

**MUTUALISATION OF THE MULTI SYSTEMIC THERAPY TEAMS**

**To:** Children and Young People Committee

**Meeting Date:** 9 February 2016

**From:** Sarah Ferguson, Service Director: Enhanced and Preventative Services

**Electoral division(s):** ALL

**Forward Plan ref:** 2016/009      **Key decision:** Yes

**Purpose:** To seek Committee agreement to progress the mutualisation of the Multi Systemic Therapy Teams (MST Standard and MST Problem Sexual Behaviour)

**Recommendation:** It is recommended that the Committee;

- a) Agree to the mutualisation of the Multi Systemic Therapy Service
- b) Give permission for a Social Impact Bond to be explored as a potential future form of investment for financing the procurement of the service

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## 1.0 BACKGROUND

- 1.1 The Council has been exploring whether options to 'spin out' MST (Multi-Systemic Therapy) Services of the Local Authority and trade as an independent company would be viable or desirable. This would be on the basis of creating a staff led mutual. Following an initial piece of development work and the securing of a grant from the Department for Education, the first draft of a business plan was presented to the Children and Young People Committee in March 2015.
- 1.2 The feedback from the Committee was to develop the plan further and to quantify risks and opportunities for both the Council and for the company and staff. The Committee expected the proposal to be submitted again for a decision to be reached once these further questions were addressed. Extensive work has been undertaken since then, the outcome of which is available through the attached supporting documents.
- 1.3 There are three questions which the County Council needs to address in order to move the project forward:
  1. Does the County Council wish to continue to deliver or procure MST Services in Cambridgeshire as part of the LAC Strategy?
  2. Does the Council want to externalise the service through the establishment of a staff led mutual, in order to gain wider benefits?
  3. Does the Council want to explore alternative means of funding MST for 2016 – 2019, such as through a Social Impact Bond?
- 1.4 This paper concerns itself with considering the first two of these questions, with permission sought to explore the third.

## 2.0 KEY QUESTIONS

### 2.1 Provision of MST Services as part of the LAC Strategy

#### 2.1.1 *What is MST?*

**MST Standard** is an intensive, home and community-based therapy service for families of children aged 11-17 with severe antisocial and behavioural difficulties, school exclusions and offending history. These difficulties are deemed to be severe if they are putting the young people at risk of out of home placement through local authority care or custody. MST is a licenced programme. This means that there is a licence agreement between the intellectual property right holders in the USA and the service. This protects the integrity of the model through consultation, continuous quality assurance processes and training.

**MST Problem Sexual Behaviour (PSB)** is an intensive, home and community-based therapy service for families of children aged 10-17 displaying problem sexual behaviour. These difficulties are deemed to be severe if they are putting the young people at risk of out of home placement through local authority care or custody.

- 2.1.2 Cambridgeshire was the first local authority to establish MST in Britain in 2001 and has led the way in the development of the practice.
- 2.1.3 MST has a very strong evidence base for cost effectiveness and is known as one of the 'evidence based programmes' for the high risk edge of care or custody population. Independent international research places MST outcomes and cost benefit models amongst the strongest and most reliable. **Appendix 1 – Evaluation Report**. MST forms one of the 'edge of care' services as part of the LAC Strategy. As such, it is seen as an element of the delivery of savings attributed to the LAC Strategy, and has been refocused in order to concentrate impact on this cohort of young people and is being monitored to ensure delivery.
- 2.1.4 As such, there is a current commitment to continue to ensure that MST is available as a service for our most vulnerable young people and families.

## **2.2 Does the Council want to externalise the service through the establishment of a staff led mutual, in order to gain wider benefits?**

### **2.2.1 *What is a 'Mutual'?***

A mutual is a form of social enterprise. There are different legal forms of social enterprise and a mutual can either be a charity, a cooperative or a community interest company. The staff group have worked with a legal adviser to determine what sort of mutual should be created. The choice has been to establish a community interest company limited by shares. Essentially this is a trading company with a not for profit ethos in which all members of the company are stakeholders or owners. This allows for external investment to be raised by the company without giving up equity. The staff will become the shareholders as members of the company but the County Council will not hold any shares. There will be a board which will include Non-Executive Directors. The company will aim to make a profit (as otherwise it is making a loss) but any surplus will be reinvested into the company and will not be distributed to shareholders. In time a subsidiary charity will be formed to receive any profit in excess of investment requirements. Government is keen to see staff led mutual companies enter the market place.

### **2.2.2 *What are the risks and benefits in establishing the service as a staff led mutual?***

#### **2.2.3 *Risks***

- The unit cost of providing the service once externalised will need to include overhead costs which are currently absorbed within the Local Authority's existing structure. This includes management costs, 'back office' functions such as HR and finance support, as well as costs of accommodation for the team. As such the actual cost of commissioning the service will look greater than it does currently.
- The proposal if agreed is predicated on the success of the business plan. If for reasons which haven't been anticipated the company fails, there is a risk that staff who have been transferred are made redundant and the service is no longer viable. This could lead to the loss of the provision of MST support to families at a time when the provision may be most needed to make an impact on our LAC numbers, and will have a personal impact on staff who have left the protective environment of the County Council. However, given

the financial climate for the County Council, this is a situation common to many teams within the County Council.

- An initial commitment of a three year contract with the MST company would be sought. Whilst this could be seen to commit the Council to a contract at a time of financial constraint, flexibility in the contract terms would need to be agreed with the company to allow maximum flexibility for the Council and potential reduction in funding or termination if required with that period.

#### 2.2.4 *Benefits*

- Being able to continue to access a specialist service at a time of increasingly constrained finances for local authorities, where economies of scale could be realised over time through trading activity. In time the overheads of the company will reduce as it reaches economies of scale although these will take time to realise.
- Maximising the expertise within Cambridgeshire in relation to MST. Cambridgeshire County Council has been a lead authority in the development of the evidence based practice nationally and internationally. Externalising this activity will provide greater potential for Family Psychology Mutual to exploit and develop this national and international network of evidenced based practice in MST. Keeping close links with the new company will retain this close relationship and benefit the development of practice within Cambridgeshire.
- Establishing the company will create capacity to trade with an increased likelihood of retaining a high intensity intervention in Cambridgeshire. The pricing of the services for Cambridgeshire will be competitive in comparison to charges to other Local Authorities. This will be ensured as the primary contractor and with a contracted rather than a spot purchased rate for services.
- The establishment of the company as a specialist service with a broader based in evidence based programmes, with a strong relationship to Cambridgeshire, will increase access of the Local Authority to specialist support and expertise in relation to a wider set of effective interventions.
- It is anticipated that the growth strategy for the company will indicate that the unit costs to the County Council will reduce over the next few years.
- The strong correlation between MST and positive outcomes lends itself to exploring different forms of investment, for example social impact bonds. This is an area which the County Council is exploring further as a model of future financing. In addition, as an independent company, Family Psychology Mutual can raise external finances and enter into outcomes based contracts with the County Council.

2.2.5 In summary, it is the recommendation to Members that moving to externalise MST Services could lead to greater opportunities for innovative practice to be developed within the Council and could also provide a vehicle for new forms of funding.

### 2.3 **Does the Council want to explore alternative means of funding MST for 2016 – 2019, such as through a Social Impact Bond?**

#### 2.3.1 ***What is a Social Impact Bond (SIB)?***

2.3.2 A Social Impact Bond is a financial mechanism in which investors pay for a set of interventions to improve a social outcome that is of social and/or financial

interest to a government commissioner. If the social outcome improves, the government commissioner repays the investors for their initial investment plus a return for the financial risks they took. If the social outcomes are not achieved, the investors stand to lose their investment. Social Impact Bonds provide investment to address social problems and look to fund preventative interventions, aligning funding more directly with improved social outcome.

- 2.3.3 Social Impact Bonds encourage a rigorous approach to performance management including objective measurement of outcomes which contributes to building a broad evidence base for what works. A rigorous data collection system allows impact to be tracked and reported to both the investor and the commissioner; and through data tracking, allows commissioners learn from what achieves the best outcomes regarding edge of care services to continually inform commissioning decisions.
- 2.3.4 A key component of the LAC strategy and a tool needed to inform future commissioning of edge of care services is a clear framework of specialist and edge of care services. This framework is to be used to monitor and track services to develop evidence that can be used to best inform future commissioning intentions. This work could be supported through use of a social impact bond, as this framework is a required part of the performance management system of a social impact bond.
- 2.3.5 Given the strong evidence base, and the role of MST Services in delivering the LAC Strategy, there are opportunities to consider a social impact bond as a means for securing funding for procuring the service. This would support the appetite in the County Council to explore innovative ways of securing external investment to deliver services.
- 2.3.6 To put commissioners in the best place to review the opportunities of investment in MST, we have commissioned Social Finance Ltd to assess the feasibility of structuring investment through a Social Impact Bond. This would align funding more directly with improved social outcomes.
- 2.3.7 This work is being undertaken on behalf of Cambridgeshire County Council Commissioners. This is independent of the mutual and will include a review of the MST cohort, considering the probability of care entry for the cohort and the volume of expected cases. It is being funded through the MST innovation grant. Undertaking this detailed analysis will take some weeks, after which the financial risks and benefits of the funding model will become clear. If agreed as a way forward, establishing the SIB itself will take a further number of months.
- 2.3.8 Permission is sought from Members to consider a SIB as a potential model for investment, as part of the development of the financial plan for the Mutual. The business plan has been developed on the basis of viability being achieved on a fee for service contract. Therefore the decision to progress to mutualisation is not predicated upon the development of a social impact bond. However a SIB with the County Council could increase the security of the contract, and may more readily open up opportunities to expand to two teams, which in turn would potentially deliver an economy of scale.

### **3.0 PROGRESS IN DEVELOPING THE MUTUAL**

### 3.1 ***Developing the Company - Family Psychology Mutual***

3.1.1 Following an initial piece of development work and the securing of a grant from the Department for Education of £589,000, the first draft of a business plan to create a staff mutual was presented to the Children and Young People committee in March 2015. Agreement was given to pursue the development of the business plan which has formed the bulk of the work since then, and been presented to Spokes on 1 October and 3 December 2015 for further discussion. **Appendix 2 – MST Business Plan.**

3.1.2 The nascent company has been registered as a community interest company (CIC) limited by shares under the trading name **Family Psychology Mutual**. This is a not for profit structure which has a community benefit described and enshrined within the company articles. The company cannot be sold commercially nor can it sell more than a single share to any investor; however there may be more than one investor in the company.

3.1.3 Work with the Cabinet Office Mutual Support Programme for business, financial and legal support as well as mentoring support from a local Social Incubator programme has been sought. A virtual office and access to shared office space at the Future Business Centre in Cambridge has also been set up.

3.1.4 A growth plan has been developed outlining financial modelling and market analysis for the business to develop a broader business base over the next three years and to be able to sustain itself in the long term. **Appendix 3 – Summary of Financial Projection – Confidential.** An independent evaluation has been commissioned via the Rees Centre at Oxford University. This is expected to be completed by June 2016 and will confirm whether the new company form improves outcomes.

3.1.5 The company is seeking to negotiate with the County Council to provide two elements: provision of services for MST Standard and MST PSB (Problematic Sexual Behaviour), both of which are currently provided by the Local Authority.

3.1.6 Costs incurred by the County Council associated with the establishment of the Mutual are being charged against the Innovation Grant by the County Council.

3.1.7 Negotiations regarding a partnership agreement for the continued supply of NHS staff, employed and seconded by Cambridgeshire and Peterborough NHS Foundation Trust (CPFT) are progressing. An agreement in principle in support of a partnership agreement is expected with a business case put to the CPFT Board at the end of January 2016.

### 3.2 ***Local Authority Arrangements***

3.2.1 There is a need to distinguish between the interests of the County Council and its staff, and the future interests of the company and its trading activity. As such, the following measures have been put in place:

- Director for Law and Governance is acting as the monitoring officer for the Local Authority in relation to the proposed transfer.
- Costs incurred by the County Council associated with the establishment of the Mutual are being charged against the Innovation Grant by the County Council.

- The LAC Commissioning Board (chaired by Service Director: Strategy and Commissioning) will act as the Commissioning body for MST, and excludes employees with a vested interest in the company as needed.
- Performance management arrangements will be established to manage the contract if and when a contract is agreed.
- A project manager has been identified to oversee the process and delivery of the project on behalf of the County Council.
- A project board has been established for the County Council, chaired by the Service Director for Enhanced and Preventative Services. This brings together internal partners (Pensions, HR, Finance, staff from Strategy and Commissioning Directorate) and external partners (CPFT).

## **4.0 ALIGNMENT WITH CORPORATE PRIORITIES**

### **4.1 Developing the local economy for the benefit of all**

- 4.1.1 The mutualisation of MST Services is linked to multi-agency efforts to support families to overcome deprivation, find work, manage debt and address other economic issues. Additionally there are links to the Commissioning Strategy for Reducing Looked After Children which aims to help families to build their resilience so that more children are able to stay safely at home. **Appendix 4 – Commissioning Strategy for Reducing Looked After Children – draft** – (Note: appendix not attached – see link at end of document or hard copy available on request)

### **4.2 Helping people live healthy and independent lives**

- 4.2.1 As laid out in the Commissioning Strategy for Reducing Looked After Children we want to support families, where possible, to stay together in the interests of children and young people. The strategy has a clear focus on further reducing the number of children becoming looked after in Cambridgeshire over the next five years; on minimising safely the time children spend in care and therefore reducing the expenditure on care arrangements for children and young people.

### **4.3 Supporting and protecting vulnerable people**

- 4.3.1 In support of the Corporate Parenting Strategy 2015 Council Officers and partner agencies pledge to help develop Council services to make sure that the Corporate Parenting Strategy is being put into practice. **Appendix 5 – Corporate Parenting Strategy 2015**. (Note: appendix not attached – see link at end of document or hard copy available on request)

## **5.0 SIGNIFICANT IMPLICATIONS**

### **5.1 Resource Implications**

- 5.1.1 The overall level of resource to deliver direct County Council services is being significantly reduced. The resource reductions will have an impact on the amount of early intervention and preventative support provided and will need to be targeted to minimise any increased demand for specialist, acute and intensive services such as Children's Social Care Services.

## **5.2 Statutory, Risk and Legal Implications**

- 5.2.1 The proposal has not identified any areas where the County Council will be unable to meet statutory requirements. However, overall reductions in County Council services will put pressure on our performance in statutory service areas such as:
- safeguarding vulnerable children
  - impact on the numbers of young people who are Not in Education, Employment and Training (NEET)
  - the reduction in both numbers of children in care and the expenditure on the support we provide as laid out in the Commissioning Strategy for Reducing Looked After Children.

## **5.3 Equality and Diversity Implications**

- 5.3.1 There will be a need for specialist services, such as MST, to provide direct support where needs are more complex or a statutory intervention is required.

## **5.4 Engagement and Consultation Implications**

- 5.4.1 We have not consulted with service users at this point regarding the spin out but we intend to develop service user participation into the company structure. We have asked service users about potential names and have received feedback on options.

## **5.5 Public Health Implications**

- 5.5.1 There are no public health implications.

## **5.6 Localism and Local Member Involvement**

- 5.6.1 There are no significant implications within this category, however, Spokes have been briefed throughout on progress of proposals.

## **6.0 FINANCIAL, HR AND PERFORMANCE IMPLICATIONS**

- 6.1 This work has a number of risks, practical, reputational, financial and operational in nature. These are detailed in the business plan but clearly the idea of trading on the open market and leaving the County Council exposes the service and the County Council to new risks.

## 6.2 Financial Implications

6.2.1 Projected indicative costs for the company compared to current expenditure is as follows, but is subject to further change.

### MST Standard

Current Cost	No. Places	Price/ Case	Proposed Cost	No. Places	Proposed Cost/Case
431,463	35	12,238	430,772	35	12,308

### PSB

Current Cost	No. Places	Price/ Case	Proposed Cost	No. Places	Proposed Cost/Case
201,118	8	25,140	208,693	8	26,086

6.2.2 Assumptions:

- Current cost includes CCC Corporate Overheads. This is consistent with the Section 251 return for Children's Services budgets which apportions £10,951,218 of corporate overheads to Children's Services based on an amount per FTE (£5,764 per FTE).
- Proposed costs are based on the actual operational costs plus 20% to cover overhead costs. These are subject to negotiation although the parameters for negotiation are narrow. Further analysis is required regarding cost inflation assumptions. The company will have to meet many overheads which are currently covered in corporate costs by the County Council which is able to achieve economies of scale. The overhead assumptions are similar to the £5,764 FTE although this estimate is likely to be on the low side as it does not cover some all of the costs to the County Council such as democratic accountability.
- MST PSB current and proposed costs represent 50% of the cost of an MST PSB Team. It is proposed that CCC commission equivalent places to sustain 50% of a team. The proposed cost is based on the actual cost of half a team capacity and 20% percent for overhead costs. The mutual is prepared to reduce this overhead cost to 12.5 % to make the unit cost more attractive and more in line with the current cost. This would amount to £208,693 with a unit cost of £26,087. With this reduction the overhead costs would only be covered for 78% and further contracts will need to cover this deficit over time
- The proposed cost is a provisional and remain subject to change, for example negotiations are underway with LGSS regarding the support services that may be provided and the potential cost to the company.

6.2.3 Commissioners are continuing to work through a number of financing options. This will be through the business planning process, financial planning in relation to the LAC Strategy, and exploring the potential for an internal invest to save model and/or an external invest to save proposal linked to a Social Impact Bond. It is proposed to link this work to the LAC strategy and LAC action plan, with a focus on delivering savings to the LAC placements budget, through the management of expected demographic pressures and future cost avoidance. A comprehensive financial appraisal of all potential options will be supported by Social Finance, and will help define the most suitable commissioning option, as well as securing best value for the local authority.

- 6.2.4 Social Finance Ltd will continue to provide support to amend the financial model and associated parts of the strategic business plan for the mutual, as negotiations and judgements on key assumptions (such as pensions liabilities, review of support services with LGSS etc.) continue to evolve. In this context, it is anticipated that as the company expands, that some further economies of scale will be achieved, leading to a reduction in overheads in the medium term. It is anticipated that this would be passed on to the Local Authority in the medium to longer term through a reduction in the overhead charge. In addition to this, by securing growth, the service would be sustained.
- 6.2.5 Ongoing discussions around pension liability for existing CCC staff transferring to the mutual are taking place. Initial indications are that the local authority will agree to be guarantor for existing liabilities for current staff but not ongoing future liabilities for existing and new staff. The mutual would need to make provision for liabilities thereafter.

### 6.3 HR Implications

- 6.3.1 Should the proposal be approved by Members in January 2016 then a TUPE transfer for the staff concerned will be initiated. Admitted status to the LGE and NHS pension schemes will also be sought.

## 7.0 NEXT STEPS & PROGRAMME TIMELINE

- 7.1 The Implementation will be a staged process. If the company achieves a fee for service contract then there will need to be a statutory transfer period for the affected staff and a series of work streams will need to be finalised for issues such as pensions, partnership agreement and information governance. Should an agreement be reached for the creation of a Social Impact Bond then a further period of development will be required to step through the necessary legal and financial raising processes to establish this type of funding arrangement. It is likely that the company could be running independently by the summer, subject to the implementation process being agreed.

Source Documents	Location
Appendix 1 – Evaluation Report	Attached to committee paper
Appendix 2 – MST Business Plan	Attached to committee paper
Appendix 3 – Summary of Financial Projection - Confidential	Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972
Appendix 4 – Commissioning Strategy for Reducing Looked After Children – Draft	<a href="http://www.cambridgeshire.gov.uk/info/20076/children_and_families_practitioners_and_providers_information/370/providing_children_and_families_services/5">http://www.cambridgeshire.gov.uk/info/20076/children_and_families_practitioners_and_providers_information/370/providing_children_and_families_services/5</a>
Appendix 5 – Corporate Parenting Strategy 2015	<a href="http://www.cambridgeshire.gov.uk/info/20076/children_and_families_practitioners_and_providers_information/370/providing_children_and_families_services/5">http://www.cambridgeshire.gov.uk/info/20076/children_and_families_practitioners_and_providers_information/370/providing_children_and_families_services/5</a>