, working hard to ensure that service delivery is of the highest quality, enabling greater outcomes and benefits for the people who it supports.

## 7.0 Values underpinning the service review

The following values and expectations were developed in 2020 in partnership with a small group of Carers/ Families of people who access Wirral Evolutions service and will continue to guide the value for money review.

- **A Healthy Life** - People with learning disabilities enjoy the highest attainable standard of living, health, and family life.
- **Fulfilment** – People who access the service are enabled and supported to lead full and purposeful lives and realise their ability and potential.
- **Dignity and Respect** - The uniqueness and intrinsic value of individuals is acknowledged, and each person is treated with respect.
- **Well-being** - To recognise and uphold the right to a social life amongst an appropriate peer group and the right to participate in appropriate communal activities and settings
- **Independence** - People who access the service have as much control as possible over their lives whilst being protected against unreasonable risks and are able to live independently in the community with equal access to all aspects of society. People are supported to move towards independence using a variety of approaches, skills and techniques.



- **Rights** - The individual and human rights of people who access the service are safeguarded and actively promoted within the context of services delivered.
- **Equality and Diversity** - People who access the service are treated equally, their background and culture are valued, and services provided fit within a framework of equal opportunities and anti-discriminatory practice.
- **Choice** - People who access the service are offered, wherever possible, the opportunity to select independently from a range of options based on clear and accurate information.
- **Consent** - People who access the service have a legal right to determine what happens to them and their informed, genuine, and valid consent to the care and support they receive is essential.
- **Safety** - People who access the service feel as safe as possible in all aspects of their care and support, and are free from abuse, exploitation, or neglect.
- **Confidentiality** - People who access the service know that information about them is managed appropriately and everyone involved in and with the day care setting respects confidential matters.
- **Active Citizenship** - People with learning disabilities are able to participate in all aspects of community and society.

## 8.0 Our commitment to Day Services in Wirral

- Encourage and enable people's independence to have reduced dependency - clear aspirations to maximise the independence of all those who access the service, ensuring that all opportunities to maximise independence are promoted.
- Deliver positive meaningful day time activities and outcomes achieved for people with a learning disability – providing a wide range of well-coordinated daytime practical and emotional support.
- Adapt services to match the person's age, comprehension, and culture.
- Empower Individuals and families to achieve the best outcomes.
- People who access the service and their families can connect with their respective communities including peer groups and wider society.
- Encourage and enable active citizenship.
- Respect and value citizens who contribute positively to their community through work, volunteering and through helping others.
- Enhance involvement, choice, and control of people with a learning disability and their families.
- Improve quality of life, wellbeing, and safety of people with a learning disability and their families.
- Provide positive interventions.
- Listen to Individual's views, wishes and feelings.
- Enable people who access the service to use their existing skills, to learn new ones and to explore a wide range of interests and hobbies which are meaningful to them.
- Empower people with a learning disability and their families to make their own decisions.
- Recognise that people who access services and their families are experts in their own lives.
- Support people who access the service to be active in their local communities.
- Enable people who access the service to be as physically active as possible, regularly taking part in a wide variety of sports and leisure activities.
- Work in partnership with the Carers and family members of people who access services to achieve these outcomes.
- Develop effective relationships with People who access the service and their families and professionals.

- Provide quality advice and support.
- Provide personalise and person-centred approaches.
- To make the best use of available resources.
- Enable individuals who access the service and families to contribute to the continued improvement of services, policies, and procedures.
- For people to be able to move freely as much as is possible in a safe environment.
- Have specialist knowledge and skills from an integrated workforce.
- Employ staff who understand them as people, can meet their needs and have the right attitudes and skills to provide great support.
- Ensure staff operate within a framework of professional accountability.
- Have consistent support by good staff who know the people who access the services.

## 9.0 Stakeholders involved in the value for money review

The following stakeholder groups have been involved in the service review:

- People who access Wirral Evolutions Services
- Representatives or Families or People who access Wirral Evolutions Services
- Council as Shareholders— represented by the members of Shareholder Board
- Council Commissioners
- Council Buy Back Service Leads
- Elected members – in addition to the members of Shareholder Board
- Advocates
- Wirral Evolutions Staff, Management and Board members
- Council as Landlord and provider of traded services

Stakeholders' views are very important, and they will be gathered as part of the Value for Money Review. Wirral Council will work in partnership with Wirral Evolutions throughout the Value for Money Review.

The Council has requested that Together All Are Able carry out a piece of Advocacy work to enable people who access Wirral Evolutions services to share their views about day Services opportunities, to inform the value for money review. Together All Are Able will visit all nine Day Centres and spend time with people who access the service.

A number of Council Officers and Trade Unions were involved in the value for money review.

## 10.0 Economy

Wirral Evolutions reported to the Council in its Key Performance Indicator's that 314 people accessed Wirral Evolutions Day Services in November 2021, compared to 410 people who accessed the service in 2019 to 2020, which evidences that approximately 100 people have stopped attending Wirral Evolutions Day Centres although the organisation has continued to receive a block payment.

Day Services transferred to Wirral Evolutions in 2015 and had a budget of £3,823,400 at the time of transfer. Prior to 2015, Day Services had been assigned a savings target of £2m. £500k of the £2m (25%) remained at the time of the transfer of Day Services to Wirral Evolutions, with the understanding that the remaining £500k savings could be achieved from efficiencies within the newly formed Local Authority Trading Company (LATCo).

To calculate the contract price in 2015, the £500K savings target was removed from the £3.82m budget, leaving a budget of £3,323,400.

On transfer of the service in 2015, £1.3m was added to the £3.3m, broken down as follows:

Admin Budget	£60,500
Lease Costs	£291,000
Pension	
Contribution	£180,000
Recharges	£458,400
Pension Deficit	£325,700
Total	<u>£1,315,600</u>

Therefore, the total contract price at transfer was £4,639,000 (£3.3m budget plus additional £1.3m).

From 2016-17 to 2020-21, an additional £2.3m was provided to Wirral Evolutions as part of the yearly contract value, broken down as follows:

Financial Year	Amount
2016	-
2017	261,569
2017	-
2018	500,000
2018	-
2019	561,543
2019	-
2020	740,792
2020	-
2021	<u>250,000</u>
Total	<u>2,313,904</u>

The additional amount provided equals 49.9% of the original contract price. For context, national inflation within the same period totalled 8.6% (1.72% average).

For Financial Year 2020-21, the proposed savings target of £500k was reduced to £250k. For Financial Year 2021-2022, an additional £250k saving was negotiated, resulting in a total savings target of £500k (the original savings target at time of transfer).

Prior to 2015, Day Services had been assigned a savings target of £2m. £500k of the £2m (25%) remained at the time of the transfer of day services to Wirral Evolutions, with the understanding that the remaining £500k savings could be achieved from efficiencies within the newly formed LATCo.

A review of governance arrangements and compliance with financial regulations was undertaken by Internal Audit between April and June 2021. Part of the review was to test compliance with financial regulations. To assess this, a sample of payments were selected from the period March 2020 to May 2021 to ensure the financial regulations had been adhered to and value for money could be demonstrated. The review found that, although all the payments were supported by appropriately authorised invoices and documentation, and therefore appeared to be for legitimate expenditure, no quotations had been obtained. Therefore, the financial regulations had not been complied with and value for money had not been evidenced. The reasoning for the non-adherence to the financial regulations was the impact of COVID-19. Discussions between Internal Audit and Wirral Evolutions senior management found that the

financial regulations were not practical, as the regulations required a minimum of two quotes for expenditure from 1p up to £1,000.

Internal Audit recommended that the requirement to obtain quotations for expenditure should be reassessed, considering the costs and benefits for expenditure below a certain value and to reflect the outcome in revised financial regulations.

In October 2021, Internal Audit undertook a follow up of the recommendations that were due for implementation by 30/9/21 and were provided with appropriate evidence that they had all been implemented. The follow-up included the issue of revised financial regulations, applicable from 1st November 2021, which only required quotations to be obtained for expenditure estimated at greater than £500.

Additionally, Wirral Evolutions buy Procurement Services from Wirral Council, which should ensure value for money when procuring goods and services.

It has been acknowledged that further work would have been beneficial to assess the suitability of assets used by Wirral Evolutions in line with any proposed service delivery changes.

It is noted that from inception to date, Wirral Evolutions have not been able to provide the service within the agreed contract price in any financial year.

## **11.0 Efficiency**

Wirral Evolutions buy Procurement Services from Wirral Council, which should further ensure value for money when procuring goods and services. However, Wirral Evolutions face challenges in securing additional external funding through diversifying and growing their services. They face issues with their client group remaining relatively static and growing year on year. There needs to be a more defined pathway to other services including engagement with employment and community services at an early stage and less reliance on a traditional day services model.

The Council has held regular contract and quality assurance meetings and Wirral Evolutions have a good performance framework with some disruption during the pandemic. The current contract with Wirral Evolutions has been in place since the service inception as a Local Authority Trading Company and could benefit from a review and refresh to align with service modernisation.

Monthly quantitative day opportunity attendance data is received from Wirral Evolutions together with quarterly contractual monitoring information to support monthly contract meetings and quarterly strategic review meetings. Contractual performance has been positive, although there are opportunities for Wirral Evolutions to further maximise opportunities for people supported. Collaborative work is underway with Wirral Evolutions to enhance quality and service delivery models. The number of safeguarding concerns and complaints are low, managed well and compare to other like for like competitor services. Compliments are well received and comparative with other like for like services.

## **12.0 Effectiveness**

Wirral Evolutions is viewed positively by the majority of people who use their services, carers and staff. This is evidenced in the survey that has been completed. This survey is an important measure of impact of the service. Supporting adults with a learning disability through the services it provides enables people to remain engaged with their community, friendships, and to develop skills and remain socially active. This supports their health and wellbeing as well as that

of their carers. The impact of the service was rated against 8 key factors as to why people using the service found it important, which can be found in the full survey report.

In relation to the extent that Wirral Evolutions fully achieve their goals and objectives, there is evidence provided in the survey report which listened to the views of 155 people who use their services and agreed to take part. For example, 58% reported it would be very likely that they would be likely to recommend the day service to a friend; Almost 70% of staff that have worked for Wirral Evolutions for more than 3 years would recommend Wirral Evolutions employment to a friend or colleague. There were however a number of concerns about where Wirral Evolutions could have more impact, such as almost half of staff do not feel that they have been given the opportunity have a say about how the service can be developed or modernised.

Wirral Evolutions have found new and creative ways to engage and support people who access their services during the pandemic, ensuring they kept contact particularly with people who may have been more isolated. They have also focused on how they could improve their offer of supporting people to work based opportunities where appropriate and have worked with the Council to develop more strategic links with key organisations such as Wirral Metropolitan College, Department of Work and Pensions, MENCAP and the Chamber of Commerce.

### **13.0 Equity**

Wirral Evolutions has supported particular people who use their services over a long period. Whilst new cases are provided for, they are dependent on referrals from social workers for people with an eligible need under the Care Act 2014. Day services are provided within specific settings across the Borough, and this enables relatively good access to local services that people can reach, who need them. Alternative ways of providing support have been explored by the service due to the circumstances over the last two years, which have supported the opportunity to reach groups who may have greater problems accessing services, beginning to develop in some cases alternative approaches to support. It is key for a provider such as Wirral Evolutions to work closely with social workers and users of their service to ensure they are addressing barriers to inclusion and have a clear equality impact assessment to ensure marginalised groups are reached. This is an area for development of future service provision

### **14.0 Strategic Value**

Does Wirral Evolutions provide sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities to justify the additional costs of running an arms-length company?

VFM report alongside Stakeholder Survey analysis demonstrates that while day services are beneficial for people with learning disabilities. The delivery of the contract does not justify the additional costs of running an arms-length company. During the length of the contract (2015 – present) the additional amount of money provided equals 49.9% of the original contract price. For context, the national inflation within this period was 8.6%. The annual cost pressures/cost envelope equates to 10% of the agreed contract price of £5.015m and Wirral Evolutions have not proactively addressed this position, despite a 25% reduction in people accessing the services in the period to November 2021 (314 compared to 410). Whilst caution should be applied to one year's data, particularly given the situation with Covid 19, it does not demonstrate value for money for Wirral Council.

What is the cost comparison of running an arm's length company compared to an inhouse service?

If Day Services were brought inhouse then there would be an **anticipated** saving in staffing costs and non-staff costs, for example management, support/infrastructure functions, head office costs, supplies etc.

If Day Services were to be provided by Wirral Council (in-house), total staffing costs may reduce from £3.98m to £3.61m, with an anticipated reduction in Full Time Equivalent (FTE) staff of 11.82. This is anticipated to reduce costs by £371k per annum. Non-staff savings (Premises, Transport, Supplies and Services, and Head Office costs) estimated to be made total £314k.

It should be noted however that Wirral Evolutions provided the figures to Wirral Council for verification as to how they could provide Day Services in future. However, information showing how these savings were calculated was not provided to Council, and therefore the Council is at present unable to validate the accuracy of the savings.

If the service were to be brought inhouse then the savings would be seen by way of other inhouse departments taking on/continuing roles such as HR, payroll, and IT. If the service was brought inhouse then there would potentially be savings as a result of the removal of the Wirral Evolutions Board and senior hierarchy. These roles could potentially be amalgamated and absorbed within Wirral Health and Care Commissioning.

What are the benefits and disadvantages of having a local authority trading company delivering Day Services, compared to the Council delivering day services direct?

VFM report provides a number of comparisons between an inhouse model and a LATCo model (section 17). This section is written in a way that it allows the reader to immediately see the advantages and disadvantages.

Does the current operating model provide value for money for Wirral Council?

VFM suggests that the current operating model does not provide value for money. It was expected that Wirral Evolutions would grow the business, increase activity, and diversify its customer base. However, this has not happened, and Wirral Evolutions remains dependent upon Wirral Council financially. This means that Wirral Council carries all the risk with little or no control of any value for money. Wirral Evolutions have not delivered the service within the agreed contract price in any financial year. From a quality assurance and contractual perspective, Wirral Evolutions would appear. Stakeholder survey analysis provides that the day services offered tend to be predominantly building based and lack innovation and clear outcomes or goals for the people who access their services, their families, and carers.

What are the costs of running Wirral Evolutions as a Local Authority Trading Company compared to delivering the service direct?

There is a degree of savings to be made from providing the service in-house. Savings can be made from the rationalisation of the current management arrangements at Wirral Evolutions, negating the need for a Board with the associated costs of Board members, and running costs.

If Day Services were to be provided by Wirral Council (in-house), total staffing costs may reduce from £3.98m to £3.61m, with an anticipated reduction in Full Time Equivalent (FTE) staff of 11.82. This is anticipated to reduce costs by £371k per annum. Non-staff savings (Premises, Transport, Supplies and Services, and Head Office costs) estimated to be made total £314k.

It should be noted however that Wirral Evolutions provided the figures to Wirral Council for verification as to how they could provide Day Services in future. However, information showing

how these savings were calculated was not provided to Council, and therefore the Council is at present unable to validate the accuracy of the savings.

## **15.0 Social Value**

Wirral Evolutions have completed a questionnaire which provides an overview of their additional wider social benefits does Wirral Evolutions offer for residents such as social, economic, and environmental benefits that are derived from Wirral Evolutions services.

## **16.0 Stakeholder Value**

An analysis of stakeholder views Feedback Report has been completed and is accompanying this report as part of the report pack for Adult Social Care and Public Health Committee. This report has summarised the findings from three stakeholder surveys: staff, people who access the service, and families, carers and charitable bodies. The report concludes that while there are some quite significant changes that the service would benefit from implementing, the service itself and the staff themselves are vital for the successful service delivery and that the service is providing value for money.

## **17.0 Achievability**

There are interdependencies in relation to Council pay award and EVR polices that apply to Wirral Evolutions given staff were subject to TUPE arrangements at its inception. These costs are factored into the budget and contract.

Wirral Evolutions does not have the capacity and capability to expand, and this is evidenced over time but is hindered by natural barriers relating to its design.

Wirral Evolutions is clear that it wants to become a more modern fit for purpose organisation and its strengths are in how it engages and works with people to best support them. It has worked to redesign and change its structure to deliver more efficiently though this is not yet complete. The challenges have been around the financial management and savings targets which are covered elsewhere in this report, and this brings the question of sustainability.

## **18.0 External assurance review by CIPFA**

Wirral Council requested Exceptional Financial Support from the Department for Levelling Up, Housing and Communities (hereon DLUHC) for 2020-21 and 2021-22 to help balance the budget by raising capital borrowing to support some of its revenue expenditure. Accordingly, DLUHC, commissioned CIPFA to undertake an independent and detailed financial assurance review of Wirral Council.

Officers consider that the Exceptional Financial Support will enable the Council to balance its budgets for 2020-21 and 2021-22 and that from thereon its ambitious programme of regeneration, coupled with a focus on prevention measures, will strengthen its financial resilience.

Financial statements for the Council and companies owned by the Council for 2018/19, 2019/20 and 2020/21 were reviewed. The Local Government Finance Review for Wirral Council was published in November 2021. There is a lot that the Council needs to do quickly if it is to make real progress in addressing the financial challenges that it faces.

Recommendations from the Local Government Finance Review for Wirral Council conducted in November 2021 should be considered as part of the Wirral Evolutions Value for Money Review:

- Strengthen financial governance
- Prepare a more realistic Medium Term Finance Strategy that better reflects the challenges facing the Council
- Set clear financial targets for any service reviews in line with the Medium- Term Financial Strategy.
- The review stated that the Council should develop a clear asset disposal strategy.
- Review the condition of all Council assets to determine maintenance requirements over the medium term.
- Engage with members at an early stage to develop a realistic asset disposal strategy that focusses on the disposal of assets that require significant maintenance and repair.
- Commission an independent review of the financial position of the Council's companies and other commercial ventures to ensure all potential risks are identified.
- Identify asset disposals to offset the risk of increased council borrowing
- Review its capital programme and ensure that it has identified realistic capital programme pressures in 2023-26 so that it can assess the overall impact on Council borrowing.
- Ensure that all major Council risks in relation to financial resilience are scored
- Appoint shareholder representatives and task a senior manager in finance with responsibility for monitoring the resource needs of the Council's companies
- Dispose of sufficient assets to obviate the longer-term need for borrowing under the capital direction.

Wirral Evolutions does present financial risks to the Council in its current governance form as the Council is not fully in control of the operating finances or the financial performance of Wirral Evolutions. To gain full control and reduce the financial risk, the Council could consider bringing Wirral Evolutions service back in house.

## 19.0 Financial information

While potential cost savings are not a primary driver for any change in approach, as a separate legal entity Wirral Evolutions incurs additional costs that it would not pay as a division of the Council.

- Preparation and audit of group accounts
- Having a Board of Directors. Directors' fees and company secretarial support
- Preparation of separate returns such as VAT, PAYE and LGPS
- Shareholder Board costs
- Administration and processing of transactions between Wirral Evolutions Limited and the Council

There will be some limited cost to transfer the staff and business operations and to legally dissolve the company.

As a Local Authority Trading Company (LATCo), Wirral Evolutions has a current contract price of £5.015m (for Financial Year 2021-22). This is the total price for providing Day Services via Wirral Evolutions. Prior to 2015, Day Services had been assigned a savings target of £2m. £500k of the £2m (25%) remained at the time of the transfer of Day Services to Wirral



Evolutions, with the understanding that the remaining £500k savings could be achieved from efficiencies within the newly formed Local Authority Trading Company (LATCo).

If Day Services were to be provided by Wirral Council (in-house), total staffing costs may reduce from £3.98m to £3.61m, with a reduction in Full Time Equivalent (FTE) staff of 11.82. This is anticipated to reduce costs by £371k per annum.

Non-staff savings (Premises, Transport, Supplies and Services, and Head Office costs) estimated to be made total £314k. It should be noted however that Wirral Evolutions provided the figures to Wirral Council for verification as to how they could provide Day Services in future. However, information showing how these savings were calculated was not provided to Council, and therefore the Council is at present unable to validate the accuracy of the savings.

### Service Level Agreements

When Wirral Evolutions transferred to become a LATCo (Local Authority Trading Company) in 2015, administrative services such as Finance, Payroll, and Procurement continued to be provided. The services received and the cost charged to Wirral Evolutions can be seen below. In addition to the services listed below, an amount of £325,700 is also chargeable for Employers Fixed Superannuation Contribution; this is an amount calculated triennially by the actuary. The amount payable is a charge to repay Merseyside Pension Fund for pension payments made to pension members and is based on headcount of each individual service. Therefore, total recharge costs are £784,100 (£458,400 plus £325,700).

	<b>Based on 2015/16 Budget (revised Structure)</b>	<b>Total £</b>
<b>Support Services</b>		<b>305,800</b>
Legal Services	7,300	
Payroll Control & Compliance	38,600	
Financial Services - Tax & Compliance	10,000	
Financial Services (Accountancy)	11,500	
Accounts Payable	3,600	
Income Section	1,100	
Accounts Receivable	300	
Cashier Services	300	
IT - Infrastructure	101,400	
IT - Line of Business	44,000	
Procurement	4,700	
Personnel	52,200	
Organisation Development	27,300	}

Trade Unions	3,500	
<b>DASS Admin/Management Recharges</b>		<b>128,600</b>
SLT	21,500	
Admin Support	7,000	
Business Support	48,300	
Non-staffing Admin Support - Communications	46,500	
Delivery Management	5,300	
Admin Buildings	24,000	<b>24,000</b>
<b>Total Recharge Value included in Contract</b>		<b>458,400</b>

The Internal Audit review written in August 2021 states the following in respect of the Service Level Agreements:

Wirral Evolutions “buy-back” support services from the Council. The value of these services has remained unchanged at £458k since the inception of the company and is mirrored by a specific element of the contract funding from the Council. On investigation it was established that the basis for the values of the buy-back services was the value of the recharges contained in the specific budget within the Council for the service provision before the company was formed. This approach was flawed as some of the recharges were for services that were not going to be used by Wirral Evolutions, who had developed their own systems. Therefore, there may be areas of under use or no usage and others of over activity.

In addition, draft Service Level Agreements (SLAs) were prepared at the time the company was formed however these were never finalized or agreed between the parties. A review of these SLAs has been underway and discussions between the Council and Wirral Evolutions have taken place to ensure they are “fit for purpose.” It was decided not to vary the buy-back costs and detail for 21/22, whilst this review is ongoing however, it is envisaged that more relevant SLAs will be in place for 2022/23 onwards based on Wirral Evolutions needs and activity.

Wirral Evolutions has a separate pay scale to Wirral Council. However, Wirral Evolutions are included with the Council in pay award negotiations. The last pay award was agreed in November 2020, backdated to April 2020.

Allowances for Wirral Evolutions staff are detailed below:

- Maternity, Paternity and Adoption allowances are the same as Wirral Council.
- (Maternity – 6 weeks at 90% pay; 12 weeks at 50% pay plus Statutory Maternity Pay; remaining 21 weeks paid Statutory Maternity Pay).

- (Paternity – 2 weeks at 100% paid leave).
- Adoption (39 weeks paid leave as follows, weeks 1-8 100% pay minus Statutory Adoption Pay; weeks 9-26 at 50% + Statutory Adoption Pay; weeks 27-39, flat rate Statutory Adoption Pay).
- Sickness entitlement of 156 days full pay and 156 days at half pay for TUPE staff
- Sickness entitlement of 78 days full pay and 78 days half pay for non-TUPE staff (appointed after June 2015)

Annual Leave entitlement for WE staff is as below (stated per years of service):

- 2 years and below - 28 days
- 2-3 years – 30 days
- 3-4 – 31 days
- 4 and above – 32 days

## 20.0 Shareholder

Wirral Evolutions was established in 2015 to deliver adult social care services, initially for the Council, but with a view to securing contracts from external bodies as well as to deliver service efficiencies and savings against budget costs and the contract price.

It is generally accepted that the services, as provided by the Company, are of good quality. However, the savings envisaged have not materialised and the company has been unable to secure significant external contracts, in order to mitigate the costs of running a separate company through the economies of scale and the generation of additional income.

Instead of delivering services at a reduced cost, significant additional funding has had to be allocated to the Company to enable it to meet its obligations; and further debt deferment strategies have been deployed to assist the Company with its working capital requirements.

The company asserts that adherence to the requirements and timescales set out in the shareholders agreement put in place between it and the Council on formation of the Company fetters the Company's ability to tender effectively for external contracts, rather than accepting the inherent weaknesses in its financial status as a wholly owned and dependent local authority company proving to be an effective deterrent to the award of external contracts.

A workshop to discuss shareholder issues and corporate governance has been held and further workshops are planned to further develop the discussions.

The Company has expressed a desire to have a closer relationship with Council Members on the Shareholder Board, which discharges the shareholder function for the Council, to receive strategic input from the Shareholder Board and to streamline the decision-making process in respect of issues identified in the shareholder agreement.

## 21.0 Benchmarking Regionally

Vivo Care Choices Limited (Vivo) was established in 2013 as a company wholly owned by Cheshire West and Chester Council, to deliver a range of adult social care services on behalf of the Council. They have recently decided to return services to in-house provision.

## 22.0 Benchmarking in Wirral – Day Services

Day services for learning disability and Autism are provided by WE and Autism Together; Mental Health day services are provided by Wirral Mind; and Older People with Dementia day services by Age UK.

There is no Contract in place for Autism Together. Contracts for Age UK and Wirral Mind fall under EIAP – Lot 2 Day Services – which is a recent recommission.

The Council commissions differently for day services such as paying block contracts. Wirral Evolutions is a block contract, EIAP is a block contract, and Autism Together is a spot contract

Autism Together are the main competitor for Wirral Evolutions with regard to day services, given their core business is Learning Disability. The groups Autism Together support may differ in complexity of need and levels of support.

## 23.0 Estates / Assets

Section 9 gives details of the recent Local Government Finance Review for Wirral Council conducted in November 2021 in collaboration with CIPFA and highlighted key pieces of work required to address the Council medium term financial strategy. These are pertinent to the best value review of the service, and it is recognised that essential and statutory services are looked at across the Borough in totality.

- Wirral Evolutions occupies 10 buildings to deliver its current day services, these being: Pensby Wood, Cambridge Road, Highcroft, Heswall, Dale Farm, Eastham, Oakenholt, Royden Park in addition to these Best Bites which runs from 2 locations including The Grange which also serves as the administration centre for Wirral Evolutions. These are leased to the Wirral Evolutions with associated building services delivered via a service level agreement through the Asset Management section.
- The assets being used by the service vary in condition and suitability. Whilst Pensby Wood has received significant funding in recent years to enhance its specialist facilities, other assets require significant investment in line with the future services to offered to its clients. This position is very similar to other Council owned assets and would form part of the exercise required by the Local Government Financial Review to:
  - Review the condition of all Council Assets
  - Review its Capital programme
  - Have a clear Asset Strategy
- Should consolidation be considered this could offer new opportunities not only to redesign of current buildings but to look at co-location possibilities with other services and partners.

- Some of the assets in use by Wirral Evolutions have greater market value than others due to their location and proximity to regeneration projects. This in turn could support the enhancement of retained assets or the acquisition of new facilities required for the service. It is important to note that no detailed work has yet been undertaken on this area of asset management.

## 24.0 Digital ICT

The Council ICT department has continued to invest heavily into Wirral Evolutions, since becoming a Local Authority Trading Company in 2015, and generally treats the Local Authority Trading Company as though it was an internal service area within the Council in terms of support services available and hardware and software issued. There are no financial savings from a digital perspective about having Wirral Evolutions as an external company, as they continue to benefit from the Council's ICT advice, guidance and support and equipment.

In December 2019, the Council issued Wirral Evolutions with all new computers and laptops at no cost to Wirral Evolutions. The Council was upgrading laptops and computers for a windows 10 rollout across departments within the Council, and a decision was made internally for Wirral Evolutions to benefit from free upgrade equipment at a massive expensive to Wirral Council. Wirral Council does not typically issue any free ICT equipment to other Care Providers in the Borough, and therefore Wirral Evolutions does have a beneficial financial arrangement in place.

In March 2020 Wirral Evolutions requested additional Laptops from the Council ICT Department to assist their business continuity arrangements to enable them to continue to operate throughout the pandemic. Wirral Evolutions initially agreed with the Council ICT department to pay the full cost for the laptops, and then 18 months later in October 2021 Wirral Evolutions requested to return to laptops to avoid any costs. The Council supported Wirral Evolutions to have the loan of laptops at no charge which is not a typical arrangement that would be carried out for other Care Providers in the Borough. Day Care Providers in the Borough would be expected to pay for their own ICT equipment and have resilient business continuity plans in place and should have had ICT equipment already in place rather than being so dependent on the Council for this additional support which then impacts financially on the Council as we had less laptops available for Council employees and a stock shortage.

Wirral Evolutions have a Lloyds TSB credit card terminal in their onsite cafe to take payments from customers. They needed to complete a PCIDSS compliance form and are now in non-compliance, so Lloyds charge a small monthly fine of approximately £10. Wirral IT support has been requested to complete the form, but they have not been able to do so and therefore recommended to Wirral Evolutions that they take up a Lloyds service to enable them to achieve compliance, however Wirral Evolutions is not keen to do so and therefore is being fined each month which is not ideal or a valuable way to spend money on paying a small fine each month whilst the matter is ongoing.

## 25.0 Governance Audit

A Governance audit was conducted by the Councils Audit Team from April 2021 to June 2021 of Wirral Evolutions Ltd, at the request of the Council's Project Board. The purpose of the audit was to review the governance and financial management arrangements in place and provide assurances that the procedures were adequate and being adhered to.

There was a perception of mistrust between the Council and Wirral Evolutions Ltd. Whether this was due to legacy issues or a lack of transparency on both sides, there was an opportunity to improve the communication between the parties to work to the main aim of providing best value for the provision of the service.

There was a general acceptance that there were weaknesses in the setting up of the company in 2015 that had caused difficulty in the years following e.g., the valuing of the buy-back services, that needed to be reviewed to ensure they are realistic.

Significant progress had been made at Wirral Evolutions Ltd in the last few years to improve the governance arrangements and there was an acknowledgement by the Company that these could be further improved upon, in particular with regards to external governance.

Since its inception, Wirral Evolutions Ltd has not managed to expand the customer base and increase income opportunities outside of the Council social care contract. Wirral Evolutions Ltd had plans to establish a new post within the proposed 2021 restructure whose responsibilities would include the identification of opportunities to generate income. In addition, Wirral Evolutions Ltd considered the Shareholder agreement to be restrictive, a view not shared by the Shareholder, and had requested a joint review of the Shareholder agreement.

There were numerous recommendations arising from the Governance audit which covered actions for consideration by Wirral Evolutions Ltd and the Shareholder (the Council) and these were reported in August 2021.

As part of the audit a review of a sample of payments (selected from the period March 2020 to May 2021) was undertaken to ensure the financial regulations had been adhered to and value for money could be demonstrated. Our findings were that, although all the payments were supported by appropriately authorised invoices/ documentation and therefore appeared to be for legitimate expenditure, no quotations had been obtained. Therefore, the financial regulations had not been complied with and value for money had not been evidenced. The reasoning for the non-adherence to the financial regulations was the impact of COVID 19. During discussions with senior management at Wirral Evolutions Ltd it became apparent that the financial regulations were not practical, as the regulations required a minimum of two quotes for expenditure from 1p up to £1,000.

The Council recommended that the requirement to obtain quotations for expenditure should be reassessed considering the costs and benefits for expenditure below a certain value and to reflect the outcome in revised financial regulations.

In October 2021, the Council undertook a follow up of the recommendations that were due for implementation by 30<sup>th</sup> September 21 and were provided with appropriate evidence that they had all been implemented. This included the issue of revised financial regulations, applicable from 1<sup>st</sup> November 2021, which only required quotations to be obtained for expenditure estimated at greater than £500.

## 26.0 Comparing the Two Models – Inhouse versus Local Authority Trading Company

<p style="text-align: center;"><b>Inhouse</b></p> <p>Model: Delivery of services in-house as an integral part of the council.</p>	<p style="text-align: center;"><b>Local Authority Trading Company</b></p> <p>Model: Existing governance continues unchanged</p>
<p>The service would no longer be operating under a detailed legal contract. This would allow greater flexibility to make changes at pace with less formal contract monitoring and change processes, more focus on service delivery. Performance management would be integrated into the council’s standard business processes.</p>	<p>The current board structure was established when there was an aspiration for the business to trade externally.</p> <p>The Council effectively carries all the risk of Wirral Evolutions but currently does not have day to day operational control.</p>
<p>The service will be part of the Adult Social Care Directorate, the operations will be aligned to strategic priorities and therefore can be responsive to change.</p>	<p>There is a cost to Wirral Evolutions being a separate company. This cost is effectively funded by the council through the management fee. The council also has an additional cost in delivering its role as contract manager and shareholder.</p>
<p>The service would operate as part of the Adult Social Care Directorate. In comparison to the as is, this is delayed.</p>	<p>The Council also has significant costs in managing its role as company shareholder. This includes day to day management of the contract; management of relationships and support to numerous briefings, boards and meetings between council and company representatives as well as more formal processes such as approval of reserved matters including the annual business plan.</p>
<p>Service delivery would be subject to officer and Member scrutiny in accordance with standard council processes. As an in-house service the council would have both risk and full control and be met from within current Council expenditure.</p>	<p>External NEDs bring a different perspective on the challenges and opportunities facing the company. This can bring real benefits to the company, service users and the wider council.</p> <p>The Council Strategic Commissioners set out the financial priorities for the company to respond to, however they are not always achieved.</p>
<p>There would be no financial overheads associated with a separate company board which includes paid chair/NEDs and decision making would follow the Council’s constitution. Both the council and the company spend significant time dealing with the formal legal relationship that would not be required if the service was in-house.</p>	

<p>The objectives for Wirral Evolutions are set by the Strategic Commissioners, the Strategic Commissioner and Wirral Evolutions Management would be part of the same management team, thus aligning objectives at the most senior level. The council can still access external advice if required.</p>	
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Based on the review of the governance options, the recommendation is to move the governance to an in-house model based on the below reasons:

- There is a requirement for services to be delivered differently into the future
- The level of change required could be better achieved by having more control over the services than is enabled through the existing contract mechanism
- There are intense financial pressures on the cost of delivering Adult Social Care services, however the focus of Adult Social Care is on re-shaping services rather than cutting service levels to meet budget and services delivered by Wirral Evolutions must be in scope
- Delivering services in-house would enable the council to better align all existing services and potentially remove duplication.
- The current company model has limited flexibility; the company relies almost entirely on council funding and is unable to make changes at pace in the same way as would be expected of a private sector provider.
- The current arrangement locks the council into a fixed fee for a block contract and there is a desire to move towards activity-based funding.

## 27.0 Conclusion

It is unlikely that Wirral Evolutions will be able to generate significant new business outside of its contracts with the Council, while adhering to these principles.

Maximising the value from the governance model is essential. Given that external trading will be limited, Wirral Evolutions is not the most appropriate and cost-effective vehicle to meet the Council's own future care provision needs.

Without external growth, the company is unlikely to be able to generate trading surpluses to offset the cost of delivering core services to the Council. This means a key benefit that would normally offset the additional overheads and complexity of operating through an arms-length company will not exist.

The model incurs costs to run effectively but does not currently generate income which is additional to that which could be generated via alternative governance arrangements, i.e., in-house delivery.

Innovation and development of new commercial models of care and new services which was an aspiration at the time the company was established have not happened on the scale envisaged and this is in part due to financial constraints.



The company will remain wholly reliant on the Council for funding, meaning that financial and delivery risks ultimately remain with the Council. However, due to the necessary contractual and governance overlays between the two separate organisations; influence and control are diluted.

An in-house model will provide the Council with more direct control and enable it to align the priorities it follows as a commissioner of services with those it has as a provider. This will minimise the potential for conflicting objectives and ensure that strategies are determined based on the best outcomes for the Council, those using its services and residents.

An in-house model would better enable the Council to respond flexibly to the health and care transformation agenda. This will place the Council in a position where it can collaborate or further integrate with other adult social care services, seizing opportunities as they emerge.

In light of the new opportunities arising for closer integration between the Council and the local NHS, the Council needs to be able to respond flexibly and be in a position whereby we can further integrate with other adult social care services.

In parallel, the health and social care agenda has evolved significantly since Wirral Evolutions was established. Emerging national legislation alongside the health and social care integration agenda nationally and locally, will create new opportunities to integrate commissioning and provision which did not exist previously.

Delivery of services in-house also offers greater flexibility than exists under the current contractual arrangements. As the integration agenda develops, we will actively explore ways to improve services, through the development of joint strategies and joint commissioning which will see best value for every pound we spend maximised for the benefit of service users. In the longer term this should lead to an improved service offer across health and care, less bureaucracy, and better outcomes. We will also be able to respond to the wider NHS agenda in a far more effective way.

Transitioning Wirral Evolutions to an in-house service will enable the council to respond more quickly and flexibly to opportunities for more integrated planning, commissioning, and delivery of services with our health partners.

Exposure to risk is unchanged as the Council already underwrites Wirral Evolutions risks as the company's owner and main funder. The streamlined in-house governance structure will remove the disconnection between the organisation ultimately carrying those risks, and the one in position to implement measures to manage them.

Reliance on the Council for funding via the core contract means that financial and delivery risk ultimately remains with the Council but without full control due to contractual and governance arrangements necessarily in place between two separate organisations.

To support this any future model will need to be responsive, cost effective and well placed to look at what is required at a local level. The current model splits responsibilities between the Council and Wirral Evolutions, creating additional layers of decision making and governance.

Wirral Evolutions struggles to make financial efficiencies, and it has not been able to sufficiently develop income streams to compensate the reduction in income, for the reasons stated above, which led to additional financial support by Wirral Council.

The costs associated with enabling a separate company are not recovered through additional trading as was originally anticipated. Whilst this does not distract from the significant quality

improvements realised, the existing model is not driving any additional financial benefit other than that which could be delivered as an in-house service.

In conclusion, the rationale for delivering services via the current governance model and the added value of such a model to Council and service users is no longer clear. This is in no way a criticism of the quality of services delivered by Wirral Evolutions, the dedication of its staff and management team nor the commitment of the Board to service users. The focus of the proposal is a change to the governance model which aims to sustain and improve services for our service users and safeguard staff, seizing opportunities as they emerge in connection with the health and care transformation agenda.

Bringing Wirral Evolutions in-house will enable a closer correlation between strategy development and operational delivery which will bring additional value to the current governance arrangements.

Following the value for money review of available options, transitioning services in-house is identified as the best governance approach to enable this.

Ensuring people who access the service, parents, carers and other stakeholders are informed and engaged during the transition is absolutely fundamental, to offer them both reassurance and timely information about the proposed changes.

Wirral Evolutions exists as a separate legal entity and therefore a degree of formality is required to transfer the services, staff and assets from the company to the Council. However, the company is not truly independent as it is still constrained by local government requirements such as the Nolan Principles, Procurement regulations and must comply with Council policies on Safeguarding, Health and Safety, and Data Management for example.

## **28.0 Wirral Evolutions Brand**

It is important for all Council services to have a consistent Council brand both externally and internally. This follows national best practice and assists public understanding in terms of who delivers and is accountable for delivering public services. This transition will need to be carefully managed. A marketing strategy will be co-produced to ensure this is managed sensitively and effectively, maximising opportunities to retain the branding elements currently used for Wirral Evolutions. The branding of Wirral Evolutions will not change at the point of transfer, and people who access the service and their families will not see any immediate change to the way services are branded and described.

## **29.0 Engagement with Wirral Evolutions Board of Directors**

The current Wirral Evolutions Board will be an integral and proactive partner in the mobilisation plans for the transfer of these services and staff back into the Council. The Council will work closely with the Wirral Evolutions Board to transition the company back in house, changing the current the governance arrangements.

## **30.0 Risks**

The table below sets out key risks to the effective transition of services and mitigations:

Risks	Mitigations
Lack of resources to meet ambitious timescales and the programme of work is ambitious	Ensure adequate resourcing and partnership working across both Council and company Escalation process through effective project management to enable issues to be addressed quickly and effectively within both organisations
Lack of understanding and engagement with key stakeholders including staff and service users which could lead to reputational damage for both organisations	Comprehensive and agreed communications and engagement plan to ensure effective and timely communications with all stakeholders and a consistent message
Impact on service levels within Wirral Evolutions during the transition period leading to service failures	Review of the priorities and projects and resources across both Council and company to ensure maintenance of services during the transition
Clarity and accountability for public understanding about positioning of Wirral Evolutions as part of the Council.	Comprehensive communications and engagement plan with branding guidance material to demonstrate service continuity for public understanding under the Wirral Evolutions and Council brands
Negative Impact of changes for the people who access their service which may make them worry and be anxious	The Council will develop a programme plan to manage the stages of changes in partnership with Wirral Evolutions and People who access the services and their representatives.

## 31.0 Recommendations

After an in-depth Value for Money Review the following recommendations should be made to the Adults Social care and Public Health Committee:

- (1) authorise the Director of Care and Health to extend the contract to provide services to support adults with a learning disability currently held by Wirral Evolutions Limited for a limited period not exceeding six months from the 1 April 2022 so as to enable the effective implementation transition of services currently supplied by the company to the Council.
- (2) approve the transition of services which are currently delivered by Wirral Evolutions Limited to an in-house model of delivery by the Council starting as soon as reasonably practicable with the intention that those services will be fully transferred back into the Council within six months of the 1 April 2022.
- (3) authorise the Director of Care and Health to terminate or allow to expire the contract to provide services to support adults with a learning disability currently held by Wirral Evolutions Limited as soon as practicable after the complete and effective transfer of services currently supplied by the company to the Council.
- (4) establish a Consultative Board with stakeholder and staff membership tasked with oversight of the provision of personalised day services and opportunities for adults with a wide range of learning and physical disabilities, enabling people who access the service and their representatives to have a greater input into the delivery of the service.
- (5) authorise the Director of Care and Health to make all necessary arrangements to insource the services carried out by Wirral Evolutions Limited.
- (6) recommend to the Shareholder Board that the Director of Law and Governance be authorised to progress the necessary steps to transfer Wirral Evolutions Limited's undertaking to the Council, including the cancellation of the current contract with Wirral Evolutions Limited and to consider all appropriate options for the future deployment or disposal of Wirral Evolutions Limited.
- (7) that the Director of Care and Health provide a further report to a future Adult Social Care and Public Health Committee to update on the service transition arrangements.