

## **APPENDIX 1**

### **Business Case**

#### **Setting up a Local Authority Trading Company for the delivery of Adult Care Services**

**November 2017**

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## EXECUTIVE SUMMARY

### Introduction

This Business Case assesses the business and financial basis for the setting up of a Local Authority Trading Company (LATC) to deliver adult care services in Hertfordshire.

It outlines the vision for a LATC to be established by Hertfordshire County Council, and describes the company's vision and service objectives. The company will be established to offer the potential to undertake the "rescue" and turnaround of services provided externally but its purpose will be sufficiently broad to allow for it to expand and develop its services in the future as necessary.

If the proposal is approved the company will provide a new option to be assessed when responding to events that involve the withdrawal, cessation, failure, or likely failure of an adult care service.

Services will be considered for delivery through the company subject to individual business appraisals but the LATC will be able to grow and develop if required, as well as undertaking services on a temporary basis where this is necessary to stabilise a service. While being in a position to pursue further commercial opportunities the company's primary focus will be on responding to the need to have in place the option of taking on adult care services where there are no viable alternative options. For any service undertaken by the LATC the approach will involve: partnership working, service-user involvement, and adding value to other existing services provided by external providers, rather than competing to win business from them.

### Mission Statement - Vision and Strategic Objectives

#### Vision

The company will work to ensure that residents who need care and support are able to have the same choices and opportunities as everyone else.

#### Values

The Company's services will be framed around the following values.

**Collaborative** – working with other organisations to minimise market disruption so that customers receive high quality services that are co-ordinated and outcome focused.

**Adaptable** – providing a flexible service that can respond to the changing needs of customers to ensure that the right support is available in the right place at the right time.

**Inclusive** – listening to, and recognising, customers' and employees' needs, goals, and aspirations, and providing opportunities for customers (and future employees) to influence and determine the company's services.

**Enabling** – enabling individuals to participate in the wider community.

**Sustainable** – being future focused, promoting and embracing new technology and new ways of working to ensure services are sustainable.

## **Core Purpose**

Initially, the company would be formed with a view to being able to receive services that need to be placed with a new provider because the existing provider is unable or unwilling to continue with the service (this may be for financial reasons, concerns around quality of care, or because a provider is withdrawing from the market or service area).

Over the past two years adult care services have been faced with having to source alternative provision – sometimes at very short notice – in the areas of supported living for residents with a learning disability, day opportunities, and home care. In addition, the council has also had to remedy service failures in the areas of residential care, including taking on the temporary management of a residential care home. The LATC will offer a potential alternative to existing in-house solutions which is currently the only option available when time and other constraints mean it is not possible to source a replacement external provider.

The company will be focused on ensuring the council can fulfil its requirement to ensure safe care can continue to be provided when a provider is in difficulties or is no longer able to provide a service. It is currently envisaged that the most likely areas where the LATC could be used are in the following areas.

1. Supported living and accommodation-related services.
2. Care at home.
3. Day opportunities; and
4. Residential care.

It is proposed to set up the LATC without any staff initially. However, as service needs are identified for appraisal regarding the potential to use the LATC route, the company would need to employ staff to deliver services and potentially receive staff TUPE transferred with an existing service.

## **Strategic Objectives**

The strategic objectives of the company are set out below.

1. To deliver adult social care services<sup>1</sup> by developing care and support solutions in partnership with other providers and stakeholders.
2. To increase the options available to the council in order that it can support the care market and mitigate risks of market failure.
3. To be in a position to respond to provider failure<sup>2</sup> if asked to do so, including developing short-notice response and “turnaround” services.

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<sup>1</sup> Excluding services that cannot be delegated by Hertfordshire County Council as they are statutory functions.

4. To provide high quality services ensuring every customer is safe and has an opportunity to influence and shape the Company's services.
5. To manage the business efficiently so that the LATC is able to provide alternative options to mitigate risk to vulnerable people.

## **Financial Summary**

The initial creation of the LATC will not involve the employment of staff, and will not require resource associated with terms and condition of employees and systems to support them. Services transferred or undertaken by the company will need staff and the associated office systems and infrastructure, and resource will be required to accommodate this and future requirements The company will be subject to the usual conditions under the Companies Act and should a profit be made it will be subject to all taxes including Corporation Tax. Where costs exceed income, funding solutions and options to fund will need to be explored, to include loans and guarantees, within regulatory frameworks such as state aid. The market is extremely fragile with recruitment and supply of staff difficult to secure. Profit margins are extremely tight and difficult to achieve especially without high volumes and diversification. It is envisaged that virtually all of the company's income would be derived from a Service Level Agreement (SLA) with the council and as such the LATC is unlikely to be formed solely in order trade to make a profit. A loan and share capital will be required to set up a company and the amount will need to be thought about in terms of possible business cases coming forward. All financing requirements will be subject to State Aid and other rules relating to LATCs and each business case will highlight the risks associated with the business and associated sensitivity analysis to enable the correct cash and debt to be provide to the company to enable it to operate..

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<sup>2</sup> It is envisaged that the LATC will work with other providers to develop services to the County Council that will help improve residential and home care options where providers face difficulties (including working with HCPA).

## **INTRODUCTION**

### **1.1 National Context – Adult Social Care**

Adult social care services provide personal and practical support to enable adults of all ages (younger adults, older people and working age adults) to retain their independence and achieve the best quality of life possible. Adult social care services are means-tested and constitute the biggest single area of discretionary spend for local authorities.

Adult social care is facing unprecedented funding pressures, due to the combination of a growing and ageing population, increasingly complex care needs, increased care costs and reductions in funding to local government. Over a number of years local authorities have endeavoured to protect social care spending while meeting increased demand through local efficiency initiatives. However, the scope for efficiencies has been largely exhausted leading to service restrictions, smaller care packages, stricter eligibility criteria, and lower prices paid to providers.

There is evidence that care providers are facing significant challenges, and in some areas the care provider market is precarious. Social care pressures have a direct impact on the health service with people having to stay in hospital longer than necessary where social care cannot be provided. The government has responded to these concerns by introducing mostly time-limited funding measures intended to ensure local authorities work in a more joined up way with the NHS to reduce the impact of social care shortages on the health service.

The changing funding environment for local authorities generally has led to a wide range of initiatives designed to increase efficiency, secure commercial income and make best use of assets. A significant number of local authorities, including Hertfordshire County Council, have used alternative delivery models to protect and develop services, including local authority trading companies (LATCs). LATCs now cover a very wide range of services, having developed from their initial focus on property and services into areas such as highways, housing and education. More recently, LATCs focused on the delivery of adult social care services have become common place with a significant growth in this area over the past five years or so.

### **1.2 Local Background**

Adult care services in Hertfordshire are being redesigned around a 15 year plan aligned to the council's Corporate Plan. This sets out a vision for people in Hertfordshire to live healthy and fulfilling lives. The council is an active partner in the NHS Sustainability and Transformation Planning (STP) process which includes working with the NHS around preventing need, joining up health and social care to manage frailty as a growing demographic trend - and playing a key role in urgent and emergency care for people.

Within this framework the local adult social care system also needs to meet rising expectations for personalised services; plan for an expanding and ageing population; and plan for medical advances that mean that children born with disabilities now increasingly survive into adulthood. The fundamental starting point as a council is that we want to delay, minimise, or prevent the need for adult social care altogether.

The vision in Hertfordshire for adult care services is that the whole council will work to create a county where people lead healthy, purposeful lives and so helps to delay, reduce and prevent care and support needs. The vision is that people who need care and support will have the same opportunities for a good quality of life as people who do not.

In Hertfordshire adult care services are facing specific challenges.

1. The population as a whole is growing with increases in life expectancy.
2. Younger people with disabilities and health conditions are living into adulthood and enjoying much longer life expectancy.
3. Deaths from cancer and heart disease are falling, but more residents will experience chronic illnesses and long-term conditions.
4. The incidence of dementia and frailty in later life is set to increase significantly.
5. More residents are taking on caring roles for family and friends.

Residents' expectations are increasing about the quality of care and more local people want to be involved and have a say in how their needs are met; they want straightforward solutions from care and health services to support them to lead their lives. It will be a challenge to meet rising demand with reducing public funding but generally residents will have more money (especially home owners) which will mean more residents will be responsible for the cost of their own care. Alongside this we need a much wider choice of accommodation for older people and people with a learning disability.

There is significant demand for homecare and supported accommodation of all kinds across the county with particular pressures in certain areas. In addition, while the care market is relatively stable, there are widespread shortages of care workers. Some providers are reviewing their services, and some are withdrawing from the care market altogether. Others are willing to invest and develop services providing adequate funding can be secured. There is a significant challenge to support providers to ensure that care services can meet needs and deliver high quality services at a price the council can afford. The sector is facing unprecedented challenges.

### **1.3 Purpose of this Business Case**

The purpose of this Business Case is to assess the case for setting up a LATC (wholly owned by Hertfordshire County Council). The company will be used initially to focus on services that are handed back by other providers or where there are no other feasible options (due to timing and/or absence of an alternative provider) other than the existing in-house service. The first services likely to be assessed are envisaged to be in the following areas given the pattern of service failures over the past few years.

1. Supported living and accommodation-related services.
2. Care at home.
3. Day opportunities; and
4. Residential care.



At the moment the council's existing in-house service is the only option when other provision cannot be put in place due to timing, or the absence of a provider willing to take over a service at a cost the council is able to meet. The formation of an LATC would allow future business appraisals to consider the LATC option alongside other potential solutions. A business case can then be developed around the service solution and the financial cost-benefit of using the LATC compared to other options.

This Business Case has been developed out of work that is underway as part of the Adult Care Services' prevention and commercial innovation project, which has been set up to identify, test, and take forward alternative delivery models for care services in Hertfordshire as part of a wider range of activities to deliver savings identified under the council's Integrated Plan. This draft plan addresses the following.

1. Identifying the need for an LATC and its role in a wider context of the demands facing adult care services in Hertfordshire.
2. Identifying the costs and benefits of different options.
3. Identifying the threats and opportunities associated with the LATC model.
4. Identifying the risks and mitigating actions.

## **2 BUSINESS NEED**

### **2.1 Business focus**

Adult care services in Hertfordshire are facing unprecedented funding challenges at the same time as demand for care is rising. The 15-year strategy developed for Adult Care Services in Hertfordshire highlights the fact that a “business as usual” approach cannot be sustained in the future and a fundamentally different range of solutions is needed if the council is to continue to maintain services, improve provider capacity and resilience, and ensure quality care services.

Recent provider failures in the homecare and residential care sectors locally have highlighted the need for innovative solutions so that the council has a range of responses available to it where providers’ services are failing or where providers face financial difficulties. Where the council is required to act it needs a wider range of options to intervene, stabilise, and ensure continuity of care.

This creation of a council-owned arm’s-length company will add to the range of potential local solutions available. As mentioned earlier, this approach is now well established, with many local authorities operating trading companies to deliver care and other services. A key driver for this Business Case is to increase the range of options available to the council alongside existing external and in-house provision.

The formation of a council-owned trading company fits with the council’s wider smart working approach and the corporate “smart commercial” initiative, but applies this to adult social care. The LATC will address the following business needs in terms of adult social care.

#### **Market Stability**

A LATC offers the council a wider range of options to intervene in the adult social care market to achieve market stability (this could be both short-term or for longer periods of time depending on the service) where providers withdraw or where the cost of care services is not felt to be good value for money; for example, following a formal best value assessment, or where services are not safe.

#### **Prevention**

In the future it is possible that the company could work with existing providers to ensure a wide range of consultancy, business support, management support, and operational improvement (including services to improve care standards) services are available where providers are identified as needing support to improve care standards, and/or where there are concerns about financial viability. This is not addressed in this Business Case as, at least initially, the company will not be in a position to undertake these activities.

#### **Service Provision**

The company will provide the council with the opportunity to assess a new operating model and compare using the LATC against the cost of existing in-house services or re-procurement of a service. In this way the LATC will provide another option to benchmark the costs of service turnaround and rescue activity currently undertaken against.

## 2.2 Basis of Proposition and Scope

The creation of a LATC and its future development could help the council respond to the challenges facing adult care services in a number of ways. These are set out below.

1. Demand for adult care services is forecast to rise considerably and the LATC will be able to be considered where there are gaps in market; the LATC will be a **“third option”** in addition to existing in-house provision and external providers.
2. A LATC will be able to offer the **option of responding to service failure** where existing providers withdraw services or are unable to continue provision due to care quality and/or financial issues, and where a practical option of enabling services to continue with staff transferring is needed.
3. A LATC will offer the **potential to attract future business** through purchasing via personal budgets including individual service funds (this is something not possible with existing in-house services).
4. The cost of care is an important consideration for local authorities and a LATC will enable the council to **compare market solutions** against the LATC and the cost of providing services in-house.
5. The LATC will have the potential to **offer an alternative route to respond to provider failure** and being Council-owned it will help meet the statutory responsibilities the council has under the Care Act 2014.

It is recognised that in considering how to respond to market challenges Hertfordshire County Council will need to ensure value for money and a range of other solutions may be available that would mean the company would not always be in the most appropriate position to undertake to provide a service.

This Business Case covers the following in the subsequent sections.

1. An options appraisal regarding the LATC model.
2. Identifying the broader considerations and potential future business opportunities.

### **3 POTENTIAL SERVICE FOCUS**

#### **3.1 Overview**

The main focus of a new LATC would be on undertaking activity in order to safeguard services that would otherwise cease and/or have to be re-provided at a higher cost. There are also occasions when providers cannot be sourced in sufficient time (or at all) to take on a service and where the quality of care and safety of those receiving care needs to be protected while alternatives are explored.

In order to perform this function the LATC would need to directly employ care staff and would provide unregulated and regulated care services. This would include managing services through a service level agreement with the Council in the short and medium term. Based on the experience of the past few years there is likely to be a range of services that need solutions where the Council is in the position of having to secure an alternative provider. It is envisaged that the LATC would undertake a range of services but the scale, frequency, and extent of this is difficult to predict at this stage for the purposes of accurate business modelling.

The main rationale for pursuing an arm's-length approach is driven by the need to have a cost effective model for practical service intervention and delivery that would not undermine existing providers or de-stabilise an already fragile care market. However, the model cannot undermine other providers.

#### **3.2 How it might work**

At the moment there are a number of established processes that give rise to the need to intervene in the local care market. The three most common areas are set out below.

1. Concerns identified through the ACS commissioning, market resilience and monitoring processes.
2. Serious concerns relating to care quality (including safeguarding).
3. Best value and financial appraisals of services and service providers.
4. Financial failure or a provider withdrawing from the market.

Depending on the urgency the current approach entails a cost-benefit and appraisal of the options available to the council to re-provide the service or maintain the service and replace the service provider. This can entail complex contractual and regulatory issues as well as all the practical matters related to the service quality and safety of those receiving care.

Where no external provider is available, or where there is insufficient time to source an alternative provider, the council has no other option other than to take on the direct management of the service itself. This can include transferring the incumbent providers' employees to the Council. An LATC would provide an alternative option to this and a way of exploring a different cost-benefit model using different assumptions about staffing costs, overheads, management etc. This business case suggests that an LATC could offer a suitable alternative to the existing in-house and other market solutions, and importantly it would provide an option that could be assessed on a case-by-case basis as the need arises.

## **4 OPTIONS APPRAISAL**

### **4.1 Background**

The options available to a local authority in respect of service provision are either to provide the service directly or to make arrangements for services to be provided by an external organisation either through a grant, procurement process, or through the establishment of one of the following vehicles. As not all functions of a local authority can be delegated or provided by third parties statutory functions will remain with Hertfordshire County Council, and other functions will need to be considered on a case by case basis to determine who can provide such and these would be subject to the council's decision-making process.

- Mutual
- Charity
- Social Enterprise
- Local Authority Trading Company
- Shared Management Arrangements

Each of these forms has its own merits, advantages and disadvantages. In terms of developing the Business Case the options appraisal has assumed that a preferred vehicle has to reflect the vision and values and be matched to the aims of the adult care service in Hertfordshire. The options appraisal looked at the following options in terms of structure and form.

#### **Mutual**

A mutual is a society owned by its members. They are registered under the Co-operative and Community Benefit Societies Act 2014 and are bodies corporate where members have limited liability.

#### **Charity**

A charity must be registered with the Charity Commission and it can only be regarded as a charity if it has been established for charitable purposes and meets a test of "public benefit" as defined in legislation. Charities can only be operated for the purposes of meeting their objectives in relation to their defined beneficiaries.

#### **Industrial and Provident Society**

The Co-operative and Community Benefit Societies Act 2014 replaced the previous Industrial and Provident Society Acts. Industrial and Provident Societies are all treated as societies under the Co-operative and Community Benefit Societies Act 2014.

#### **Community Interest Company (CIC)**

A new form of company created in 2004 designed for social enterprises that want to use their profits and assets for public good. Assets have to be used for the purpose of the CIC and remain "locked in" to use only to further the original purpose.

## **Local Authority Trading Company (LATC)**

A local authority can create a LATC to trade in anything that it is authorised to do under its ordinary functions. It is a common commercial form for trading and is widespread in the areas of commercial services, service provision (i.e. leisure services), development and property, and more recently in social care.

## **Shared Services**

Shared services are common and usually fall into two categories: public-public or public-private. Public-public models involve one local authority sharing a service or staff with another. Public-private shared services involve a local authority sharing a service with a private company often through a joint venture company.

## **Summary**

The options appraisal work has filtered the available options to that of local authority trading company using the following “tests”.

1. There are already a wide variety of existing and potential external providers (charities, mutual and private companies) in the care market in Hertfordshire so to avoid duplication an option that retains direct influence over activities would be preferable given the need to ensure the “provider of last resort” responsibility can be fulfilled through the LATC if necessary.
2. The services do not involve stewardship of community assets, such as land and buildings.
3. Future employees will be recruited on the LATC’s own terms and conditions of employment.
4. Any “new entrant” to the local care market will have to ensure it does not operate at the detriment of existing satisfactory providers (in many sectors these are private providers).
5. There is the potential to grow and develop services in the future so any vehicle must be flexible enough to adapt and change at speed.

The council also has the option of utilising a previously formed LATC called Sure Care Supplies Limited. The company was established in 2011 to initially trade with care homes in Hertfordshire to enable them to access the council’s strategic buying power to purchase items such as beds and hoists. Sure Care Supplies may provide a suitable vehicle for additional adult social care activity and this could be considered particularly where there is potential to trade to make a profit. This business case assumes that a new vehicle focused “inward” on the rescue and turnaround functions outlined would be better suited to take advantage of the exemptions provided under Teckal but the option of using Sure Care Supplies should also be considered.

## **4.2 Why a LATC?**

Adult care services could be operated through a variety of vehicles or operated on an ongoing basis by the in-house team. However, services that are brought in-house mean the council incurs the cost of employing additional staff. An LATC provides the option of transferring services to a trading company owned by the council, and while this would enable the service to continue to provide services it would also introduce the option of employing new staff on the LATC's own terms and conditions of employment (except where TUPE applied).

A LATC would need to develop a strong values-based approach to the work and it would offer the same opportunities for co-production, involvement and engagement with service users and residents as other options. Perhaps most importantly is the need to keep the initial approach as straightforward as possible to allow for a high degree of adaptability to absorb and/or develop new services. To allow for this flexibility a LATC is considered a good model for intervention.

### **4.3 Developing the LATC**

This Business Case is based on the establishment of a LATC to undertake services in the future where other alternatives are either not available or not viable. A service "rescue" function alone will not provide the income required to ensure the company can trade as a going concern but the option would be considered based on the modelled savings compared to using the in-house services as well as other options where these are available. As mentioned earlier, the main anticipated areas of operation are listed below.

1. Care at home.
2. Supported living and related accommodation services.
3. Day opportunities.
4. Residential care.

In the future it is anticipated that the LATC could also look at opportunities to create a staff bank/locum service locally – including supporting the Personal Assistant market – if it can be demonstrated that this would help support the council's wider initiatives to attract local residents into the care workforce and retain and develop existing care workers.

The LATC will be established in such a way as to enable further services to be included in the future, subject to Business Cases and due diligence being carried out. Future Business Cases and any transfer of Hertfordshire County Council services to the company will follow a process that will consider the financial viability of the service and alignment to the LATC's aims and objectives.

A name and brand will be created for the company, as well as a communications and marketing strategy. This will need to be subject to a formal check at Companies House to ensure it is available for use at the time the LATC is formed.

#### **4.4 Governance**

This Business Case assumes that Hertfordshire County Council will use the provisions of section 1 of the Localism Act 2011 to establish the LATC as a wholly owned subsidiary company. The LATC's Articles of Association will be prepared in accordance with this section and the general legal requirements. The LATC will be a separate legal entity from Hertfordshire County Council and would be established in such a way as it would have the freedom and ability to pursue adult social care trading opportunities as necessary.

The LATC will be a company limited by shares and will be a wholly owned company of the Council. The company's day to day governance will be managed by a Board of Directors. The Board of Directors is likely to consist of council officers and/or Members, and independent director(s) who can bring commercial and other expertise to the company.

As the Council will be the sole shareholder of the company it will have the ability to direct the directors to take or refrain from taking specified action. It is anticipated that this will be achieved through arrangements with the company whereby certain key matters will be reserved for consideration by the Council/its nominated shareholder. The LATC will want to explore ways in which staff and service users can be represented on the Board, and this will be addressed in a way that ensures a balance – as far as practical – between the interests of staff and service users with the commercial and business needs of the company.



## **5 FINANCIAL CASE**

### **5.1 Summary**

The LATC's main purpose is to offer an alternative option to other external providers and the existing in-house service. This section sets out the basis and assumptions for growing and developing the LATC. The following parameters are suggested for measuring the LATC's success.

1. Delivers value for money for the Council compared to the alternative options.
2. Works with the Council to ensure the Council can meet its obligations including those relating to the "provider of last resort" responsibility.

Individual cost-benefit and risk appraisals will need to be developed for services and these would need to form a robust Business Case prior to the transfer of any service to the LATC. A full income and expenditure and cash flow forecast will need to be prepared to support any activity should this outline Business Case be approved.

#### **Company Set Up Costs**

In order to establish a LATC the Council would need to provide working capital, in a manner consistent with state-aid rules, in order for the LATC to commence trading. This would need to be in the form of share value and/or a loan on terms that comply with state aid rules to the LATC. Initial set-up costs are estimated to be in the range of £40-£60,000. This is principally related to costs of ensuring the LATC has access to the necessary systems and other arrangements to be provided via a series of service level agreements with the council. The areas where costs will be incurred by the LATC are listed below.

#### **Staff**

It is assumed that LATC could receive staff transferred from existing providers and Hertfordshire County Council and in these cases it is assumed that TUPE (Transfer of Undertakings, Protection of Employment) regulations will apply. In addition to any posts transferring to the LATC in the future, the recruitment of additional staff directly by the LATC is also envisaged; for example, if staff leave a service prior to, or after, it being transferred to the LATC.

It is assumed that the company's terms and conditions of employment may have to broadly reflect other private companies (save for staff protected by TUPE) operating in the adult care sector. This is so that it would not undermine existing providers to the extent they are unable to provide adequate services. Where feasible the company could to a large extent mirror the terms and conditions of Herts Catering Limited – an existing LATC owned by Hertfordshire County Council – but the LATC will need to independently assess and determine the level of pension contributions it will make to new employees, and matters such as annual leave entitlement, sickness pay etc for the reasons mentioned earlier.

## **Support Functions**

Support functions would be provided through a Services Level Agreement (SLA) with Hertfordshire County Council. This Business Case assumes that the LATC could need to have admitted body status within the Local Government Pension Scheme (LGPS). In addition, a separate pension arrangement may need to be made for future employees and this will need to comply with pension regulations.

The following support functions will be provided to the LATC initially via SLAs with Hertfordshire County Council.

1. HR – transactional HR including safer staffing requirements.
2. Recruitment services.
3. Certain training (i.e. safeguarding).
4. Payroll.
5. Finance – transactional finance functions and financial controller activities.
6. Provision of IT equipment and services and IT support.
7. Insurance.
8. Audit.
9. Communications.
10. Property services.
11. Legal support.
12. Tax.
13. Travel and expenses.
14. Pensions.
15. Bank account investment/working capital.
16. Advice on company compliance and submissions.
17. IT, web-site and domain name.

## **Use of External Suppliers**

It is not anticipated that the LATC will need to enter into any significant contracts initially with external suppliers. However, it may be necessary for the LATC to acquire goods and services such as IT software and support. It is anticipated that where possible arrangements could mirror those the Council has used for Herts Catering Limited (an existing LATC).

## **Accommodation**

A LATC would either operate from a Hertfordshire County Council-owned property or rent its own premises, or a combination of both. The LATC would need to review its use of office accommodation on an ongoing basis to ensure premises are fit for purpose and cost-effective. The cost of office accommodation will need to be accounted for on the same basis as any other supplier even where this is within premises owned by the Council. It is not envisaged that the LATC would seek to acquire land or buildings.

## **Policies and Procedures**

The LATC would use relevant Hertfordshire County Council policies and those adapted and developed by other LATCs owned by the Council (i.e. Herts Catering Limited).

## **Information Sharing**

An Information Sharing Agreement would be put in place between the company and Hertfordshire County Council that mirrors agreements used with other external suppliers.

## **Data Protection**

The LATC would need to comply with the relevant legislation and guidance concerning data protection, including adopting suitable policies and practices to ensure data is adequately stored and safeguarded.

## **Freedom of Information**

This Business Case assumes the LATC will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 in its own right. As such, the LATC will maintain a records management system that complies with the relevant guidance concerning the maintenance and management of records.

## **Training**

The LATC could access Hertfordshire County Council training via a SLA that will be put in place with the Council.

## **Care Quality Commission**

The LATC would need to register as a provider if it were to undertake regulated services and pay the necessary fees.

## 6 DELIVERY

### 6.1 Constraints, Assumptions and Dependencies

#### Key Constraints

1. Transfer of business to the LATC will be subject to individual feasibility and cost-benefit analysis.
2. Where alternative external providers are not able or willing to receive a service the cost of placing the service within the LATC will be benchmarked against the cost of the equivalent service being provided via an in-house service solution.
3. Services, if placed within the LATC, will be operated for differing degrees of time depending on the nature of the service.

#### Key Assumptions

1. The LATC will be established on or before 1 April 2018.
2. The LATC will not initially employ any staff or undertake any activities but will be ready to be considered for various service solutions as set out in this business case from the date it is incorporated.
3. Initial funding and set-up costs will not be incurred until a business case relating to the initial service(s) to be undertaken is considered.

#### Key Dependencies

1. Comments will be invited from wider stakeholders and will inform final arrangements for setting up the company.

### 6.2 Implementation

The implementation phase will contain the following areas.

<b>SLAs</b>	Defining the service level agreements and pay rates, including finalising initial costs and on-going charges.
<b>Service Provision and Development</b>	Ensuring systems, policies and procedures are in place for day one. Considering the potential for future growth.
<b>Communications and Engagement</b>	Agreeing key messages and communications including meeting service users and family carers. Developing a LATC website.
<b>HR and Employment</b>	Ensuring any future recruitment or TUPE transfers are implemented smoothly including having in place necessary pension arrangements; recruitment, training and induction processes etc.
<b>Legal/Regulatory</b>	Managing CQC registration and employment status
<b>Finance</b>	Creating the budget and agreeing the finance SLA processes and associated payment schedules
<b>IT, Property and Equipment</b>	Making the practical arrangements to enable the LATC to trade and function.

A high level timeline for implementation is shown below.

	Sep t 17	Oct 17	Nov 17	Dec 17	Ja n 18	Feb 18	Mar 18
<b>Finalise Business Case</b>							
<b>Consideration of Business Case</b>							
<b>Communications and Engagement</b>							
<b>Finalise set-up costs and on-going SLA costs.</b>							
<b>Form LATC</b>							

### 6.3 Stakeholders

1. Adult Care Services.
2. Other Hertfordshire County Council departments
3. Relevant trade unions.
4. Providers/Provider associations.

### 6.4 Risks

A detailed issue log and risk register have been developed to support the formation of this Business Case. These registers will be pro-actively monitored and maintained together with appropriate rating and controls. High impact issues and risks will be escalated by the Project Manager to the Sponsor as appropriate within Hertfordshire County Council. Key risk areas are set out below.

- LATC cannot offer a cost-effective alternative to other options.
- Use of a LATC indirectly undermines other services.
- LATC is unable to achieve service targets and agreed service outcomes.
- LATC is unable to safeguard service users.

## Key Risks

Summary of Key Risks	Probability	Impact	Risk Rating	Mitigation
LATC is unable to offer cost-effective alternative.	Possible	Medium	Material	LATC will have to use commercial approach and principles to price and deliver service solutions.
There is a risk that a LATC delivering services would undermine other services.	Unlikely	Medium	Material	The LATC will not seek to compete against existing providers for new work and will be a party to existing protocols on service standards, staff recruitment, and partnership working.
There is a risk that the LATC will not achieve service targets and outcomes.	Possible	High	Significant	There is a requirement to put in place a service Service Level Agreement for the service and the LATC will be regulated and monitored in the same way as any other provider.
LATC is unable to safeguard service users	Possible	High	Significant	The LATC will be regulated by the Care Qualities Commission for any regulated activities it undertakes. Robust standards will need to be in place for any service including compliance with the Herts' Care Standard; safe staffing etc.