

Meeting: Cabinet/Extraordinary Council Date: 19 and 20 March 2024

Wards affected: All wards

Report Title: Torbay Integrated Care Organisation S75 Agreement

When does the decision need to be implemented? 31 March 2024

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1. Purpose of report

This paper aims to provide the information required to support the approval by the Council to sign a new tri-partite Section 75 agreement, enabling the delivery of integrated Adult Social Care services in Torbay from April 2025 to March 2030.

The paper sets out:

- An overview of the joint commitment between Torbay and South Devon NHS Foundation Trust, NHS Devon ICB, and Torbay Council,
- An overview of the financial challenge,
- High level description of the transformation plans to support financial sustainability, whilst improving outcomes for our residents,
- Principles of how the partnership will work together to achieve these aims.
- Funding commitment to support the plans from Torbay Council

The Section 75 agreement that would underpin the approval has been updated and reviewed by the legal teams of Torbay and South Devon NHS Foundation Trust, NHS Devon ICB, and Torbay Council, and has been appended to this supporting paper.

Reason for proposal and its benefits

The Integrated Care Organisation is governed by a Section 75 agreement, which expires in March 2025. A notice period of 12 months is a standard term within the contract and as such a new agreement needs to be in place 12 months in advance to provide the necessary legal protection to all parties. This requires a new agreement to be signed by the end of March 2024.

To demonstrate commitment to our joint endeavour, and to enable us to respond to the demand, outcomes, and financial challenges the ICO is facing, there is a strong belief between all parties within the tri-partite arrangement that this is to be delivered through a partnership approach. As a result, we are seeking approval to make a new five-year commitment through a new Section 75 agreement, from 1st April 2025 to 31st March 2030.

Financially, a new agreement would see Torbay Council committing to a £1.7m increase in all years of the contract, and an additional £0.85m increase in the first two years of the contract to recognise the transformation activity that is required to take place. This results in an overall increase of £10.2m over the duration of the five year contract.

Recommendations / Proposed Decision

That Cabinet recommends to Council:

- 1) That Torbay Council and Torbay and South Devon Foundation NHS Trust, and NHS Devon ICB enter into a Section 75 for a new 5-year agreement for the integration of Health and Social Care on the basis of a year-on-year increased cost to the Council of;
 - a. £2.55m additional base budget in 2025/26
 - b. £2.55 additional base budget in 2026/27
 - c. £1.7m additional base budget in 2027/28
 - d. £1.7m additional base budget in 2028/29
 - e. £1.7m additional base budget in 2029/30
- 2) The Chief Executive be given delegated authority to sign the Section 75 agreement that will be supported by an updated Memorandum of Understanding (MoU), which includes the key principles and ways of working for all organisations that are part of this tripartite agreement. The development of this MoU will be during April 2024.

Supporting Information

Overview

The Torbay and South Devon NHS Foundation Trust, NHS Devon ICB, and Torbay Council are marking nineteen successful years of pioneering collaboration, starting with the Torbay Care Trust, improving the lives of our residents.

Building on this strong partnership, in October 2015, the integrated care organisation (ICO) was born between Torbay and South Devon Health and Care Trust and Torbay Council to ensure adult residents receive seamless health and social care.

This innovative relationship was driven by a shared vision, values, and long-term commitment to improving the delivery of health and social care in Torbay. The integration encompasses preventative care, reducing hospital admissions, managing acute care, and facilitating independent living.

Adult social care stands out as a key focus area for the ICO, with ongoing positive impacts evident. Looking ahead, we are seeking to make a new five-year commitment to our joint working arrangements through a new Section 75 agreement¹. This demonstrates our ongoing dedication to our joint endeavour and the integrated delivery of adult social care and the benefits it brings.

Whilst the wide-ranging benefits of integration are accepted, the health and care system in Torbay and nationally finds itself operating in challenging financial circumstances. The ICO are forecasting a £12m deficit attributed to adult social care spend for this financial year, which could rise to as much as to £36m in five years.

As a joint senior leadership team, we are actively engaged in addressing these challenges and as part of our new agreement are taking forward an extensive transformation programme that aims to improve financial sustainability whilst maintaining, and improving, the quality of care delivered in Torbay. As a system, we recognise the scale of change required to ensure sustainable and high-quality services goes beyond what we have delivered before. There will be decisions required to achieve this future and all system partners will need to come together and play their part in delivering this.

This programme will focus on three key areas:

1. **Service transformation:** Delivery of a comprehensive programme of transformation activity focused on improving outcomes, promoting independence, securing value for money and financial sustainability. This will be aligned to wider system and organisational priorities.
2. **Financial grip and control:** Implementing more robust spend controls. Completing detailed spend mapping to identify areas of opportunity to improve efficiencies.

¹ The section 75 agreement is a tri-partite legal agreement between Torbay and South Devon NHS Foundation Trust, NHS Devon ICB, and Torbay Council. This agreement is for the delegation of responsibility for the delivery of the statutory functions of adult social care and the pooled resources to support this to South Devon NHS Foundation Trust.

3. **High performing ICO:** Design and implement operating model and governance structure recommendations from the Well Led review. Focussed on driving a culture shift across the ICO and with our partners.

Successful delivery relies on us engaging with our staff, residents who draw on our care and support, and the wider community. Our commitment is underlined by providing dedicated resource to help deliver the transformational change.

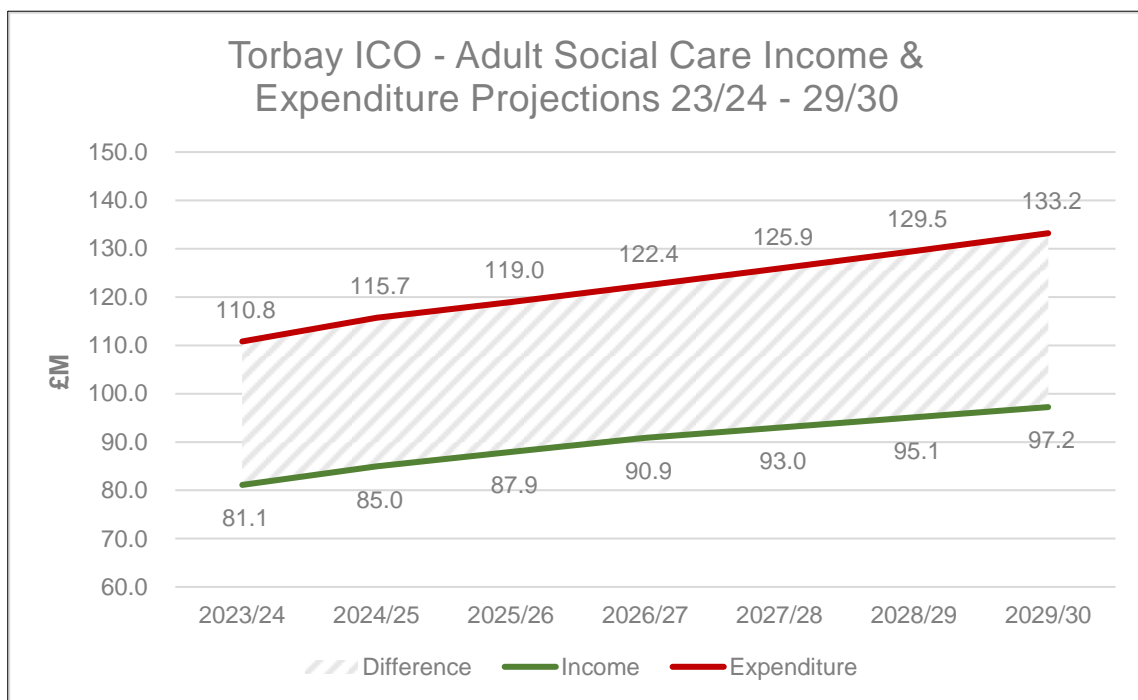
Torbay Council remain focussed on delivering a sustainable integrated model for Adult Social Care and are supporting this through a material increase to the base funding for the delivery of adult social care, and contributing funding for a transformation delivery partner, new ASC IT System and continuing to support capital developments to enable more cost-effective care.

We are clear that this work cannot happen in isolation, and we are already actively engaged with system stakeholders across Devon. A collective system approach will be adopted. As we deliver change, learning will be shared with all stakeholders.

We will come back to this governance group at an agreed cadence to feed in progress against the plans and ensure ongoing strategic alignment on the ICOs direction of travel.

The Financial Challenge

The medium-term financial plan (version 9) as at 19th February 2024 forecasts a baseline recurrent budget deficit of £29.7m in-year, rising to £36m by 2027/28. The driver of the significant in-year deficit is through an increased volume of clients receiving care and associated costs of long term commissioned care packages alongside a reduction in non-recurrent grants.



Income projections are driven primarily by increases to the base funding provided by Torbay Council through a 3% Council Tax increase for 2025/26 and 2026/27, reducing to 2% Council Tax increases per annum from 2027/28 onwards. The additional funding in the early years of the new agreement demonstrates the Council's support of the financial challenges within the ICO (see final section for further details), pending the transformation work being implemented.

The key expenditure assumptions include 1% growth in long term commissioned costs for each year alongside 4% inflation growth in 2024/25, with subsequent 2% inflation growth in future years. There is an assumed 2.1% increase per year in staffing pay costs, (from 2025/26), with these costs accounting for 10% of the overall cost base.

The financial position demonstrates that the significant costs challenge is driven by long term care commissioned costs at 88% of expenditure. Controlling spend on these costs through operational and commercial grip, alongside enabling people to live independently within our communities is fundamental to addressing the financial challenge. The transformation programme is focused on this as a key objective.

Transformation Activity

Between November 2023 and February 2024 work has been undertaken with Torbay ICO Executives, transformation leads, and senior operational managers. There is a collective understanding of the challenges facing the ICO and the areas of transformation that are required to address these challenges. The transformation plans discussed and agreed with the Executives included **service transformation; financial grip and control; and developing a high-performing ICO**. Below provide more detail and sets out the delivery plan in each area, the rationale for this focus, and evidence to support the approach. The ICO have been supported by Channel 3 consulting in developing these plans.

Service Transformation

Channel 3 have worked with the service and transformation managers in the last 2 months to evaluate existing transformation plans and explore opportunities to expand those plans. These are all at different stages of development, so further work is required to validate, define, and develop detailed plans to ensure there is a deliverable and prioritised plan that will deliver savings that are sustainable. The timeline for delivering the transformation will be 2-3 years and further work is required on prioritising the work and profiling the savings. This will reduce the financial gap as presented in the previous section, but there will continue to be a gap during the period of transformation that will require funding support.

The key areas for improvement and transformation are:

- CIPs - savings opportunities of £3m-£4m.
- Transformation opportunities - £12m-£16m

CIPs - savings opportunities of £3m-£4m.

The ICO have been successful in delivering savings on an annual basis of c. £3m through the Review and Insights team undertaking reviews of packages of care and reducing these packages. These will continue for the next 1-2 years whilst the transformation is delivered, where it is expected the reviewing approach becomes less effective as strengths-based practice, performance framework and data analytics becomes embedded into daily decision making in right sizing packages.

Transformation opportunities - £12m-£16m

The ICO have already identified key areas of transformation and identified the opportunity to deliver savings and to embed an independence led culture. These areas of change require more detailed planning including problem definition and current state mapping, future state ambition, gap analysis and a prioritised delivery plan.

Channel 3, using their experience of delivering transformational change in adult social care, have reviewed these areas of opportunity, and identified further opportunities to take forward. These require further validation in addition to detailed planning activities outlined above. Once these tasks have been completed, a prioritised delivery plan, focused on a detailed 6–12-month plan, with a high level 2–3-year plan will be created. It is anticipated that there being six key workstreams that the transformation activity will be focused on (subject to validation with the transformation team):

- **Maximising independence:** focused on embedding strengths-based practice in decision making (linked to ‘outcomes from decision making’ in existing programme).
- **Front door, community offer, reablement:** focused on early intervention and prevention by enabling citizens to be able to self-serve, maximise use of community assets, and where short-term support is needed, getting this support in a timely manner.
- **Hospital discharge/avoidance:** streamlining hospital discharge, embedding strengths-based approaches to manage demand and optimise outcomes, use of digital / data to support independence.
- **Working age adults:** developing an independence led, relationship-based approach to supporting people living with a learning disability or mental health need – will include culture, operating model, and commissioning changes.
- **Digital, data and technology:** delivering a digitally enabled future for social care focused on using digital tools, data, and TEC at scale to support prevention and reduce crises, to improve efficiency and reduce administration for staff, to use digital tools to change the operating model within social care.
- **Commissioning:** to deliver a future model of provision that supports independence, builds in innovation, and delivers value for money.

For each area of opportunity, we have identified the rationale, anticipated benefits, evidence from Channel 3’s experience, and delivery approach below. This requires further co-production as part of the initial planning phase to scope in more detail.

Workstream 1: Maximising Independence

Rationale, evidence, and benefits

- Consistent approach to practice within frontline teams.
- Focus on prevent, reduce, delay as per Care Act
- Independence led decisions reducing packages of care, & more restrictive care (1:1, residential care, etc.).
- Delivering practice at scale in Manchester City Council enabled £8m savings over 2 years.

Anticipated benefits in Torbay ICO between £2.0m - £2.5m.

Delivery approach

- Working with frontline teams
- Training on theory and application of strengths-based practice, using behavioural change techniques, tailored to their teams.
- Embedding through reflective learning infrastructure – huddles, communities of practice
- Impact analysis / reporting to support change at team level.

Workstream 2: Front door, community offer, reablement

Rationale, evidence, and benefits

- Increased use of CVSE in Torbay to reduce demand in front door.
- Strengths-based, digital front door to reduce demand into ASC, increased time to work with people with complex needs.
- Increased use of effective reablement service to increase independence / reduce packages.
- Increased to 85% diversion at the front door in Bradford Council
- Reduction in care packages of c.£1.5m through increased use and re-designed model of reablement in East Riding of Yorkshire Council

Anticipated benefits in Torbay ICO between £2.0m - £2.5m.

Delivery approach

CVSE / Front door:

- Co-production with frontline teams, CVSE, and lived experience.
- Demand and performance – baseline and future state
- Prioritised plan for investment in CVSE, benefits analysis and approach to market engagement.
- Operating model and embedding SBP and digital in front door.

Reablement:

- Review current state and identify opportunities to increase capacity / service re-design.
 - Develop investment case.
 - Work with frontline teams in designing and implementing.
 - Recruit capacity
- Track benefits through performance framework.

Workstream 3: Hospital admission / avoidance

Rationale, evidence, and benefits

- Significant driver of demand into social care.
- Opportunity to embed social care practice into health.

Anticipated benefits in Torbay ICO between £1.0m - £2.0m.

Delivery approach

- Working with frontline teams – current state, future state design and implement
- Embedding strengths-based practice and use of digital tools and data in decision making
- Streamline hospital discharge processes.
- Implement TEC to support crisis prevention.
- Front door diversion and increased use of beds for hospital avoidance
- Investment case for capacity.

Workstream 4: Working age adults

Rationale, evidence, and benefits

- Life course costs of people with learning disability or mental health needs are significant.
- National benchmarking suggests higher spend on LD than neighbours (14th of 16)
- Significant cost increases within Torbay and a national challenge.
- Opportunity identification from work completed in summer 2023.

Anticipated benefits in Torbay ICO between £3.0m - £3.5m.

Delivery approach

- Significant cultural challenges - longer term and requires cross departmental approach to independence working with Childrens, Education, DPT.
- Focus on quick win opportunities to embed principles in a managed way e.g. reviews, panels, TEC for sleeping nights.
- Working with frontline teams, families / carers, and providers – current state, future state design, implementation.
- Key areas of focus – strengths-based practice application, op model re-design to be person-centred response to multiple needs, use of digital / data / TEC to support independence, commissioning of market.

Workstream 5: Digital, data and technology

Rationale, evidence, and benefits

- Significant opportunity to transform an unsustainable model of health and care.
- Digitally enabled lives to support self-care, healthy living, independence and reduce crises, reducing hospital admissions and social care demand / costs.
- Use of digital tools to improve staff efficiency e.g. virtual care, assessment tools.

Anticipated benefits in Torbay ICO between £2.0m - £2.5m.

Delivery approach

- High level digital discovery to identify areas of opportunity.
- Potential priorities - TEC-led crisis prevention and demand management, digital front door, LD / MH independent living, carers offer.
- Delivery focus on people, process, and technology.
- Significant cultural challenge with understanding and adoption for staff and families / carers similar to embedding strengths-based approaches.
- Enabler to other workstreams – front door, reablement, hospital discharge, WAA.

Workstream 6: Commissioning

Rationale, evidence, and benefits

- Innovative provider market that supports independence is key.
- Current market in Torbay traditional with high provision of more restrictive support e.g. residential care
- Challenges between strategic and operational commissioning in Torbay – operating model requires review.

Anticipated benefits in Torbay ICO between £2.0m - £3.0m.

Delivery approach

- Key enabler to delivery of independence-led demand management and service re-design is an aligned market management plan, aligned to strategic ambition of the service split by 65+, working age adults.
 - Current plan identified supported living offer as a priority.
 - Approach to reflect commissioning cycle – needs analysis, current provision, future state, gap in provision, market development approach, procurement, implementation.
- Operational commissioning:
- Review and plan for alignment between strategic and operational commissioning.
 - Identify opportunities to digitally enable commissioning e.g. contract management, e-brokerage, market engagement.

Financial grip and control

The key to this workstream is to embed commercial grip and financial control within the ICO to evidence and improve decision making at all levels. We will embed financial governance approaches as part of the programme. This will include:

- **Control long term commissioned care:** The biggest area of costs in Torbay ICO is long term care commissioned costs. Controlling spend and cash releasing savings can come from daily sign-off of care packages, review panels, and targeted reviewing teams. Some of this is already in place but not as effective as it could be from feedback received.
- **Commissioning:** embed joined-up, commercially focused approach to commissioning the provider sector that balances limited resources with maintaining market stability.
- **Staffing costs:** recruitment panels and vacancy control approaches are key to managing staffing costs. However, there should be caution with this approach as restricting staffing can impact on time to deliver practice, which will increase long term care costs. Explore opportunity for review of broader workforce strategy within the ICO given the high costs of NHS terms and conditions.
- **Budget setting:** robust approach to budget setting including embedding structure around costs pressures, savings delivery, and inflation. Specific need to review inflation increases to providers as an opportunity, given a stable market.
- **Spend mapping:** undertake spend mapping exercise to categorise costs by service area, statutory and non-statutory services. This will enable the development of single source of the truth for the performance framework and support identification of cost improvement reviews with budget managers.

Our approach to implementing these will be to map current approaches, develop long-list, work with key stakeholders in developing a plan to implement, then prioritising the plan for delivery.

Developing a high-performing ICO

The key focus of this workstream is embedding a governance and performance framework that enables the ICO to be intelligence led in sustainably managing the ICO.

This will take account of the findings and recommendations from the recent Well Led review. The approach focuses on:

- Embedding a governance framework that enables each level of the organisation to be empowered to identify and manage issues relevant to that level, using information to support decision making.
- Information used to inform discussion and decisions is succinct and evidenced, with time spent on interpretation and identifying actions.
- A routine cadence to meeting and agreeing priorities and actions, where preparation and follow-up delivery of those actions becomes 80% of the work.

- There are clear terms of reference, with roles and responsibilities, and a culture that supports action and decision making. Preparation is vital.
- There is an equity of input from members that draws on the different experiences, to support informed and independence led decision-making.
- Communication both up and down the hierarchy to support action is important and routine.
- Reporting at each level will be proportionate and relevant for the services being delivered. Time is spent on understanding the business before developing the metrics at each level.
- Supporting the staff and teams to be comfortable in understanding, interpreting, and acting on the data will be key.
- There will need to be a pragmatic approach to use of data, particularly where there are gaps. There will be a continual strive to improve data quality.

To help deliver this significant transformation the Council have committed to use non-recurrent funding to procure the services of a delivery partner and expect the delivery partner to be in place from 14th March 2023.

Principles

Below are the key strategic principles that Torbay Council, Torbay and South Devon NHS Foundation Trust and Devon ICS are committed to. These were developed within a workshop that included the Chief Executives, Directors of Finance and Director of Adult Social Care of the three organisations above.

These are essential for developing a cohesive and effective working relationship essential to delivering transformation as both organisations commit to a new section 75 agreement.

- **Shared endeavour:** Both organisations are committed to delivering the required transformation to deliver a sustainable model for Adult Social Care
- **Delivering equity and independence:** The priorities and culture is equitable to reflect the needs of the population in Torbay. Supporting people to be independent is critical to the values, behaviours and decision making of the ICO.
- **Courageous at scale of change:** Embracing bold initiatives necessary for substantial transformation across the ICO.
- **Being innovative:** Recognising that transformation requires us to be innovative. Investing in digital, data and technology is critical to empowering people to live healthy, independent lives, and help prevent crises that drives significant demand into the system and poorer outcomes for the people of Torbay.
- **One voice and a consistent message:** Ensuring alignment in communication efforts, presenting a unified front to stakeholders and the public.

- **Shared view and clarity on financial envelope:** Establishing transparency and mutual understanding regarding financial resources, budgets, and expenditures.
- **Joint decision making / accountability:** Collaboratively assessing and determining key actions, with input and agreement from both the Council and Trust through a revised governance structure. Holding each other to account for delivery.
- **Strategic Alignment:** Ensuring that the partnership's activities and objectives remain closely aligned with the overarching strategic goals of the Council, Trust, and wider system partners e.g., Devon ICS

Additional financial contributions (from Torbay Council)

To support the ongoing delivery of Adult Social Care as part of an integrated system the Council proposed an increase equivalent of a 2% Council Tax increase, year on year. An additional increase equivalent of a 1% Council Tax rise for first 2 years is also proposed to provide additional support whilst transformation activity is undertaken.

In addition, as a part of the overall package the Council is committing to provide the following financial support that will enable the transformation activity described earlier in this document.

- Funding new ASC IT system (£1.5m).
- Funding delivery partner - £1m initially.
- Use of revenue reserve to resource and fund transformation within the ICO – (£1m).
- Use of capital reserves to develop x 2 extra care/supported housing sites – (£2.5m minimum).
- Any grant funding received for ASC totally protected for ASC.