

CABINET

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DEVELOPING AND EMPOWERING RESOURCES IN COMMUNITIES

Portfolio Holder:	Councillor David Brake, Adult Services
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Summary

This report seeks approval for Medway Council to act a Guarantor for the Developing and Empowering Resources in Communities (DERiC CiC) initiative. The DERiC projects will work to improve outcomes for vulnerable people of all ages by enhancing the quality of support through a focus on personalisation (direct payments). This should result in reduced demand on base budget funding and utilising social capital that will reduce latent demand on services.

Empowering Communities is an innovative community development approach initiated by DERiC who work in partnership with communities in Walderslade, the Hoo Peninsula, Medway Council and Medway Clinical Commissioning Group. Similar successful projects are already operating in at least six other communities within the UK.

1. Budget and Policy Framework

- 1.1 The development of this project supports the delivery of the Medway Council's Plan of supporting Medway's People to Realise Their Potential and the Health and Wellbeing Board theme of Developing Healthy and Active Communities.
- 1.2 Approval to act as guarantor and thereby enter into an agreement as outlined in this report with the named community interest companies is a matter that requires Cabinet approval. In addition this will support the development and delivery of the Adult Social Care Strategy around the key strategic themes of Personalisation and Partnership.

2. Background

2.1 Background

- 2.1.1 Since November 2013 Medway Council has been working with DERiC - Developing and Empowering Resources in Communities. DERiC is a “not for profit” Community Interest Company (CIC) which acts as a Social Investment Finance Intermediary (SIFI) for this community development programme. The detail of the community development programme was presented at Cabinet in July 2014. The overarching aim of this initiative is to establish an innovative and creative new model of support for vulnerable people and their carers. This is achieved by creating and using existing links in communities; thereby mobilising social capital in communities, strengthening neighbourhoods and building resilient communities.
- 2.1.2 In November 2014 two areas within Medway were chosen in consultation with Portfolio Holder, and others, to progress community development projects; the areas selected were Walderslade and the Hoo Peninsula. Social need mapping was undertaken in both of these communities, and engagement with local people about the development of projects in their areas was progressed. In relation to the Hoo Peninsula in particular there have been periodic difficulties in securing social care services in this community due to the perceived rurality and remoteness.
- 2.1.3 An Advisory Board was established within Medway Council consisting of Senior Officers and chaired by Deputy Director of Children and Adult Services to support and advise on the project and agree future developments. It meets quarterly providing practical support and encouragement for the Project Lead in progressing the project. It supports the work in communities across Medway and encourages and strengthens community engagement. Service and team managers from the Advisory Board offer advice so that the national and local policies requirements relating to disability, older adults and vulnerable families are incorporated in the project. It will also monitor the outcomes for service users from the project and jointly review these, share examples of good practice and outcomes and challenge where necessary.
- 2.1.4 Following community engagement in May 2015 including several community consultations and informal meetings in both Walderslade and the Hoo Peninsula two Community Interest Companies [CiCs] were established. Subsequently Walderslade CiC registered with Companies house as “Walderslade Together” CiC (WALT), and the Hoo and Peninsula Cares CiC operating as “wHoo Cares”. Both WALT and wHoo Cares completed Business plans and held open public meetings in September 2015 discussing business plans and inviting membership.
- 2.1.5 In October 2015 the DERiC Board approved both CiCs’ business plans, in principle. That allowed for financial plans to be drawn up to request the £150K per CiC as arranged through DERiC . A crucial part of the expenditure for both CiC’s is the recruitment of necessary staff to support and sustain the vision of WALT and wHoo Cares in their communities with support from the Board of Directors of each CiC. The staffing will consist of a Programme Manager, Community Broker and Volunteer Coordinator for each CiC.

- 2.1.6 The WALT and wHoo Cares Boards are now in the process of completing on the formal loan of £150K per CiC administered by DERiC on behalf of Big Society Capital. This will cover the initial staffing costs, set up costs, and other expenses. Both CiCs will be required to repay the DERiC loan over a 6 year period through a combination of income generation derived from external grant funding and community dividends generated from achieving cashable savings on existing care package costs. More detailed information regarding the income and expenditure plans for both CiCs can be found in the financial plans as set out in the exempt appendix.
- 2.1.7 During the initial operating period loan repayments are suspended, and the first loan repayments are not due until 18 months from when the loans are made in order to give each CiC the time to get established.
- 2.1.8 So that DERiC can approve the Loans of £150K per CiC it is a requirement by Big Society Capital, which funds the loan administered by DERiC for each CiC to identify a guarantor for the loans. Both WALT and wHoo Cares are requesting that Medway Council act as guarantors in these circumstances.

2.2 The Community Interest Company Operating Model

- 2.2.1 The model of operation put forward by both CiCs is that a person with identified needs is referred to the CiC and a life planning meeting(s) will take place with a community broker employed by the CiC. With the help of a volunteer coordinator (employed by the CiC) the Life Plan will identify and facilitate relevant interactions with social activities or the support required for that particular individual.
- 2.2.2 This approach of additional volunteer support to individuals will lead to improved services for socially isolated vulnerable people in social need, and result in opportunities to prevent and delay the need for social care intervention.
- 2.2.3 The individual's Council Social Worker/Care Manager will undertake an assessment of need and an indicative budget will be established that could provide a direct payment. The Individual will then be referred to the CiC to act as a third party who can receive a Direct Payment on behalf of the service user if the service user agrees. This is done by letter/'contract' between the service user and the CiC at the point the service user agrees that the CiC will act on their behalf. This instruction is provided to and recorded by the Direct Payments team who will then process the payment directly to the CiC's designated client only bank account. It should be made totally clear that the service user has the right to stop this arrangement at any time with immediate effect. This means that the CiC must continue to satisfy the service user that the funds are being used appropriately.
- 2.2.4 When the CiC agrees to take on the service user, it does so in the first instance by agreeing to commission exactly what the council and the service user have agreed is required at the time of assessment and the setting of the individual budget paying for this, that in turn becomes the basis for the amount of Direct Payment to be transferred to the CiC. By definition then, no surplus can be made at this point as the CiC is obliged to commission exactly what has been agreed. However if the CiC is adding community based social capital (volunteers, or what CiCs will call Community Supporters) and, if over

time the inputs of this social capital makes it possible for the service user to say that he/she no longer wishes to receive all of the parts of the original package of care, then by agreement between the service user and the CiC, those parts of the package are reduced. The funds that would have been used are then retained by the CiC.

Here is an example case study from another project:

Client J has a package of care agreed at the outset of, say £100 per week covering a half hour visit in the morning and the evening by a professional care worker. Each half an hour (fourteen per week) is worth around £7. Client J gets additional visits from Community Supporters in the afternoon for an hour a day and possibly in the evening to, say, have a cup of tea and a chat. Additionally, Client J gets taken to church on Sundays. After (not less than) 3 months of receiving the original service, Client J says to the CiC that she no longer needs the half an hour paid professional care visit every evening - she has more than enough support from the Community Supporters - and she is happy for this to be dropped. The end result is that the CiC retains the £50 that would have been paid for the professional carer for the half an hour evening visit. (The CiC has the funds in its client account from the transferred Direct Payment and is responsible for commissioning the care from the relevant care agency.) In all cases this 'reduction' can only be made with the agreement of the service user and never before a period of at least 3 months has elapsed since the beginning of the arrangement. This is how funds are generated by the CiC. There are many other examples in practice.)

- 2.2.5 The funds that would have been made available through the direct payment then become a held resource which contributes to a payment made through a community dividend. In other similar schemes this is split on a 50:50 basis between the CiC [income] and the funding authority. This will be reviewed between the council and each CiC at the end of each financial year.
- 2.2.6 Medway will have the right to nominate its own representative to the CiCs' Boards and/or ask for a co-opted representative on its behalf. This will ensure one part of the necessary oversight of the CiCs' activities. The second part of this oversight will be the quality control mechanism. This is the right of the Council to: (a) have sight of the CiCs' books and accounts at any time - agreed in the guarantee with DERiC and placed as a condition by DERiC in its facility agreement with the CiCs and; (b) the right of Medway social workers to supervise and oversee the way in which the CiCs deal with every relationship/case it has with service users - again a condition that will be in the facility agreement between DERiC and the CiCs.)
- 2.2.7 The CiCs will also provide similar services as outlined above for people who are receiving a council managed budget, people who are funding their own care and those who are not receiving care.
- 2.2.8 The Community becomes a partner in caring for their vulnerable residents using the skills, knowledge and support of other local residents who wish to make a difference in their local area. This allows for opportunities for people to build relationships, make local links and be supported by those who live in and therefore know the area well. Small community groups and social opportunities that are only known about by local residents can be utilised and small businesses encouraged to diversify their services to meet the needs of the whole of the resident population.

2.3 The benefits

2.3.1 The benefits for Medway Council delivered through the DERiC initiative relies on a long term strategy to mobilise sustainable community based assets:

- i) DERiC incentivises communities to deliver support for vulnerable people in their community through carefully managed volunteering (community support), building resilient communities.
- ii). This results in vulnerable people receiving an enhanced quality of support.
- iii). Over time the impact of this type of carefully managed community support results in reducing the need and or delaying the need for social support.
- iv). Reducing the cost of the current social support received can create a community dividend which enables communities to reinvest this dividend back into the community with agreed arrangements to share this dividend with partners in statutory services.
- v). A reduction in reliance on statutory services is anticipated for both services commissioned by Medway Council and NHS Medway Clinical Commissioning Group.
- vi). Add value to social care packages by offering support to those who need assistance with everyday tasks that domiciliary care and personalised care cannot provide e.g. someone to talk to, help with housework, shopping, gardening, attending appointments and opportunities to get involved in community events and social activities. This will enhance/compliment current care arrangements especially for those at risk of social isolation and in time could mitigate the need of assessed care.
- vii). Provide support that can prevent the needs for statutory services by working with individuals not in receipt of social care packages but deemed in need of support services to prevent them from escalating into statutory services. This is done through design of holistic Living Plans and then brokering a wider range of support from community and voluntary sectors e.g. neighbour looking in once a day/share trips to shopping centre/go for walks together/take to medical appointments).
- viii) Manage and administer Personalised Budgets (Direct Payments): Both CiCs will provide vulnerable people with a choice to shape and manage their social care packages enabling them to design a Living Plan that works for them brokering a wider range of support from statutory, voluntary and community sectors enabling them to remain supported with their homes and communities as long as reasonable possible.
- ix) There are additional benefits with this programme as it enhances the skill and employability prospects of individuals through providing meaningful volunteering opportunities offering training, personal development and volunteering experience supporting vulnerable people within their community.

2.3.2 In addition to the Council seeing this as an alternative source of provision so can Health work with the CiCs to find alternative ways of preventing and meeting healthcare needs for example support more effective discharge facilitations from hospital or prevent early admission to hospital. By working in partnership with communities it can have an added outcome to encourage effective joint working between the Council and the NHS to achieve integrated

health and social outcomes. The long term benefit is an envisaged reduction in reliance on public services to achieve a reduction in social isolation for vulnerable people.

- 2.3.3 The additional benefits for the Community is the increased opportunities for volunteering that will overcome the inter-generational gap and with training and volunteering opportunities will lead to increased opportunities for employment in these communities.
- 2.3.4 Working and supporting communities to deliver this will be necessary through dedicated staff to coordinate and provide the necessary oversight and working along all partners involved (Council/CCG/NHS).

3. Options

- 3.1 In the contexts of the information provided above, DERiC are now at the stage of considering the Business Plan for approval of a loan of £150K for both WALT and wHoo Cares. If approved this will allow the capital for both CiCs from Big Society Capital administered through DERiC. Approval of these loans is contingent upon confirmation of a guarantee agreement between DERiC and Medway Council to underwrite the proposed loans. In order for DERiC to secure the guarantee agreement 2 options are proposed:

Option 1: The Council and DERiC enter into an agreement for the Council to guarantee the repayment of DERiC's investment into the wHoo Cares and WALT CiCs over the lifetime (6 years) of the loans. The Council would be obliged to make any re-payments that the CiCs failed to make, on their behalves. This sum would be limited to the amounts due in any one year.

Option 2: The Council agrees to open an escrow bank account with DERiC and place matching funds to those invested by DERiC to the CiCs in this account. The Council's funds would be available to make any missed repayments. Once the loans have been repaid over six years the escrow account will be closed and funds within it remain with the Council.

4. Advice and analysis

- 4.1 Option 1 (offering a guarantee) is the preferred option due to the additional flexibility it gives us with the money in terms of being able to invest over the period of the loans.

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	WALT and wHoo Cares are unable to afford repayments and the Council is forced to make these either by guarantee (Option 1 above) or through the application of funds placed into an escrow account (Option 2 above)	The Council's will be able to operate an Open Bank Account with both CICs. Financial forecasts include obtaining external grant funding and projections of potential community dividends.	Medium
Quality Assurance	WALT and wH00 Cares do not provide high quality support to vulnerable individuals	High quality volunteer induction, screening and training programmes. Due diligence with Medway Social work teams. Ongoing reviews and feedback from community.	Low
Reputational Risk	Council perceived to not honour its intentions in the Council Plan in supporting resilient communities.	If the guarantee is put into place risk will be reduced. Close joint partnership working between CICs and Medway Council.	High

6. Consultation

- 6.1 There are no further or outstanding statutory consultations required to take place. WALT and wHoo Cares have invited and met with all organisations operating in their communities through a stakeholder event and have agreed on points of collaboration and the benefits that a community specific approach can bring. This stakeholder event was also attended by elected Members from the appropriate wards.

7. Financial implications

- 7.1 The Council's liability to guarantee loans for both CiC will be £300k. The loans are given with a 6 year payback period but no repayments will be due for the first 18 months given both CiCs a lead in time to establish their operations. Under either Option 1 (Guarantee) or Option 2 (Shared Escrow Bank Account) the repayment is limited to the amounts payable but left unpaid in any one year. The loans would be repayable over 5 financial years that will start after the 18 months lead time and the amount payable will be not more than £30k for each CiC in any one year (Total liability therefore to be not more than £60k in any one year). Option 1 (offering a guarantee) is the preferred option due to the additional flexibility it gives us with the money in terms of being able to invest over the period of the loans.
- 7.2 The financial benefits to the Council for the first 3 years of operation are likely to be around cost avoidance in the form of preventing and delaying the need for support packages funded by the Council. It is also possible that support packages will be less intensive when they are required. It is difficult to estimate the impact at this stage.
- 7.3 Additionally from around year 3 onwards it is envisaged that the Council will see a cashable saving as a result of the savings generated through reductions to council funded care packages. There will need to be further negotiations regarding the ratio of how any savings achieved are split between the Council and the CiCs.

8. Legal implications

- 8.1 As the CiCs are providing social care services for the benefit of vulnerable people and their carers in the Council's administrative area, the Council has a general power of competence to guarantee the CiC's obligations under the loan agreement in furtherance of its social care functions. A certificate under the Local Government (Contracts) Act 1997 will be provided to certify that the agreement is lawful.
- 8.2 There are no procurement implication from the scheme proposed as the provision of services will be agreed between the service users and the CiCs.
- 8.3 There are also no state aid issues from the scheme proposed as the aid provided by the Council under the guarantee will qualify for the "de minimis exemption" where the total loan underlying the guarantee is not larger than €200,000 (£155,686.50). A Block Exemption can also be applied for loans over the de minimis level up to €1.5M (£1,135,174.22) per beneficiary. The loans proposed are £150,000 to each CiC.
- 8.4 Any guarantee would need to be in a form acceptable to the Monitoring Officer. The Legal documents required are being completed with the assistance of legal services.

9. Recommendations

- 9.1 Cabinet is asked to delegate authority to the Deputy Director of Children and Adults Services, in consultation with the Portfolio Holder for Adult Services, to provide a guarantee to DERiC (Option 1), as set out in paragraph 3.1 of the report.
- 9.2 Cabinet is asked to delegate authority to the Monitoring Officer to finalise the terms of the guarantee with DERiC and arrange the proper execution of the required legal documents.

10. Suggested reasons for decision(s)

- 10.1 A guarantee from Medway Council will allow DERiC to invest in the communities of Walderslade and the Hoo Peninsula to build resilient communities.

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Appendices

Exempt Appendix – Business Plans

Background papers

None