

Independent Budget Review – Initial Call for Contributions, April 2010 Submission from Community Care Providers Scotland

Community Care Providers Scotland (CCPS) is the national association of voluntary organisations providing care and support services in Scotland. In 2008-09, the combined membership of CCPS supported approximately 220,000 people and their families across the country, and managed an annual income of nearly £1.1 billion. An average of 70% of this income per member organisation related to public funding, giving CCPS members a considerable stake in the issue of public service delivery.

CCPS members operate primarily under contract to local authorities. Our comments therefore relate mainly to the ways in which local authorities might manage their budgets in the difficult financial times ahead, and in which the voluntary sector might help local authorities to maximise the impact and outcomes which can be achieved within increasingly tight financial constraints.

In considering the issues potentially falling within the scope of the Review, and the key questions posed by the Review panel, we have grouped our comments into three main areas. These areas relate to the issues/questions as follows

- A greater role for the third sector (issues ii, iv & v, and questions a, b, d & e)
- Ensuring that the most vulnerable are not unduly affected by cuts in public spending (issue i and questions b & d)
- The importance of early intervention/prevention (issues i, ii & iv)

A greater role for the third sector

We are pleased to note that the call for contributions specifically mentions the potential impact of working with the third sector.

Within social care, evidence from the Care Commission shows that third sector organisations consistently achieve a much higher proportion of ‘very good’ or ‘excellent’ grades than their counterparts in the private and public sectors¹. As services provided by independent providers generally cost considerably less than local authority direct provision, contracting services out of local authorities to the third sector may be viewed as a way to make savings, at the same time as improving quality. Whilst we would support an enhanced role for the sector, we would offer some specific comments about the risks of service *transfer* where it is not accompanied by service *redesign*.

Primarily, we would caution strongly against the notion that realising cost savings should be the only or primary motivation for working with the voluntary sector. Our concerns in this regard relate to four issues:

Recognition of the cost of voluntary sector services

Under issue iv on page 11 of the call for contributions, mention is made of “transferring” services to the third sector as a way to lever additional resources into the system. We would urge the review panel to consider, however, that many important services provided by the third sector are, and would have to continue to be, funded by the public purse.

For several years, voluntary sector providers have been unable to recoup from local authorities the full cost of the services they provide; this is compounded year on year in many service areas by a lack of inflationary uplift on contract prices. Voluntary organisations have addressed this by effectively subsidising these services, either from their own resources or

from surpluses achieved elsewhere, or by running them at a deficit. Recent surveys show an increase in the number of services provided at a deficit and an increase in the number of financially unsustainable services which third sector providers are having to closeⁱⁱ. Further reductions in contract price will, most likely, be too much for voluntary sector providers to absorb.

In order to address the consequences of the shortfall in contract prices, many third sector providers have made significant efforts in recent years to make their operations much more efficient, for example by stripping out layers of management; by renegotiating staff terms and conditions; and by seeking savings in back-room costs. We have significant doubts as to the capacity of many third sector providers to make any further efficiency savings, without fundamental service redesign that would require a significant shift in strategic commissioning approaches.

The costs of tendering/re-tendering

It is also important to note that competitive tendering processes, by which local authorities most frequently procure third sector social care services, are costly to administer both for local authorities and for bidding organisations. Moreover, they have been shown to have a serious negative impact on the wellbeing of the people using services, and on the morale of the workforceⁱⁱⁱ. Once a tender has been won, the costs of transferring staff from other organisations under TUPE regulations are often considerable, both financially and in terms of time and staff resources^{iv}.

TUPE costs are most particularly an issue in relation to the transfer of staff previously employed by local authorities. For many third sector organisations, the stipulations of Section 52 of the Local Government in Scotland Act 2003 in respect of staff terms and conditions (in particular pension contributions and liabilities) attached to such a transfer would be unaffordable, and voluntary organisations would have to consider very carefully whether or not they could afford to bid to provide services previously provided by the local authority; this should be borne in mind when suggesting that more local authority services should be contracted out in efforts to make savings.

The importance of strategic commissioning and Best Value

In its recent report on homecare services for the elderly, the Scottish Parliament Local Government and Communities Committee highlighted the gaps in strategic commissioning across Scotland's local authorities, and referenced evidence provided to the Committee by CCPS suggesting that cost is often given more weight in commissioning processes than quality^v.

If further commissioning is to be undertaken with the voluntary sector, local authority commissioning and procurement practices must be developed and improved. Within social care, Scottish Government guidance on procurement will go some way towards this^{vi}, but it is vital that tendering exercises are subject to some form of external scrutiny, to ensure that they meet the stated aims of the tender process and the principles outlined in the guidance, and do not simply result in a poorer standard of service for the public.

Our concerns in relation to commissioning have in recent years related primarily to the re-tendering of services already provided by the independent sector, where procurement is viewed as a way to make cost savings but risks impacting on the quality of services provided. We would argue for the need for Best Value to consider both the cost and quality of service not only once tender exercises are underway, but also in considering, as part of a strategic commissioning process, whether or not services should be put out to tender. It is our

experience that local authorities have frequently re-tendered third sector services regardless of the quality of service provided, as a way to make financial savings. .

We believe that it is imperative for local authorities to consider Best Value when considering where savings might be made in relation to individual services, rather than making indiscriminate across-the-board cuts to all third sector services. There are clearly some very efficient providers whose services result in positive outcomes for individuals and which make a significant contribution both to the Scottish Government's National Performance Framework and to Single Outcome Agreements locally, and we would urge local authorities not to further penalise these providers. As noted above, many third sector organisations have made strenuous efforts to respond to the efficiency agenda over the last five years: if all services in an area are subject to across the board cuts, those who have already made efficiency savings and are now able to run more streamlined organisations will be unduly penalised and the public will suffer poorer standards of service.

The limits of current commissioning arrangements

Current commissioning arrangements generally involve an invitation to tender to supply a service in accordance with a fairly tight specification, asking bidders to provide a particular level of service (often expressed as number of hours) for, essentially, the lowest possible price. If commissioning practices were changed so that bidders were invited to put forward proposals to achieve particular outcomes for a particular sum of money (commissioning for outcomes) we believe the system of commissioning independent providers could achieve even more with limited resources. As a first step, we would recommend that authorities make much greater use of the 'variant bid' option in tender exercises, whereby instead of submitting a tender for the service specification outlined, providers are invited to put forward alternative, more innovative proposals to achieve the same outcomes. In our experience this is an extremely under-utilised element in current tendering practice.

We would further encourage local authorities to involve both providers and people who use services in drawing up service specifications, in a co-production model, to ensure that the services commissioned represent both what is needed and what can be provided within budget. This is likely to involve significant service redesign, not simply service transfer. We believe that simply trying to find a new provider, in the third sector or elsewhere, who will continue to do the same thing for less money, will only result in a poorer standard of service to the public.

Ensuring that the most vulnerable are not unduly affected by cuts in public spending

Involving people who use services in a co-production model is also a key way to ensure that, on a micro level, vulnerable people are not unduly affected by cuts in public spending. We would encourage local authorities to make funding decisions that focus on the ability of a provider or a service to achieve outcomes for individuals, and which impact positively on the community; and to include people who use services in their discussions. In social care, for example, we would strongly encourage local authorities to explore models of personalisation and self-directed support^{vii}. Evidence as to whether or not models such as individual budgets can lead to cost savings is mixed; what is clear, however, is that such models can lead to the achievement of better outcomes within existing resources^{viii}.

At a macro level, we need to find a way to ensure that funding for services to the most vulnerable is not overlooked in budget-setting processes. In the past, ring-fencing was introduced to protect particular budget headings in this regard (for example, Supporting People), and in the absence of this system alternative ways must be found of ensuring that

budgets for these services are not sacrificed in order to fund service areas which might be perceived as more ‘popular’ or indeed those that are more electorally sensitive.

We are concerned, in this regard, that the Single Outcome Agreements are generally scant in their references to social care in general and to particular vulnerable groups, for example people with a learning disability^{ix}. If priorities set out in the SOAs are to be used as a guide in budgeting decisions, we do not see a mechanism whereby the importance of services for vulnerable people, which do not feature highly in SOAs, can be introduced into discussions to ensure that they are not overlooked when budgets are set. This is a major issue, and an analysis of local authority budgets to ascertain to what extent they have been influenced by SOAs is needed.

The importance of early intervention/prevention

We would urge the review panel to endorse the policy focus on early intervention and preventative services established by documents such as *Getting it Right for Every Child* and *Changing Lives*, and encourage local authorities not to cut these types of services in making short-term savings.

Social care services result in a variety of savings to other public services, including health and criminal justice. Support services for people with alcohol or substance misuse issues, for example, assist in preventing hospital admissions and potentially cut crime, while housing support and care at home services can reduce the greater costs of residential care, while leading to a better quality of life for the individuals concerned. Cutting these low-level, preventative services may seem like an easier option than cutting high profile budgets in health or criminal justice, but we would urge decision makers to take a longer term view, and consider the longer term savings to these budget headings that support services can make.

A focus on early intervention/preventative services will also help local authorities to respond to the challenge of demographic change. We would encourage local authorities at this point to preserve and nurture low-level, preventative services, as a way to avoid the need for more costly interventions in future.

The use of people’s natural supports will also be of vital importance in meeting the demands of demographic change. We would be concerned, however, if there was an assumption that there are high levels of informal or voluntary care which can be relied upon if low-level public services are cut. We would support measures which reinforce the support that people already have in their family and community, rather than attempting to replace, undermine or exploit it. We would also support a greater government investment in stimulating and supporting community and voluntary action, again in support of the principle that this will reduce the higher cost of public service interventions which are frequently not effective in achieving positive outcomes for individuals.

ⁱ Care Commission (2010) *Making the Grade? Results from the first year of grading registered services- 2008/09* Care Commission

ⁱⁱ Community Care Providers Scotland (2010) *Service Provider Optimism Survey February 2010* Community Care Providers Scotland

ⁱⁱⁱ Community Care Providers Scotland (2008) *Re-tendering of social care services: service providers’ perspectives*

University of Strathclyde SCER with the Voluntary Sector Social Services Workforce Unit (2009) *A Gathering Storm? Procurement, re-tendering and the voluntary sector social care workforce*

^{iv} Community Care Providers Scotland (2008) *Re-Tendering of Social Care Services: Service Providers’ Perspectives. Findings of a survey of CCPS Members* Community Care Providers Scotland

^v <http://www.scottish.parliament.uk/s3/committees/lgc/inquiries/HomeCareServices/index.htm>

^{vi} Scottish Procurement Directorate – Joint Improvement Team (2010) *Social Care Procurement Scotland Guidance – Consultation Draft* Scottish Government

^{vii} CPPR (forthcoming) *Personalisation of care services: securing independence and increasing efficiency*

^{viii} Glendinning et al (2008) *Evaluation of the Individual Budgets Pilot Programme: Summary Report* Individual Budgets Evaluation Network

^{ix} Gooday, K (2009) *Single Outcome Agreements 2009-10: An Analysis by Community Care Providers Scotland*, Community Care Providers Scotland