
Purpose Business case for HBC high cost services retraction plan

To document the justification for the undertaking of the project, based on the estimated cost of development and implementation against the risks and anticipated business benefits and savings to be gained.

Reasons

The costs of procuring specialist placements for adult service users can amount to several thousand pounds per week. Not all of the placements procured are suitable to meet the required needs and there are gaps in the current market for such placements. There are considerable variations in the costs and quality of services and local authorities don't always have a clear understanding of the basis for the fees charged.

Local authorities operate different commissioning and procurement processes and have different contract terms and conditions. This results in a duplication of effort for both purchasers and providers.

The Out of Authority Placement and Joint Commissioning Unit for children's placements established by the Association of Greater Manchester Authorities and partners has demonstrated the potential to achieve improvements in quality and efficiency through collaborative commissioning and procurement of such placements.

The Gershon review of public sector efficiency highlighted the potential for efficiency gains across government. As a result all local authorities are required to demonstrate how they will achieve efficiency gains of 2.5% per annum over the period 2005/06 to 2007/08.

HBC therefore proposes to reconfigure its specialist services for adults by adopting the process piloted by Knowsley Borough Council through its Value Improvement Project.

Advantages to HBC in following this model include:

- Adoption of a process approved by ODPM and supported by the Procurement Center of Excellence.
- Efficiencies in the delivery of the project through adoption of procurement and contracting documentation developed by Knowsley MBC
- Efficiencies through a reduction in administration costs for providers through the adoption of common contracting documentation, developed by Knowsley MBC and agreed for introduction by all SP teams across Merseyside.

Proposed re-traction plan

HBC will look to reconfigure/procure specialist services for Adults with Learning Disabilities and People with Severe and Enduring Mental health Problems (living in 24hr supported accommodation and Adult Placements) through a two-stage project to be undertaken as follows.

Stage One

Mapping of high cost (over £500 per week) placements for adults with learning disabilities and adults with severe and enduring mental health problems (living in 24hr supported accommodation and Adult Placements) purchased by HBC. This process will identify the characteristics of the people placed, establish the expenditure on such placements, and provide baseline information for service and system development. The supply information would be entered onto a database.

All ALD clients identified on the data base (plus People with Severe and Enduring Mental Health Problems living in 24hr supported accommodation) will subsequently have their overall support, health and care needs re-assessed. Results of the needs assessments will be entered onto the supply database.

This database will then identify the level of services to be commissioned in Halton in order to meet client needs.

Findings will be shared with service users, carers, providers and stakeholders.

A matrix will then be produced which sets out a reconfiguration/procurement timetable.

Stage Two

A Reconfiguration/Procurement Plan for ALD and 24hr Supported Living services will set out a time table for services to be re-tendered and services to be offered extended contract (subject to a waiver of standing orders) based on the following:

- Existing provider able to demonstrate track record in delivering quality services
- Existing provider able to demonstrate ability to offer reconfigured service at a cost which offers value for money
- Commissioners determine that other providers could not offer a particular specialist service and that the current service delivers value for money

It is intended that any negotiated reduction in funding will result in a phased retraction of Supporting People funding. Negotiations concluded within the financial year 2006/7 will result in the retraction of SP funding from April 2007. Negotiations concluded within the financial year 2007/8 will result in the retraction of SP funding from April 2008.

Savings achieved through open tender will be applied on the same basis.

**Benefits,
savings and
efficiencies
expected**Stage One

- Comprehensive information will be provided regarding the current placement activity by HBC and Halton and St Helens PCT.
- Inappropriate placements will be identified
- Gaps in current market provision will be identified
- Gaps in accommodation type will be identified
- Opportunities for collaborative commissioning and procurement will be identified
- Options for collaborative commissioning and procurement will be developed and appraised
- Identification of other areas which would benefit from a similar mapping exercise

Stage Two

- Improvements in the quality of placements
- Transparency of fees
- Reductions in the cost of placements
- Consistent contract terms and conditions
- Common accreditation and contract monitoring process for providers
- Generic referral process
- Database of providers, including information on vacancies, etc
- Improved relationships with providers
- Provider collaboration to meet commissioning requirements
- Improved relationships with CSCI
- More effective commissioning in the longer term to address market gaps

Examples of savings evidenced to date are set out below:

Tender exercise for 5 Supported living services for Adults with Learning Difficulties-

Original Annual SP Contract value	Revised Annual SP contract value	Annual SP saving
335,329	212,192	123,136

**Proposed reductions in service costs resulting from service reviews:
Contract for 5 Supported Living Services for Adults with Learning difficulties- Interim price reduction agreed with providers.**

Historical SP annual contract value	Proposed new SP annual contract value	Potential annual SP savings
481,061	347,386	133,675

Risks	<p>The risks associated with the proceeding with stage one of the project, together with proposed control measures (in red) are set out below:</p> <ul style="list-style-type: none"> • DCLG reject proposed re-traction plan and fail to agree dispensation for SP funding support Develop strong business case • Fail to engage health partners in the project Appoint consultant / project manager with credibility in health and social care fields Add health representatives to project team • Project causes anxiety among commissioning and contracting staff and this impacts on participation Early dialogue with commissioning and contracting staff Clarity about what the project is delivering / not delivering • Fail to obtain information required or of the required quality for the mapping and assessment exercise Appoint consultant / project manager with credibility in health and social care fields Secure support for project through HBC Chief Officers Group and Health and Community and Halton and St Helens PCT Joint senior Management Team Maintain communication with all stakeholders and provide support throughout information gathering stage • Fail to deliver stage one project outcomes Effective project management methodology Adequate resourcing Learning from other similar completed projects • Capacity of the project team to deliver project outcomes Secure commitment and support to participation from managers Clarity of roles and responsibilities Access facilitation and development from Regional Centre of Excellence Access additional resources where possible to complete specific tasks e.g. recruitment Share learning and resources effectively with other projects / centres <p>The risks of not proceeding with stage one of the project include:</p> <ul style="list-style-type: none"> • Failure to adequately understand or meet needs for specialist placements • Inappropriate placements • Supply is not sufficient, appropriate to meet needs, or of the quality required • Reactive commissioning • Larger authorities dominate market • Potential closure of existing services due to lack of funding to meet existing service costs
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The risks associated with the proceeding with stage two of the project, together with proposed control measures (in red) are set out below:

- Reconfigured service costs are viewed as untenable by providers
Ensure that proposals include realistic projections of providers' capacity to reconfigure services-including capacity to reduce overall levels of service in the borough and remain operationally viable and capacity where necessary to reduce workforce e.g. loss of temporary and agency staff etc.
- Providers decide to withdraw from delivering services in Halton
Ensure continuous two way communication with providers throughout the lifetime of the project to prevent disengagement and mis-understanding
Enforce notice periods in SP contracts and contingency fund to secure additional resources to carry out procurement exercises if necessary
- Carers/service users do not support proposals for reconfigures services
Ensure continuous two way communication with carers/service users throughout the lifetime of the project to prevent disengagement and mis-understanding

Risks of not proceeding with stage two of the project:

- Costs continue to rise
 - Larger providers dictate services and costs
 - HBC remain in breach of SP grant conditions in order to fund services
 - DCLG withdraw SP funding currently meeting cost of care in ALD services leaving HBC with deficit in budget available to meet current service costs
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Cost The estimated costs of proceeding with the project, together with proposed funding sources are set out below:

Advertising	£5,000	HBC SP base budget
Consultant / Project Coordinator	£45,000 (up to March 2008)	HBC SP base budget
Social Workers x 2 to carry out re-assessments	?????	HBC SP base budget
Health Workers x2 to carry out assessments	Re-direction of existing resources	Halton and St Helens PCT
Welfare Rights Officer time to undertake ILF assessments and submit claims	Re-direction of existing resources	HBC SP base budget
Management control of project and administrative Support to be provided by members of project team and admin officers in Health and Communities Directorate	Re-direction of existing resources	HBC
Procurement costs	£10,000 per provider = £100,000	No budget currently available for procurement-costs for each tender exercise would have to be taken into account when determining value for money of existing service. Cost to be apportioned between HBC SP base budget and Halton ALD pooled budget (cost of services for adults with severe and enduring mental health problems to be shared with Halton and St Helens PCT)
Potential gross cost		
Existing project budget		
Potential shortfall		

Timescales	<p>It is anticipated that the project will be completed by April 2008.</p> <p>Stage one to commence following approval from SP Commissioning Board to proceed with HBC SP Retraction Plan.</p> <p>Stage two will be undertaken throughout the lifetime of the project as proposals for the reconfiguration and procurement of services by provider are determined.</p>
Investment appraisal	<hr/> <p>The product of stage one will be information regarding current procured activity and localization of common contracting documentation produced by Knowsley MBC. Stage one will indicate the potential for future efficiency improvements but stage one will not of itself deliver efficiency improvement.</p> <p>The product of stage two is reconfigured services at a cost, which offers value for money for Commissioners and reduces the SP contribution to a level, which reflects the level of housing related support being delivered.</p> <p>A table of the proposed project costs and the funding source is shown above on page 6.</p> <p>The project team has set the following local savings target:</p> <p>£1m-local target to reduce SP expenditure on high cost 24hr services by approx 22%</p> <p>Service reviews highlighted greater potential for SP savings. However, the service reviews also highlighted a potential growth in the level of support that being delivered within the services if providers changed practice in order to maximize clients potential for independent living. In addition potential exists to agree inflationary uplifts to hourly rates, which have remained static in Halton since 2003.</p> <hr/>