

Royal Borough of Windsor and Maidenhead

Wokingham Borough Council

Optalis

Adult Social Care Partnership

Business Case

November 2016

Version 8.2



**WOKINGHAM
BOROUGH COUNCIL**

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Frequently used acronyms and terms

AfC	Achieving for Children
Company	Optalis Ltd
CQC	Care Quality Commission
Directorate	Adult Social Care services being run as a Directorate in Optalis on behalf of the Royal Borough
FF&E	Fixtures, fittings and equipment
FTE	Full time equivalent
Go-live	3 rd April 2017, the start date for the new partnership
LATC	Local Authority Trading Company
NRV	Net realisable value
Partnership	The Partnership between the Royal Borough of Windsor and Maidenhead and Wokingham Borough Council
RBWM	The Royal Borough of Windsor and Maidenhead
Royal Borough	The Royal Borough of Windsor and Maidenhead
SLA	Service level agreement
WBC	Wokingham Borough Council
Wokingham	Wokingham Borough Council

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1 EXECUTIVE SUMMARY

- 1.1 The Royal Borough of Windsor and Maidenhead and Wokingham Borough Council have agreed to form a partnership to deliver the Royal Borough's adult social care services through Wokingham's adult social care company, Optalis Ltd. This business case details the benefits, outlines the design, and sets out the work involved in implementing the Partnership.
- 1.2 The Royal Borough's motivation for 'delivering differently' is to ensure the most effective services which improve outcomes for residents and which support sustainable growth, provide resilience in the workforce, and secures value for money.
- 1.3 Wokingham Borough Council believes the growth of Optalis, through a Partnership with the Royal Borough, provides resilience to the company, enhances its reputation and influence in the market, and aids its promotion to other potential commissioners and partners.
- 1.4 The combination of the benefits, identified by both councils, means that Optalis will be well placed to continue delivery of two things of key value to Wokingham and the Royal Borough residents:
 - High-quality social care services at reducing cost.
 - Efficiencies and surplus from its other (non-Wokingham/Royal Borough) service delivery, which will be shared by the shareholders (Wokingham and the Royal Borough) regardless of the source.
- 1.5 Optalis will be 100% publicly owned by Wokingham Borough Council and the Royal Borough. This ownership gives the Councils complete control over quality, delivery and strategic direction of the services. The key objective of the partnership is to protect and develop services. Optalis will be free to develop new services, sell to new customers, and invest in the delivery of high quality care and support in the two boroughs.
- 1.6 As a medium sized enterprise, the company will be able to provide services in an efficient and flexible manner. It will be able to respond quickly by virtue of its size and focus and take advantage of new opportunities. As a company solely focussed on the delivery of adult related services it will be able to increase its expertise through offering greater opportunities to professionals who want to focus only on adult care.
- 1.7 The company added value to both councils is that it can 'sell' services to private individuals. This ability to sell will mean that Optalis is free to develop new services responding to current and future demand, such as the growing demand for dementia support. In addition the company will be able to move into new markets, such as neighbouring councils – with agreement from the shareholders.
- 1.8 As the strategic commissioner for the service both councils will retain a degree of management of the market through Optalis as an operator in the independent sector. Optalis will also act, for both councils, as provider of last resort. When an independent sector provider, such as a residential home, fails the Royal Borough, as Wokingham currently does, will be able to ask Optalis to step in as provider of last resort to stabilise the situation and ensure that the residents are safe.
- 1.9 There will be an estimated 294 staff, 259 FTE's (full time equivalent), who will transfer across from the Royal Borough to Optalis under TUPE regulations, guaranteeing that staff terms and conditions will be protected. Taking the Optalis workforce to 647 FTE. The larger workforce will have a positive impact for all staff, providing greater opportunities for professional development in a larger and solely adult focussed organisation. In addition recruitment and retention should be easier through offering good career opportunities and progression to existing and potential staff.

- 1.10 The Royal Borough services will be transferred on 3 April, 2017 into Optalis Ltd under the Teckal exemption rules. The rules require a significant degree of control by the owning authorities. This will be exercised through a Group Holding Board structure. The Royal Borough will have equal shareholding with Wokingham within two years. There will be equal director representation on the controlling Board. The Chairmanship of the controlling Board will be rotated every two years.
- 1.11 The Deputy Director of Health and Adult Social Care for the Royal Borough will transfer to manage the services at Executive Board level. Support services will be provided by the Royal Borough for the first year. No assets will be transferring to Optalis, buildings will be occupied through a licence issued by the Royal Borough.
- 1.12 Borough services transferring have already identified and planned the deliver of the three year saving. Additional efficiencies will also accrue through opportunities to introduce other neighbouring authority services into the partnership, and provision of services to private paying residents is legally possible.

2 STRATEGIC RATIONALE AND BENEFITS

- 2.1 The Royal Borough of Windsor and Maidenhead and Wokingham Borough Council are forming a partnership so that the Royal Borough's Adult Social Care functions are delivered through Wokingham's Adult Social Care company, Optalis Ltd.
- 2.2 Members from both Councils have agreed that in principle this Partnership will bring significant benefits to both sets of residents. This business case details these benefits, outlines the design, and sets out the work involved in implementing the Partnership.

The Royal Borough

- 2.3 The Royal Borough's motivation for 'delivering its adults services differently' is to ensure the most effective services which improve outcomes for residents and which support sustainable growth, provide resilience in the workforce and respond to the future financial challenges.
- 2.4 Royal Borough Adult Services cover direct delivery and support services.
 - The direct delivery comprises a range of functions including:
 - Care and support for older people, people with learning disabilities and or physical disability, people with mental health issues and carers.
 - Short term reablement and support, day services and a small amount of residential and respite provision.
 - Services to carers, including help with respite care, and career advice.
 - The support services cover organising external placements such as care home placements, day centres, equipment and adaptations, home care, personal budgets, direct payments, and financial assessment.
- 2.5 The Royal Borough and Wokingham are both committed to integrated adult social care services, as they offer residents the greatest opportunity to receive service at the point they need the support, in the way they need and at the time they need it. This commitment to delivering integrated services informed the analysis of how services can be delivered, for instance whether the:
 - Function is dependent on other service areas and if separated, would it reduce the likelihood of improved outcomes.
 - Service is a statutory responsibility that is appropriately linked to another service.
- 2.6 On the principle of retaining adult services as a whole, supporting integration, the analysis concluded that only some adult services functions would be out of scope of the new delivery model with Optalis, these include:
 - Functions that the local authority is not authorised to delegate, the statutory role of the Director of Adult Social Services (the DASS) and strategic oversight of safeguarding.
 - Strategic commissioning at a population level, including contract, quality and performance management.

Wokingham

- 2.7 From its inception, there has always been an ambition for Optalis to pursue growth, through private care provision, contract bidding with other authorities, and through merger/joint venture expansion.
- 2.8 Wokingham Borough Council believes this growth provides resilience to the company, enhances its reputation and influence in the market, and aids its promotion to other potential commissioners and partners. Through these, Optalis Ltd is then better able to

provide a return to the tax-payers of Wokingham, whether through profit and dividend or through reduced costs to the Council as commissioner of its services. Further, expansion should support recruitment and retention, a challenge across the sector, as the employing 'offer' to staff improves.

- 2.9 Currently Wokingham Borough Council has retained elements of its Adult Social Care service, and commissions from a wide set of provider partners, reflecting in part the importance of the Choice and Personalisation agenda in Adult Social Care. The scale of commissioning from Optalis is, and will be, kept under review and Optalis is the 'provider of choice' as well as the 'provider of last resort' to the Council.
- 2.10 Wokingham Borough Council looks forward to the opportunities that this Partnership brings in terms of expansion and partnership.

Key benefits of the partnership

- 2.11 The key objective of the Optalis partnership is to secure the delivery of high quality services to residents. In traditional service delivery models, the challenges get greater as demand for services increases and council resources diminish in today's challenging financial times. There are numerous key benefits for the partnership, including:
- **Ultimate control and risk management:** Optalis will be 100% publicly owned and controlled by the Royal Borough and Wokingham Borough Council enabling it to ensure the Company maintains high quality management, delivers on the strategic intentions of the Councils, and invests or returns profits back to the Councils as appropriate.
 - **Controlling costs:** One of the reasons for the two councils forming the partnership is Optalis ability to provide services in a more efficient and flexible manner, thus reducing costs and providing the Councils with services at a lower price even after covering the costs of managing and governing a business of this size outside of the Royal Borough.
 - **Faster moving:** As a medium sized enterprise, Optalis will be able to provide services in an efficient and flexible manner. The Company will be able to respond quickly by virtue of its size and focus, taking advantage of new opportunities through making changes to its operational model quickly.
 - **More focused:** From the Chair of the Board, down to the frontline staff, the only purpose for Optalis will be the care and support of adults in need of care and support. This will give a real focus to everything that Optalis does and enable it to deliver services in a way that isn't possible within a larger organisation with more functions, responsibilities and competing priorities.
 - **Able to trade:** Councils cannot trade or sell services to private individuals. Optalis, because it is a company, will be free to sell its current, and future new, services to:
 - Private customers.
 - Direct Payment recipients.
 - Neighbouring Councils.
 - **Able to expand:** Optalis is free to develop new services in response to trend and demand, such as the growing demand for dementia support, and move into new markets, such as neighbouring Councils. This is a real benefit that being a trading company gives to Optalis.
 - **Management of the market:** Optalis, by virtue of the fact that it is a company, will be able to operate in the same market as the independent sector. This will allow the Councils to retain a degree of management of the market, ensuring that future commissioners operate in a mixed economy of care.
 - **Act as 'Provider of Last Resort':** When an independent sector provider, such as a residential home, fails, the Royal Borough, like Wokingham, will be able to ask

Optalis to step in as Provider of Last Resort to stabilise the situation and ensure the customers are safe. The Council will then be able, if appropriate, to ask Optalis to take over the failed service, bringing it up to standard alongside its other services.

- **Deliver on the Care Act:** Optalis provides the opportunity to continue to support the implementation of the provisions of the Act by virtue of having a rounded offering of services, for example being able to offer service in response to people with personal budgets and supporting the provision of reablement services.
- **Quality of service delivery:** A clearly defined commissioning relationship between the services and the Council will ensure a greater focus on the clarity of expenditure and on what services are required. This will result in an increased emphasis on the quality of service delivery in Optalis which will drive up standards.
- **Staff development:** All staff will benefit from Optalis' greater opportunities for professional development of its staff in a larger and solely adult focussed organisation. Recruitment and retention will be easier through offering good career opportunities and progression to existing and potential staff.

3 DUE DILIGENCE

- 3.1 A high level of due diligence has been applied to ensure the two Councils have full confidence in the Business Case.

The Royal Borough services

- All relevant service budgets were collated and totalled for the 2016/17 financial year for the Royal Borough services in scope. These budgets were matched against the actual expenditure for 2015/16 and current 2016/17 performance to identify any significant variances that would indicate major budget inaccuracies.
- Material virements across the Royal Borough service budgets were investigated and justified by the finance team.
- Planned savings detailed by the Royal Borough were investigated and tested for their achievability and timing.
- Budgeted establishment details and costs were analysed and matched against budgets, along with 12 months of absence history for the Royal Borough services to ensure a full complement of staff posts were in scope for transfer.
- Costs for senior management to transfer were identified and if not held in service budgets were added to the in-scope budgets.
- Income currently with the Royal Borough that will move over to Optalis was identified. All income relating to current client contributions and public sector bodies such as the NHS and other local authorities will continue to be invoiced, collected and accounted for by the Royal Borough.
- Latest CQC reports were requested and examined to ensure that transferring services were measured as at least 'Meets standards' and therefore not needing significant resource to be brought up to acceptable standards.
- The allocation and rationale behind corporate support services such as ICT, HR and Finance were challenged and agreed.

Optalis

- The current year results were compared to 2015/16 audited accounts and variances investigated and explained.
- Material actual or contingent liabilities held in the 31st March 2016 accounts were reviewed for significance.
- The latest audited accounts were adjusted with the 2016/17 business plan for Optalis to create a financial performance template.
- Current results were matched against the 2016/17 business plan.
- Remedial actions were challenged and investigated to test their ability to redress current financial performance issues.
- Latest CQC reports were requested and examined to ensure that the services were measured as at least 'Meets standards' and therefore not needing significant resource to be brought up to acceptable standards.

- 3.2 The cost base for both sets of services was examined to benchmark with other Local authority trading companies in relation to:

- Staffing costs including pension contributions.
- Supply costs.
- Utility costs.
- Support service allocation costs, including training costs.
- Transport costs.

The result of the benchmarking tests proved that the 2016/17 budget costs for both sets of services were not materially out of line.

- 3.3 The due diligence work performed in the process of developing and ratifying the

business case has additional protection for both partner Councils as it informs the development of a transfer agreement. This agreement will be part of the suite of documents that will legally bind both Councils to the safe transfer of staff, activity and assets to Optalis. The transfer agreement will contain clauses that will indemnify each Council against the other for any material misrepresentation or omission relating to the state and condition of the services at the time of transfer. These clauses will include:

- Material understatement of required operating budgets.
- Material overstatement of operating income or funding.
- Omission of any material liabilities or contingent liabilities on the services and staff.
- Material costs relating to incorrect assumptions used as a basis for the business case financial assessment.

Design structure of Optalis

- 3.4 After identifying all the services and the direct reporting lines to be included in Optalis, an Executive Board has been designed. This Board has been designed using Local Authority Trading Company design experience and the current Optalis Board structure. The design provides assurance to both Councils that Optalis can govern itself correctly and within all aspects of relevant Company Law.

Forecast additional running costs of Optalis

- 3.5 Known costs already incurred by Optalis have been identified and valued. Each cost has been reviewed to see if the additional activity for the Royal Borough services will increase these costs or add new ones. These costs are:

- Bank charges.
- Independent Chair and Non-Executive Director costs.
- External audit fees.
- Enhanced executive director capacity.
- Insurance premiums.
- IT strategic review.
- Quality and performance reporting costs.

Analysis of potential efficiencies

- 3.6 Once the cost base of all the services was identified, analysed and matched with the establishment, potential efficiencies were forecast based on experience in the trading performances of other similar trading entities: Buckinghamshire Care; Essex Cares; Olympus Care Services in Northamptonshire; SB Cares in Scottish Borders and Tricuro Ltd in Dorset.

Five year profit and loss account and balance sheets

- 3.7 Optalis's performance for the year to April 2018 will be measured against a profit and loss account that will be finalised during implementation and will include:
- Contract income from the Royal Borough reducing over two years.
 - Latest agreed service budgets for 2017/18 used as the cost base for all services in scope.
 - The estimated costs of support services provided by the Royal Borough.
 - Forecast savings available to Optalis on Royal Borough and its own services.
 - Additional costs required to run and manage Optalis.
 - Any tax implications, savings or costs that may apply.

- 3.8 In addition to the profit and loss account there are forecast balance sheet statements that illustrate the financial position of Optalis at the end of each financial year.

4 THE LEGAL CASE

Trading powers

- 4.1 The Royal Borough and Wokingham Borough, as local authorities, are able to trade and charge for services through a jointly owned company under the following legislation:
- Under the **Local Authorities (Goods and Services) Act 1970** councils were given powers to enter into agreements with each other and with a long list of other designated public bodies.
 - The **Local Government Act 2003** added further possibilities. It enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.
 - The new **General Power of Competence (GPC) contained in the Localism Act 2011** now complements local government's existing powers to trade and charge. Under the Localism Act 2011 commercial trading through a special purpose trading company is now an option.

Local Authority Trading Company

- 4.2 Optalis is a Local Authority Trading Company (LATC). An LATC is a limited company 100% owned by a Local Authority, or Local Authorities. It is registered with Companies House and has to comply with the statutory obligations of a limited company. Optalis is a company 'limited by shares' with currently 100% of the shares being owned by Wokingham Borough Council. The Optalis Group consists of a holding company with two subsidiaries that provide services to public bodies or private customers respectively. Once the Partnership goes live, the Wokingham and the Royal Borough will jointly own the trading company.

Procurement

- 4.3 A Council can only enter into a service contract with a third party company when the procurement regimen is followed. This is still the case even when the company is a LATC. A direct award of services without any need for a procurement process must be in accordance with the requirements of Regulation 12 of the Public Contract Regulations 2015 ("PCRs 2015"). This Regulation codified 'Teckal arrangements' which had been established previously by case law. Regulation 12(1) provides an exception to the requirement that a contracting authority (i.e. the Council or Councils) complies with the PCRs 2015 when awarding a public contract where the following conditions are met:
- The Local Authority must be able to demonstrate that it exercises significant control and influence on the LATC, through its governance structures. The level of control has to be the same as when it was a department of the Local Authority.
 - More than 80% of the activities of the LATC are carried out in the performance of tasks entrusted to it by the Council or Councils.
 - There is no direct private capital participation in the LATC. It must be wholly owned by the Council or Councils.
- 4.4 This means that the LATC could provide services to persons other than the Councils provided that this trading is less than 20% of the LATC's activities.

Best value duty

- 4.5 The best value duty obliges the Royal Borough to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. Joining Optalis in order to provide services is a “best value” arrangement. In order to prevent vulnerability to legal challenge, the Council will need to undertake prior consultation exercise to fulfil its best value duty.

State aid

- 4.6 State aid is an economic advantage granted by public authorities through state resources on a selective basis to organisations engaged in economic activity that could potentially distort competition and trade in the European Union (EU).
- 4.7 State aid can occur whenever state resources are used to provide assistance that gives organisations an advantage over others. It can distort competition, which is harmful to consumers and companies in the EU. Where there is a genuine market failure, State aid might be necessary and justified.
- 4.8 The Partnership will require to operate in a way that state aid is not given to Optalis – otherwise there is a significant risk of challenge, especially where Optalis is competing with other bidders in a tender situation. It is the intention that the support services provided by the Council will be supplied at full cost rates to Optalis.

TUPE

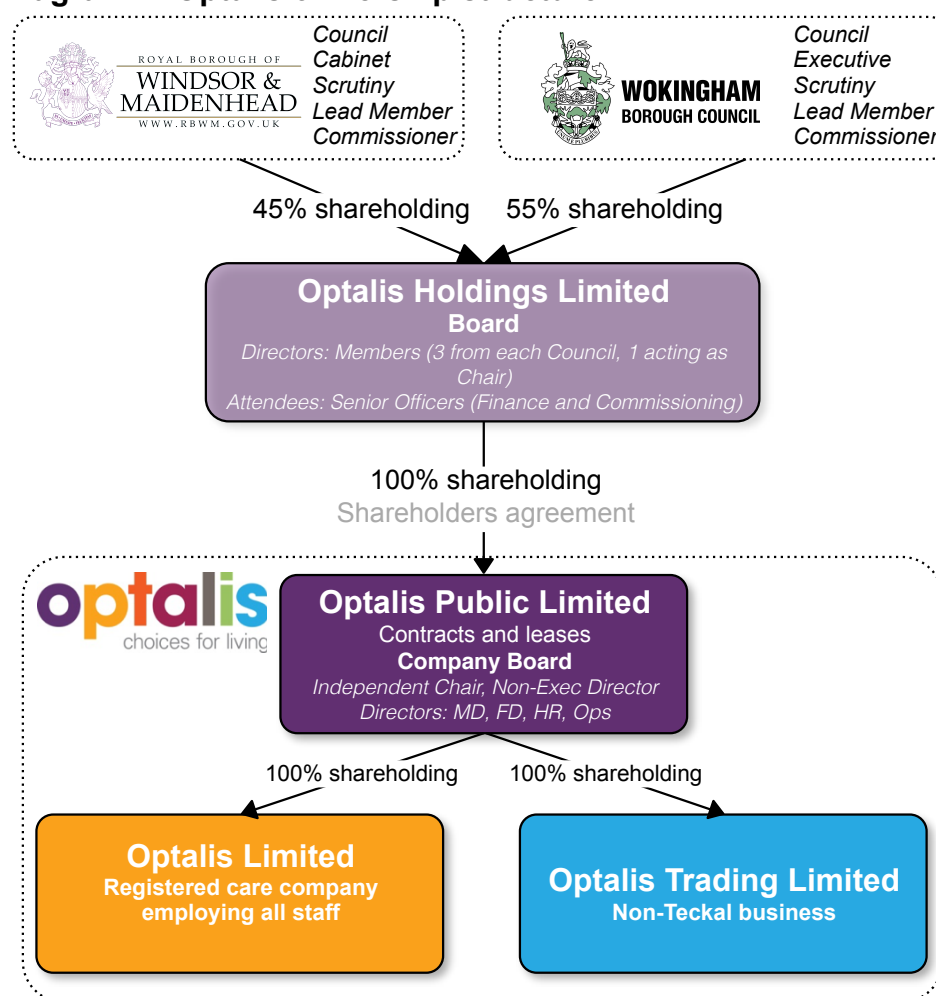
- 4.9 There would be an estimated 294 staff 259 FTE's (full time equivalent) who would transfer to Optalis under the TUPE regulations (**Transfer of undertakings (protection of employment) 1981**). Assurances have been included in the business case to guarantee that staff terms and conditions will be protected and that Optalis has admitted body status for the Local Government Pension Scheme.

5 THE NEW ORGANISATION – GOVERNANCE

Ownership

- 5.1 The governance structure, set out in Diagram 1, takes account of the principles agreed between the two Councils (Appendix 1). These principles include:
- Both Councils are seeking a partnership with shared control.
 - Shareholding proportions will be marginally in favour of Wokingham in the first two years, or until a new partner is admitted.
 - Partner authorities have control of their services through contracts.
 - A commissioning relationship and strong contract management will ensure control of each Council's services as delivered by Optalis.
- 5.2 The Optalis Holding Ltd company (the holding company) will be owned by the two Councils in the agreed proportions of 45/55 on go-live, moving towards 50/50 ownership within two years or when another partner joins. Each council will have three Members on the holding company Board as directors. One of the six will be the Chair who will hold a casting vote. The chairmanship will rotate between the two Councils every two years, with the first Chair coming from Wokingham. Senior Officers will be invited to attend the Board meetings to inform and provide advice to the Board.

Diagram 1: Optalis ownership structure



- 5.3 The holding company Board would typically meet on a quarterly basis to receive financial and performance reports from Optalis as well as any other ad hoc business cases and reports. Once a year the Board will meet to receive the next year's business

plan as developed by the executive Board of the operating company. This would typically be in November or December to fit with Council budgeting timetables.

- 5.4 Optalis Holdings Ltd will be the 100% owner of Optalis 'Public' Ltd. Optalis Public Ltd will hold the governance board for the Optalis companies and will be wholly accountable to the Board of the holding company. This Board, see Diagram 1, will comprise:
- Independent Chair.
 - Managing Director.
 - Finance Director.
 - HR Director.
 - Operations Director.
 - Non-Executive Director.
- 5.5 Part of the early remit of the Independent Chair of Optalis Public Limited will be to assess the skills and experience needed to manage Optalis in its new form and to match those requirements with the current board membership. This will include identifying what a Non-Executive Director will bring to the Board and recruiting them appropriately.
- 5.6 The companies owned by Optalis Public will be managed as one company with only one set of Directors as listed in 5.4, and Diagram 1.

Teckal compliance

- 5.7 To qualify for 'Teckal exemption', the Company has to be under 100% control and influence of the transferring Authority, in this case the Royal Borough and Wokingham. Both Councils owning 100% of the shares between them and having a strong governance structure achieves this qualification,

Two-company VAT structure

- 5.8 The structure has been tried and tested with other LATCs including Tricuro Ltd, SB Cares LLP and Olympus Care Services Ltd. It involves two companies, a 'support services' company and a 'care delivery' company, managed by the same Board. These two companies are called Optalis Public Ltd and Optalis Ltd respectively. The third company called Optalis Trading Ltd has previously been incorporated and is available to deal with future significant non-Teckal contracts.
- 5.9 The 'support services' company ensures that Optalis has the most VAT efficient structure and does not carry a VAT loss in the provision of the CQC registered services. This is an approach that other authorities have agreed with their local HMRC office. In effect there would be seamless relationship between the two companies.

Shareholders Agreement

- 5.10 The relationship between the holding company shareholders and with Optalis Public Ltd will be governed by a Shareholders Agreement, which will be completed during the implementation stage. The agreement will provide the rules by which the holding company Board manages Optalis.
- 5.11 One role of the Shareholder Reference Group will be to discuss and finalise the reserved matters list during implementation and be satisfied that all reserved matters have been captured. The Executive Bodies will agree a final list of delegations in March 2017. The reserved matters list will include the following actions that Optalis cannot effect without the express agreement of the Holding company:

1. Register the Company and vary the articles of association.
2. Enter into any arrangement, contract or transaction resulting in expenditure either with a capital or revenue value to be agreed by the Shareholder Reference Group.
3. Financial Regulations and shall be subject to prior approval within the Business Plan and operating revenue budget.
4. Enter into any arrangement, contract or transaction where the company is providing services to third parties without following the relevant agreed process.
5. Enter into any borrowing, credit facility or investment arrangement (other than trade credit in the ordinary course of business) that has not been approved by the Members under the Financial Plan.
6. Approve appointment of auditors.
7. Adopt or amend the Business Plan in respect of each financial year, which for the avoidance of doubt shall include the adoption and amendment of an operating revenue budget for the relevant financial year.
8. Appoint or remove Executive Directors. Agree any change in employment terms and conditions which the relevant scheme of employment.
9. Form any subsidiary of the Company or acquire shares in any other company or participate in any partnership or joint venture with a view to providing services to third parties without being subject to the Trading Opportunity Evaluation Process as prescribed by the Members.
10. Amalgamate or merge with any other company or business undertaking. Sell or dispose in any way whatsoever, any part of the business of the Company.
11. Enter into any arrangement, contract or transaction within, ancillary or incidental to the ordinary course of the Company's business or is otherwise than on arm's length terms.
12. Pass any resolution for the winding up of the Company or present any petition for the administration of the Company, other than where the Company is insolvent.

5.12 The Shareholders Agreement will govern the relationship and interaction between the shareholders themselves and will include:

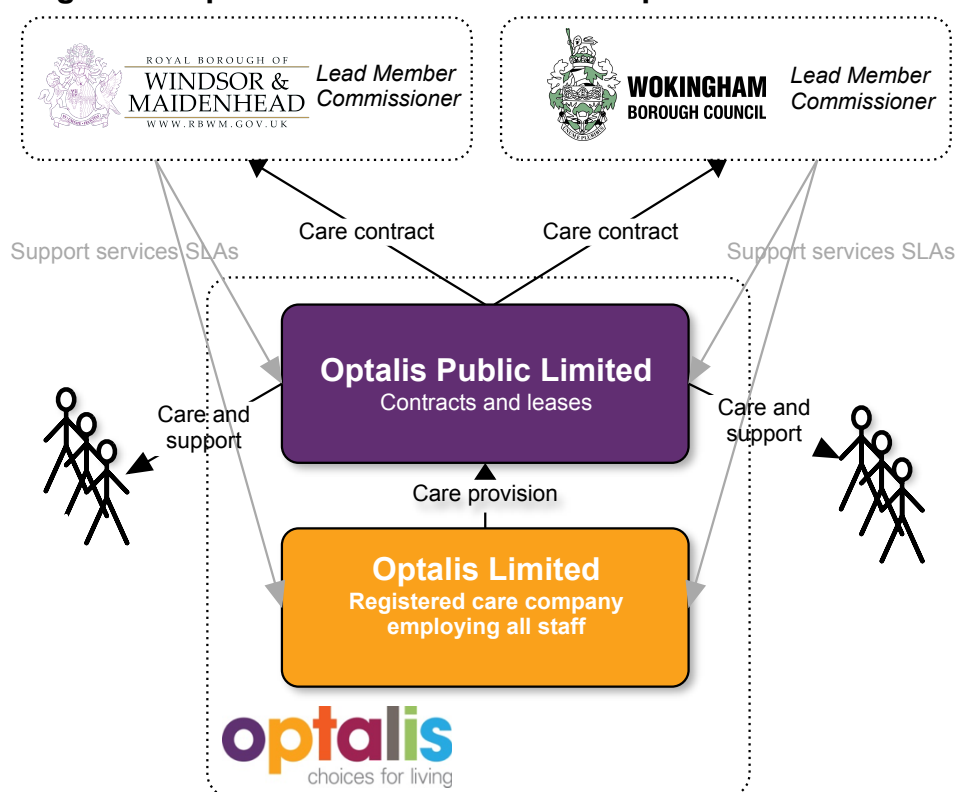
1. The desire by both partners to move towards a 50/50 shareholding. Through the first two years, progress will be formally reviewed by Optalis Holdings Ltd and, provided it has gone well (judged by company performance against service, financial, and user satisfaction measures), will then broker a move towards a more equal shareholding. The price of the additional shares will be the same price per percentage shareholding as the initial transfer purchase.
2. Protocols on how to track and measure the savings identified by the Royal Borough. These savings have specific actions and measures to achieve the required quantum, and if the savings are not achieved, the shortfall is passed on to the Royal Borough through an adjustment upwards in the commissioning prices.
3. Neither Council will be put in a position of indemnifying the other's savings targets.
4. If a new partner is taken on before two years the process of inclusion and the development of the relationship between the original partners and the third will be set out in the Shareholders Agreement.
5. The pre-emption rights that will allow existing partner shareholders the right to buy any shares that other partners wish to sell.
6. Exit protocols will be produced as part of the shareholder agreement work during implementation. As both Councils are committed to a long-term partnership the agreed protocols will be designed to reflect the long-term nature of the partnership. These could include:
 - a. Discounted sale price of shares back to leaving partner.

- b. Reducing discounted price over time.
- c. Extended notice periods.
- d. Lock-in periods.

Commissioning relationships between the Councils and Optalis

- 5.13 Each Council will have two contractual relationships with Optalis, one for the delivery of services by Optalis, and one for the delivery of support services by each Council to Optalis. These contracts will be supported by SLAs and service specifications developed during implementation and will ensure that each Council and Optalis receives the level of service required, see Diagram 2.

Diagram 2: Optalis contractual relationships



- 5.14 The Lead Members for Adult Social Care for both Councils will not act as Directors on the Optalis Holding Board to avoid any conflict of interest. They will represent the strategic and operational requirements of their respective commissioning Councils. However, they will have scheduled opportunities to influence the Members on the Board of Optalis Holdings Ltd through Lead Advisory Group and commissioner/Directorate Director meetings timetabled to allow briefing ahead of the quarterly meetings between Optalis Holdings Ltd and the Optalis Executive Board.

- 5.15 The service contracts for the management and provision of the brokerage service for the Royal Borough will include:

- Continual monthly monitoring of commissioned spend.
- Monthly commissioning meetings with the Royal Borough and Optalis to understand the movement in commissioning costs and agree action points if required to redress the forecast spend.
- A margin of error of circa 5% where both parties accept that the deviation to the

contract spend does not merit immediate or reactive action.

- Optalis will not have the financial resources to compensate the Royal Borough for unexplained or uncontrollable commissioning overspends that have been identified through the monthly commissioning meetings.

5.16 The final details of the contracts will be negotiated and completed during the implementation stage of the project.

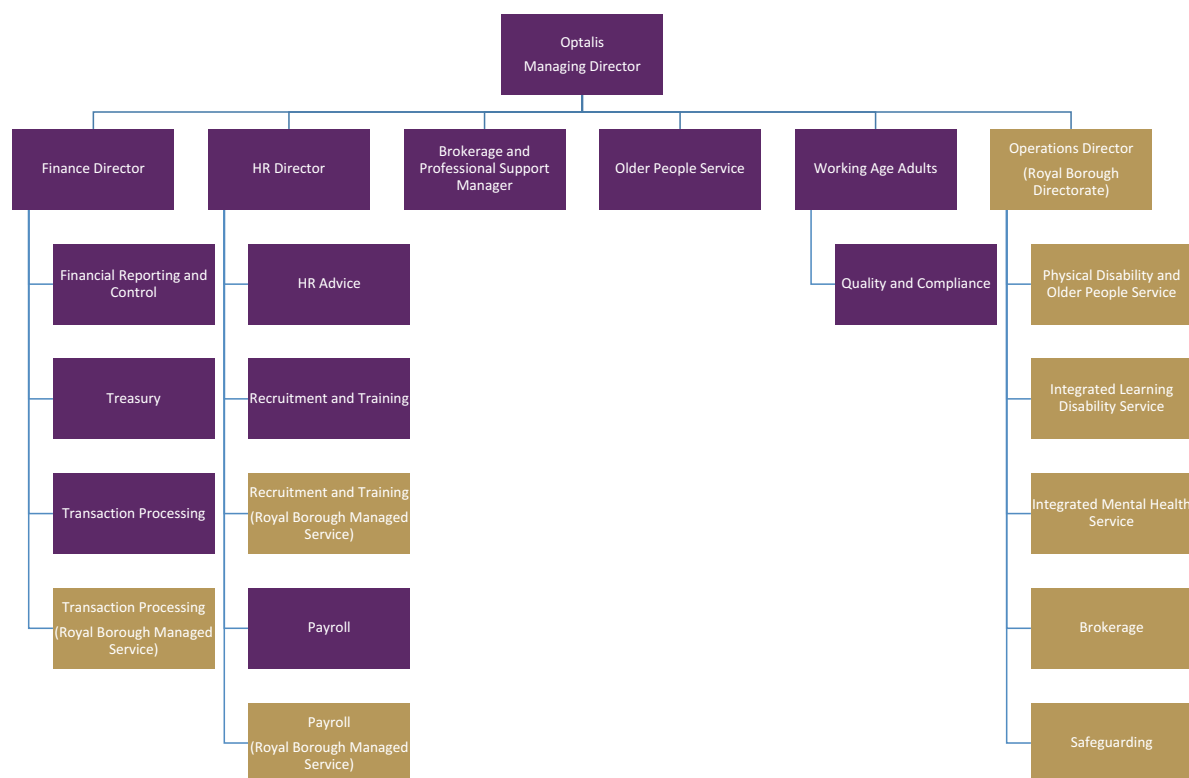
6 THE NEW ORGANISATION – SERVICES AND STRUCTURE

- 6.1 This section describes the new Optalis Partnership and sets out the assumptions relating to its design, see Appendix 2 and the underlying principles for the Partnership in Appendix 1.

Company structure

- 6.2 At go-live, the Royal Borough services will be moved into Optalis as a Directorate, overseen by the transferring Deputy Director of Health and Adult Social Care who will become Operations Director on the Optalis Board, see Diagram 3. This approach ensures a safe transfer of services, continuity of management and uninterrupted service to customers.

Diagram 3: Optalis structure chart



- 6.3 Optalis will consider in due course the most effective management structure to support the business going forward.
- 6.4 The services transferring from the Royal Borough into Optalis, and those currently within Optalis, are set out as a summary in Table 1, including budgets, FTE and headcount, see Appendix 3 for full detail.

Table 1a: Services in the Partnership – Royal Borough

Adult Social Care Partnership Cost budgets and staff numbers for Royal Borough services in scope			
Service areas	Gross Budget £'000s	FTEs	Headcount
Directly provided services	5,673	143	168
Care management	4,093	90	98
Brokerage and support services	460	17	18
Senior management	308	5.00	5
Service costs	10,534	254.92	289.00
Commissioned services - in scope - at transfer date	22,618	0	0
3/4/2017 transfer - Total	33,152	254.92	289
Commissioned services - in scope - delayed transfer.	9,775	5	5
Total services in scope	£42,927	259.92	294

Table 1b: Services in the Partnership - Optalis

Adult Social Care Partnership Optalis services at date of transfer			
Service Areas	Turnover £'000s	FTEs	Headcount
Directly provided LD services	4,348	117	133
Directly provided older person services	5,490	188	244
Care management	2,186	59.7	67
Senior management	n/a	23.69	28.0
Total services in scope	£12,024	388.2	472.0

- 6.5 The merger of these two sets of services will result in Optalis becoming in the first year a £45m pa turnover business with FTEs of 647. This represents a threefold increase on the existing Optalis and hence the management and governance needs to be designed appropriately.

Services transferring

- 6.6 The directly provided services that will transfer to the Royal Borough Directorate of the Optalis Partnership are:
- Physical Disabilities and Older People Team**
The Team provides an effective and best value assessment, which includes professionals such as Social Workers and OT's, who deliver an assessment and care planning service along with the provision of ongoing advice/guidance and support to direct customers and carers/families as well as the fulfilment of statutory duties such as safeguarding duties under the Care Act 2014 and the Mental Capacity Act 2005.
 - Community Team for People with Learning Difficulties (CTPLD)**
The Team is integrated with Berkshire Healthcare Foundation Trust (BHFT) and is made up of Health and Social Care professionals, providing a service for adults with learning disabilities. The team provides a quality, effective and best value

assessment and care planning service along with the provision of ongoing advice/guidance and support to direct customers and carers/families as well as the fulfilment of statutory duties such as safeguarding duties under the Care Act 2014 and the Mental Capacity Act 2005. It also acts as an advisory and guidance service and a service which can signpost people to a range of resources.

3. **Short Term Support and Rehabilitation Team**
This is a registered service with the Care Quality Commission (CQC). It provides short-term support to help people recover or cope after a decline in health, an injury or an illness. The service encourages adults to achieve maximum independence, health and wellbeing. Services include supporting people to manage their personal care (washing and dressing), other daily tasks such as meal preparation and advice and referrals to other services as needed. This team also provides palliative care support.
4. **Windsor Day Care Centre for Older People**
The purpose of Windsor Day Centre is for families to be supported to continue in their caring role enabling their relative to stay living in the family home and help prevent the need for more expensive care, including residential, and for individual customers to maintain social contact and personal care in a safe setting.
5. **Oakbridge Day Care for Adults with Learning Disabilities**
Provides parents and carers with a break from caring. Families are supported to continue in their caring role enabling their relative to stay living in the family home and help prevent the need for more expensive care, including residential. Families often require reliable, consistent day care to enable parents to work.
6. **Boyn Grove Day Care Resource Centre for Adults with Learning Disabilities and Older People**
The purpose of Boyn Grove Day Care is for families to be supported to continue in their caring role enabling their relative to stay living in the family home and help prevent the need for more expensive care, including residential, and for individual customers to maintain social contact, promote independence, living skills and receive personal care in a safe setting.
7. **Winston Court Registered Residential Home**
Winston Court is an 8 bedded residential care home registered with CQC that provides 24 hour personal and practical support to people with learning disabilities within a safe and caring environment.
8. **Homeside Registered Residential Home**
Homeside is an 8 bedded residential care homes registered with CQC that provides 24 hour personal and practical support to people with learning disabilities within a safe and caring environment.
9. **Allenby Road Respite Services**
Provides support to families in their caring role through the provision of short breaks, enabling their relative to continue to live in the family home and help prevent the need for more expensive care, including residential placements.
10. **Deprivation of Liberty Safeguards (DOLS)**
The Mental Capacity Act 2005 (MCA) applies to everyone involved in the care, treatment and support of people aged 16 and over living in England and Wales who are unable to make all or some decisions for themselves. The MCA is designed to protect and restore power to those vulnerable people who lack capacity. The Mental Capacity Act 2005 Deprivation of Liberty Safeguards (MCA DOLS) provide legal protection for vulnerable people who may be deprived of their liberty in a hospital (other than under the Mental Health Act 1983) or care home, whether placed there under public or private arrangements. The Council has a requirement to ensure that those who require an assessment under the DOLS legislation have one in the statutory timeframes.
11. **Safeguarding Coordinator**
The role is accountable for the provision of statutory services around the

protection of adults from abuse and to take a lead role in the development of the Council's services in this area. The post monitors the effectiveness of the multi-agency policy and procedures and develops practice guidance for staff involved in reporting and investigating allegations of abuse.

12. Community Mental Health Teams

Provide integrated and a comprehensive range of resources which residents with enduring and serious mental ill health can use to keep safe, stay well and lead as fulfilled a life as possible in the community. Following a comprehensive assessment this will include a psychiatric, psychological and social formulation of the person covering developmental and life history, current circumstances, strengths, resources and identification of their aspirations and future goals. All individuals will be provided with care appropriate to their needs and backgrounds.

Commissioning and business support services transferring

- 6.7 The Council strategic commissioning function interfaces with the operational care management teams that authorise spend for the team to broker the best value and quality package of care. This is achieved by calling off block contract arrangements or by spot purchasing, which is achieved by negotiating with the market, in order to meet the assessed care needs of eligible Adult needs across Older People, Physical Disabilities, Mental Health and Learning Disabilities.
- 6.8 The business support team that are integral to the commissioning role will be transferring along with the commissioning services.
- 6.9 The in-house provider services and all placement services will transfer on go-live.
- 6.10 Block contract services, such as Homecare, residential/nursing care, and Learning Disability services, will be transferred at a later date, to be determined by contract and performance with the possibility that some services will be transferred back into Optalis to become an Optalis provided service.

Support services at go-live

- 6.11 The Royal Borough support functions will be transferred in a planned and phased way to ensure safety of delivery of services. At go-live, the bulk of the support will be bought back from the Royal Borough to the transferred services Directorate on a Managed Service basis, see Table 3. The service specification and terms of the Managed Services contract will be defined during implementation.
- 6.12 A value will be assigned to these services and included in the contract sum that will be paid to the company, and then paid back to the Council. Where the Council ceases to provide a service and Optalis uses its existing infrastructure, there may be a resultant increase or decrease in costs. Indicative values for the support services are set out in Table 2.
- 6.13 Where a support service is provided through a Managed Service from the Royal Borough it is important that Optalis has effective oversight and control, with the Royal Borough being accountable to Optalis for the quality and level of service provided. This accountability will be defined and managed through the support services SLAs.
- 6.14 Business Partners will be identified to work for Optalis in the two major support areas, Finance and HR. These Business Partners will provide senior management expertise and knowledge so that continuity of current service levels can be maintained. They will be the main point of contact between Optalis and the Managed Service. They will report to the Finance and HR Directors in Optalis and be accountable for the delivery of the Managed Services.

Table 2: Support service summary

Adult Social Care Partnership Support services from the Royal Borough		
Services	£'000s	FTEs
Advice and information	107	4.16
Communications	18	0.00
Financial services	298	7.10
Health and safety	0	0.00
HR services	171	4.38
ICT	200	2.82
Legal	0	0.00
Performance / information mgmt.	55	1.28
Procurement	0	0.00
Property	0	0.00
Transport	TBA	TBA
Provided by the Royal Borough	849	19.74

Note: Service budgets - the above table does not include any service budgets that are transferring with services, such as occupational health, health and safety etc.

Table 3: Approach to support services at go-live

Support service	Approach	Details
Advice and information	Optalis managed	Specialist members of the customer service team, who give advice on adult social care to residents, will transfer to Optalis and be managed in the Directorate alongside the assessment team. <i>Staff transferred.</i>
Communications		
Corporate	Royal Borough	The Royal Borough will continue to provide Corporate support for the strategic function. <i>No transfer.</i>
Service	Optalis managed	Internal and external comms currently delivered in the services will remain the responsibility of those services in Optalis. <i>Resource budget transferred.</i>
Financial services		
Business advice	Business Partner	Business advice will be provided through a lead Business Partner seconded to Optalis.
Transactional	Managed Service	Financial transaction processing will remain in the Royal Borough on go-live and will be provided to Optalis as a Managed Service.
Internal audit	Council commissioned	Councils will commission Internal Audit as required
Insurance brokerage advice	Royal Borough	Insurance cover budget will transfer, with brokerage advice for that cover being provided by the Royal Borough as required at nil cost. <i>No resource transferred.</i>
Health and safety		
Corporate	Royal Borough	Corporate oversight for Health and Safety is provided by a shared service and will not transfer to Optalis.

Support service	Approach	Details
Service	Optalis managed	Service Health and Safety is the responsibility of the service managers and this will continue in Optalis. <i>Service budget transferred.</i>
HR services		
Business advice	Managed Service	Business advice will be provided through the Managed Service with a Lead Business Partner managing the Optalis work.
Transactional	Managed Service	Payroll and Self Service transactional support will remain in the Royal Borough on go-live and be provided to Optalis as a Managed Service.
Payroll	Managed Service	
Learning and development	Managed Service	Will remain in the Royal Borough on go-live and provided as a Managed Service.
Occupational Health	Managed Service	Occupational Health will continue to be provided to ex-Royal Borough staff through the Managed Service.
ICT	Managed Service	The Directorate will be taking all of the current IT services under contract as a managed service from the Royal Borough for a year. Optalis email addresses will be set up for all employees, with access to old addresses for a handover period.
Legal		
Service user challenge advice	Joint Legal Team (Reading)	The Joint Legal Team is Commissioned by the Royal Borough. Optalis will commission support as and when required within agreed limits. <i>No resource transferred.</i>
General legal advice	Shared Legal Service (Wokingham)	Optalis commissioned service from the Shared Legal Service in Wokingham (or other). <i>No resource transferred.</i>
Performance and information management	Optalis managed	Performance and information management will transfer to Optalis and be managed in the Directorate. <i>Resource transferred.</i>
Procurement advice	Royal Borough	Royal Borough procurement will continue to offer advice to the Directorate after go-live at nil cost for large procurements. <i>No resource transferred.</i>
Property		
Facilities management	Optalis managed	Procured by Optalis service managers – minor repair funds transferred within service budgets. <i>Service budget transferred.</i>
Transport		
Vehicles	Optalis managed	Vehicle leases transferred to Optalis. Insurance for the company will continue to be provided by the Council's insurers under the same financial arrangements. <i>Service budget transferred.</i>

Support service	Approach	Details
Drivers	Optalis managed	The current transport arrangements for the services within the Royal Borough use of a Section 19 Permit. This Permit is not available for use by Optalis as a commercial organisation, therefore new licensing arrangements will be put in place. The intention is to mirror the model used by Optalis whereby large vehicles are driven by external organisations (eg People2Places) and social care staff drive smaller vehicles. <i>Resource transferred.</i>

Note: Resource is as ascertained in the support services development work in the Royal Borough and will be in the form of TUPE staff where applicable or a transfer of resource budget, or a mix of both

Long-term solution for support services

- 6.15 Following go-live, Optalis and the Royal Borough will move to a new, joined up and fit for purpose solution by the end of the first year. This work will be brought into/alongside the project for the Royal Borough to redesign its own support services. Wokingham Borough Council provides Optalis with one major support function, IT, so the work to develop a long-term solution for IT will involve both Councils.
- 6.16 Optalis needs to have fit for purpose support services to allow its growth and development as per the aspirations of both Councils and Optalis. There will be a contracted commitment within the support service contract that after a year from go-live, the Royal Borough and Optalis will jointly complete the transition to the long-term provision of each support service to Optalis. This work will take into account:
- The strategic direction of Optalis and of the support services, including principles and outcomes required.
 - Appraisal of options, taking account of all the options the Royal Borough (and Wokingham where applicable) are looking at in their support services projects e.g. shared services, joint ventures etc.
 - The costs/benefits to all three parties, the resources required to do the work and a commitment to pay for it.
 - Implementation work with Optalis to put this long-term provision in place.
- 6.17 The Royal Borough will provide project team resource to support the planning and development of the long-term solution for support services. Both Councils recognise that Optalis will not have the financial and staff resource to implement the long-term solutions for the services detailed above.

Property

- 6.18 The current sole occupancy services properties, see Table 4, will be occupied by the services at market rates through a Licence to Occupy with the Royal Borough remaining responsible as landlord for maintenance of the buildings. Optalis will be responsible for utility charges for the solely occupied buildings, and these budgets will transfer over.
- 6.19 The licence to occupy mechanism has been selected because it does not raise any potential liabilities for Stamp Duty Land Tax. The cost of the licences will be added to the service contract price to be paid by the Royal Borough.
- 6.20 Office based staff will continue to operate out of York House, Abel Gardens, Nicholson House and Town Hall. These will be charged on a serviced office basis.

- 6.21 For sole occupancy service buildings, e.g. Boyn Grove, the repairs and maintenance liabilities will be shared between the Royal Borough and Optalis. the Royal Borough, as landlord, will be responsible for the fabric and integrity of the buildings occupied by the services. Optalis will be responsible for the minor repairs needed to maintain the interior of the buildings.

Table 4: Properties used by services in scope

Adult Social Care Partnership Properties used by Services in Scope		
Property	Location	Service
Boyn Grove Community Resource	Maidenhead	Dementia Day Service
Boyn Grove Community Resource	Maidenhead	LD Day Service
Windsor Day Centre	Windsor	Elderly Day Service
Oakbridge Centre	Windsor	LD Day Service
Allenby Centre	Maidenhead	LD Respite
Homeside Close	Maidenhead	LD Residential
Winston Close	Maidenhead	LD Residential
York House	Windsor	Shared Offices
Abel Gardens	Maidenhead	Shared Offices
Nicholson House	Maidenhead	Shared Offices
Town Hall	Maidenhead	Shared Offices

7 FINANCIAL APPRAISAL

Introduction

- 7.1 This section shows the net financial position of the services as they work together in the new organisation. This net financial effect can be passed on to the partner Councils, in proportion to shareholding levels, in one of three ways:
1. Reduced contract price for the services delivered to each Council.
 2. Reinvested in existing services or used to invest in new services.
 3. Kept as reserves in Optalis and distributed as dividends to each Council. This is the least attractive option as it would involve the application of Corporation Tax on the retained earnings.

Trading abilities and savings opportunities

- 7.2 As an LATC, Optalis has the legal ability to trade outside its Council contracts. The enlarged Optalis will achieve the critical mass to be able to look for, and gain, additional business that can yield a surplus. This is a medium to long term objective as in the first three years Optalis' focus will be to:
- Achieve its planned efficiencies.
 - Make further efficiencies where possible and safe.
 - Strengthen the services for quality, resilience and growth.
 - Invest in the workforce.
- 7.3 After three years, it is likely that further efficiencies will be expected, and the ambition of both Councils will be that Optalis will achieve them through:
- Development of new services.
 - Selling services to local residents.
 - Revising of employment contracts.
- 7.4 In addition to the financial benefits, the Royal Borough services will also experience:
1. **Being managed by a faster moving, flexible organisation**
Optalis, by virtue of its size and focus, will be able to take advantage of new opportunities and make changes to its operations and services.
 2. **Being more focused**
From the Chair of the Board, down to the frontline staff, the only purpose for Optalis will be the care and support of adults in need. This will give a real focus to everything that Optalis does and enable it to deliver services in a way that isn't possible within a larger organisation with multiple functions and responsibilities.
 3. **Being able to trade**
Optalis, because it is a company, will be free to sell its current, and future new, services to:
 - Private customers.
 - Direct Payment recipients.
 - Neighbouring Councils.
 4. **Having the ability to expand**
Optalis is free to develop new services, such as for the growing demand for dementia support, and move into new markets, such as neighbouring Councils.
 5. **Managing the market**
Optalis will be able to operate in the same market as the independent sector. This will allow the two Councils' commissioners to retain a degree of management of the market, ensuring a mixed economy of care.
 6. **Maintaining high quality of service delivery**
A clearly defined commissioning relationship between the services and the

Council commissioners will ensure a greater focus on the clarity of expenditure and of what services are required. This will result in an increased emphasis on the quality of service delivery in Optalis which will drive up standards.

7. Staff development

All staff will benefit from Optalis' greater opportunities for professional development of its staff in a larger and solely adult focussed organisation. Recruitment and retention will be easier through offering good career opportunities and progression to existing and potential staff.

Efficiencies from the Royal Borough

- 7.5 The areas of activity that the Royal Borough expects to see changes over the next five years have been identified, see Table 5. These changes will be tracked and measured on a monthly basis to ensure that the activities are implemented on time.

Table 5: Planned savings from the Royal Borough services

Adult Social Care Partnership Planned savings from RBWM services					
Areas of savings to be made	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000	£'000	£'000	£'000	£'000
Increased charges to clients by RBWM	335	335	335	335	335
Homecare reduced demand	500	500	500	500	500
Homecare inflation provision not needed	80	160	240	240	240
Reduced homecare costs through reablement	50	270	370	370	370
DOLS, best interest assessor savings		20	28	28	28
Free nursing care uplift	255	255	255	255	255
Supported People reduced commissions		155	155	155	155
Reprovision of Windsor day centre		100	100	100	100
Reprovision of Oakbridge day centre		50	50	50	50
Planned savings reducing contract price	885	1,510	1,698	1,698	1,698
Total annual contract reduction for Optalis	885	1,510	1,698	1,698	1,698
Total savings for Optalis and RBWM	1,220	1,845	2,033	2,033	2,033

Savings requirements from WBC

- 7.6 WBC recognises that the new company needs time to consolidate and establish itself post go-live. No savings are therefore being sought by the commissioner for 2017/18. WBC as shareholder provided a 2 year supplementary payment of £278k p.a. to Optalis, in 2016/17 and 2017/18. Therefore, at the end of this period Optalis will need to cover this reduced payment from 2018/19 (through reduced running costs, service efficiencies etc).
- 7.7 To achieve this will require Optalis to deliver a surplus at year-end of c.£500k. On an on-going basis, dialogue between the commissioners and the company will identify opportunities for future savings that will ultimately be agreed through the company's new governance structures.
- 7.8 All of the expected financial changes are supported by specific actions and activities to be completed within the first three years. The shareholders agreement will contain protocols that allow any shortfalls in achieved savings to be added back to the contract price for the relevant commissioning council, so that partner councils will not be

indemnifying each other for planned savings.

Efficiencies from operating in a commercial organisation

- 7.9 As Optalis has already proved on behalf of Wokingham, one of the benefits of the Partnership will be the 100% executive management focus that will be applied to the changes set out in Table 5 and other initiatives identified by the shareholders through the Holding company. In addition, the executive team will be tasked with achieving further efficiencies and savings.
- 7.10 A more commercial and sharper focus on managing staff, with an expectation of greater flexibility, will allow the company to manage its workforce more efficiently leading to significant benefits to the services through cultural change.
- 7.11 Experience in implementing and managing transferred services in other authorities evidences a cultural change in the new organisation that leads to:
- An improved 'team environment' and a sense of individual responsibility towards colleagues, service users and the organisation as a whole. This is linked to:
 - A sense of a new beginning with improvement in morale.
 - A smaller organisation with closer links and influence to the top of the organisation.
 - The removal of restrictions of a large corporate local authority body and an assertive commercial focus.
 - The ability to develop the business and expand rather than continually look for further savings, leading to attrition of services and jobs, provides a significant morale boost.
 - Streamlined management structures.
 - Quicker decision-making processes.
 - More responsive and focused management.
- 7.12 A new company dedicated to one service area, adults, can free-up time for all levels of management in not having to be engaged in the wider Council business. This will allow managers to focus purely on the delivery of specific service to customers and developing more efficient ways of working and looking at new services to deliver and generate income/contribution.
- 7.13 The most common and valuable manifestations of this change in culture centre on more effective use of resources, including the workforce and workforce management:
- More flexible and efficient work practices and patterns.
 - Reduced use of agency staff and overtime payments.
 - Development of "bank staff" who are available for short notice and short term engagements to further reduce the need for agency staff.
 - Review of current supplier contracts.
 - Innovative ways of reducing spend and usage of supplies and services.
- 7.14 There are two specific benefits that arise out of the Partnership:
1. The reduction in competition for quality trained care staff. Both Councils have experienced difficulties in attracting and recruiting the appropriate staff for their services. By combining these competing organisations, the new Optalis will reduce that competition and create a more attractive employment proposition with more opportunities to work in different services and locations and better career advancement opportunities.
 2. The elimination of lost input VAT due to the adoption of the new two-Company VAT structure, see paragraphs 5.9 to 5.11.

Additional costs of running the new expanded Optalis

- 7.15 Optalis will be changing from a £10m turnover business into a £45m t/o business within a very short space of time. This rapid expansion of size and activity will need to be managed properly so that all the services will be in a sustainable and resilient organisation that will encourage further improvement in services and growth.
- 7.16 The transfer of staff and services from the Royal Borough will mean that the activities themselves will have the middle management and supervisory staff already in place and able to continue managing service delivery. The Deputy Director for Adult Social Care is also transferring from the Royal Borough, providing director level skills and knowledge to the new Optalis Board as Operations Director, which again provides continuity of executive management and expertise.
- 7.17 The provision of support services by the Royal Borough for the first year, and the resource of senior finance and HR staff, means that there will be additional capacity to deal with the higher level of activity. This capacity will be further enhanced by the end of the first year when Optalis and the Royal Borough agree and design the best way to deliver the HR and finance functions which may involve the transfer of a mixture of staff and budget resource.
- 7.18 Optalis will require additional capacity at Board level where the enlarged Board will need guidance and support to manage £45m of activity and the new reporting relationship with Optalis Holdings Ltd. In response to this the Optalis Board will include an Independent Chair and one Independent Non-Executive Director.
- 7.19 The Independent Chair will carry out a review of the Board's skills and experience in relation to the new responsibilities and abilities needed to manage the new company in view of the significant additional responsibility attached to nearly doubling the number of Optalis staff and the introduction of the social worker and secondary commissioning functions into the company. This review will be presented to the Holding Company for consideration and possible action.
- 7.20 There will be additional costs associated with Optalis, see Table 6, and this includes increases in costs that will not be met by the budget transfers from the Royal Borough.

Table 6: Additional costs

Adult Social Care Partnership Additional board, executive management and external costs					
Summary	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000s	£'000s	£'000s	£'000s	£'000s
Board					
Independent Chair	20.00	20.00	20.00	20.00	20.00
Managing Director increase	12.25	12.25	12.25	12.25	12.25
Finance Director increase	10.00	10.00	10.00	10.00	10.00
HR Director increase	7.50	7.50	7.50	7.50	7.50
Non-Executive Director	8.00	8.00	8.00	8.00	8.00
Total Board Costs	57.75	57.75	57.75	57.75	57.75
Management					
Internal quality & performance	37.20	37.20	37.20	37.20	37.20
New Management Costs	37.20	37.20	37.20	37.20	37.20
External Services					
Insurance Premiums	20.0	20.0	20.0	20.0	20.0
Bank Charges	5.0	5.0	5.0	5.0	5.0
External Audit	10.0	10.0	10.0	10.0	10.0
Strategic IT review	10.0	-	-	-	-
External Services	45.0	35.0	35.0	35.0	35.0
Add'l board and support costs	139.95	129.95	129.95	129.95	129.95

- 7.21 The Independent Chair costs are new to Optalis and represent recompense for regular involvement with Optalis that will include chairing monthly board meetings and attending meetings with Optalis Holdings Ltd on a quarterly basis. The same applies to the Non-Executive Director, except they would not be expected to attend the quarterly Holding Company meetings.
- 7.22 The increase in Directors' costs are based on an estimated 10% increase in current salaries and pension contributions to take account of the Independent Chair's review of the Board's changing skillset requirements and responsibilities.
- 7.23 External services costs relate to areas of expenditure that Council services do not incur in the same way as limited companies do. Bank charges, insurance and external audit fees are already incurred by Optalis and they have been increased to recognise the growth in activity due to the transfer.
- 7.24 The internal quality and performance cost is in response to the significant increase in service delivery that Optalis will experience. The Optalis management team has recognised that service quality can be maintained and improved if the care delivered is measured accurately and consistently from within. This results in confidence in the services when CQC inspects them and a good service mark.
- 7.25 The one-off strategic IT review cost is to cover Optalis's need to have a coherent and appropriate IT strategy and plan going forward. Initially all IT will be provided by the partner Councils, but running on two separate systems will lead to inefficiency so the board of Optalis needs to understand what technical options it has to move to one system and what the costs would be.
- 7.26 The additional costs contained in the table above will be financed by the efficiencies generated by the cultural and commercial changes that were outlined earlier in this section. The treatment of any additional efficiencies will be decided by the Holding Company Board.

- 7.27 There is little doubt that the requirement for further savings for Councils and Commissioners will surface after Optalis has completed its settling in period and achieved its initial three year savings targets. The quantum of savings required and achievable is very difficult to predict three years ahead, but both partner Councils recognise that Optalis will be the best vehicle through which to achieve future savings.

Share purchase

- 7.28 In arriving at the buy-in price for becoming a partner shareholder, recognition has been made of:
1. The expertise that Optalis has built up over five years and its Executive Management experience in reshaping transferred services.
 2. The work that Optalis will have to undertake to ensure the successful transformation of the new enlarged company.
 3. The ability to develop and compete with bigger players in a wider market to attract the best staff, delivering the highest quality of service to residents.
 4. The opportunity for the Royal Borough to share in current and future additional surpluses and savings generated by providing new services and by attracting other partners.
 5. The time cost and risks avoided by the Royal Borough compared to setting up its own LATC. The transfer of the services will be completed within six months of Cabinet approval whilst a typical LATC implementation would take 18 months from options appraisal to go-live. This shortening of timescales is bringing forward savings availability to the Royal Borough by 12 months.
- 7.29 Forecast net savings when taken over the 10 year long-term contract period, would have a NPV of £1.01m at an interest rate of 6%.

8 OPTALIS FUTURE BUSINESS OPPORTUNITIES

- 8.1 There is a strong desire from both Councils to see Optalis expand further in the future, but feel that the only decision necessary at this stage is to agree that it would be a decision by the Partners, and the responsibility of the Optalis Holdings Ltd Board, to oversee future growth at the appropriate time.

Expansion with another authority

- 8.2 Optalis will be able to offer safe harbour for services from neighbouring Councils.
- 8.3 It will be imperative for Optalis to work through the challenges of putting two sets of services together before considering further major expansion, but important that the work recognises the very real potential for approaches, particularly from neighbouring Councils, in the near future. For example, when putting in place the long-term solution for support services it would make sense strategically to ensure that any solution has the capability to handle expansion.
- 8.4 The future model, with any new partners, would depend totally on the situation of Optalis at that time and the nature of the proposed new partner's business. The agreement as to how a new partner would join will be set out in the Shareholder Agreement. Both local authorities are in agreement that a range of options for potential new partners should be considered, from commissioned services to full partner.

Expansion with Health

- 8.5 A key plank of Optalis' competitive advantage is its close links to strategic commissioning in both Councils, and also to the NHS. As a current partner to the NHS operating in the out of hospital area, with its Reablement and Rapid Response services, Optalis can develop further services that will help the NHS to keep people safely in their own homes, and out of hospital. One of the key areas is building on the Reablement services the Company will operate.
- 8.6 One benefit of operating with Optalis, an LATC, is the ability of the Councils to enter into pooled budgets with the NHS for specific services that can be provided by Optalis through a commissioning contract. If either Council is the lead partner in the pooled budget arrangement, the NHS services can take advantage of either Council's VAT status.

Expansion through services for older people

- 8.7 In 2012, the Government published the Prime Minister's challenge on dementia 'Delivering major improvements in dementia care and research by 2015' which stated that currently 670,000 people in England are living with dementia. An estimated 21 million people in our country know a close friend or family member with dementia – 42% of the population. One in three people aged over 65 will have dementia by the time they die and as life expectancy increases, more and more people will be affected. The numbers of people with dementia will double in the next 30 years.
- 8.8 As a result, it is estimated that by 2025 the demand for residential care only will be down by over 75%; demand for nursing care down by 20% whilst the demand for dementia bed spaces will rise by 30% and nursing care with dementia care will increase by 40%.
- 8.9 There is a clear opportunity for Optalis, offering the breadth of services it will have from 2017, to develop a joined up offer in response to the demographic challenge and forecast increased demand for older people services, particularly dementia.

- 8.10 The drive for 'increasing independence' and the recognition that keeping people in their own homes is the most cost-effective form of care, will present Optalis with future opportunities for private care provision. Post reablement homecare/enablement is becoming a popular service that encourages independence and living at home, which is keeping patients away from more expensive forms of residential or hospital care.

9 RISKS AND RISK MANAGEMENT

- 9.1 Implementation risks are attached to the delivery of the project that is under the control of the Royal Borough and Optalis. The mitigation of these risks is in the hands of the Council and its Officers/Members for the 'sending' side of Implementation, and Optalis for the 'receiving' side.
- 9.2 The trading risks of the enlarged Optalis are harder to manage and to mitigate, as there are fundamental risks associated with competing in the marketplace that cannot be definitively mitigated. These risks relate to customer preferences, reputation, service popularity, prices set by the competition, outside legislation and changes in eligibility rules. The full risk and mitigation table for implementation is in Appendix 4.

Considerations in the event of possible failure

- 9.3 Whilst the likelihood of failure of the new Partnership may be small, it is still important to understand how the Council would deal with such an outcome. There are three fundamental reasons to consider an exit strategy, see points 9.5-9.7.

Transition of Optalis services into the independent market

- 9.4 Whilst it has been accepted that it is not appropriate at this stage to transfer these services to a fully independent state, the Council could transfer some or all of the services within the Company after an initial contract(s); thereby transferring the enterprise to independence. This is a legal possibility, but it is the Council's expectation to always keep the services under its control through the Optalis Partnership.

Failure of Optalis to deliver the proposed business plan

- 9.5 In the event of business failure or poor performance, the Royal Borough would need to consider alternative arrangements. There are three solutions:
1. **Replace the senior management team.** This would typically involve replacing the directors after consistent underperformance and after the failure of their response initiatives to the initial poor service or financial performance.
 2. **Bringing the services back into the Royal Borough.** This would be a relative quick and inexpensive solution. Whilst it would be a retrograde step it may provide confidence to service users, carers, staff and unions and help to manage risk.
 3. **Move services to the independent sector.** Alternatively, the Council could look to the market to take on these services, although this would take some time to achieve and incur significant procurement costs. The reasons for the potential failure of Optalis as a business may also have an impact on the interest and response of the market and push up the costs. Therefore, an analysis of the costs of either bolstering the services or the Board versus making them attractive to independent providers would need to be undertaken.
- 9.6 The level of scrutiny of the performance of a Council owned independent organisation is much greater than that of any other independent provider and as partner, the two councils would have plenty of warning if Optalis is not achieving its planned performance or is likely to become unviable. There will therefore be an opportunity to implement an improvement plan to bring the performance back into line or if it is felt that this is unlikely, to look at the other alternatives discussed above.

Breaching the conditions of the Teckal Exemption

9.7 If Optalis over-performs in generating additional income outside of the original contract with the Councils, it would become an issue where additional new income generation becomes more than 20% of the contract sum with the Councils, as this would mean that the Teckal exemption can no longer be applied. If this were the case the Councils have three options:

1. Use another wholly owned company of Optalis that only manages contracts from outside the Councils, thus negating the need for Teckal compliance. This is because the Councils would be keeping all their services in the original first Teckal compliant Company so no transfers of services would take place. This other wholly owned company has already been incorporated and is available if needed.
2. Go to procurement on the original services and thereby open up the opportunity to the whole market as well as Optalis.
3. Undertake another options appraisal on transferring the business to greater independence in line with the paragraph above.

The Councils would be able to continue to own the Company and therefore continue to benefit from the profits generated as well as other benefits previously described. It is unlikely that the Council would breach the other main condition of the Teckal exemption, i.e. it is unable to demonstrate that it has effective control of the organisation.

10 IMPLEMENTATION

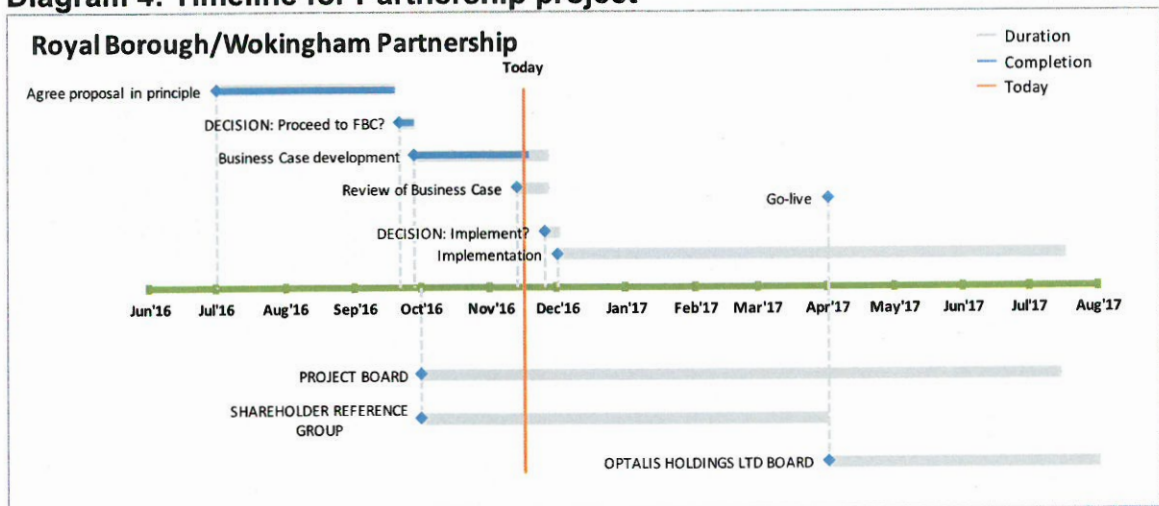
10.1 A set of arrangements has been created to oversee the implementation project: a Shareholder Reference Group, an Implementation Project Board, and a Workstream Project Team:

- The **Shareholder Reference Group (SRG)** represents the views and objectives of the partner Councils. Membership of the group comprises Members and officers who have knowledge and experience in adult social care and finance. The SRG will oversee the implementation, in a guiding, advising and ratifying role.
- The **Implementation Project Board** comprises officers with specialist knowledge in: adult social care, human resources, finance, governance etc. The Board will meet every two weeks at least and will be responsible for the successful delivery of the enlarged Optalis.
- The **Workstream Project Team** comprises the project management team, and the 'doers' from each workstream who are responsible for the work required for the Business Case and for delivering a successful implementation.

10.2 A high-level implementation plan will be developed, based on the assumptions and plans explored and agreed in the Business Case. This plan will provide an achievable timeline for the go-live date for the new Optalis and highlight the key deliverables and milestones that will need to be met, including:

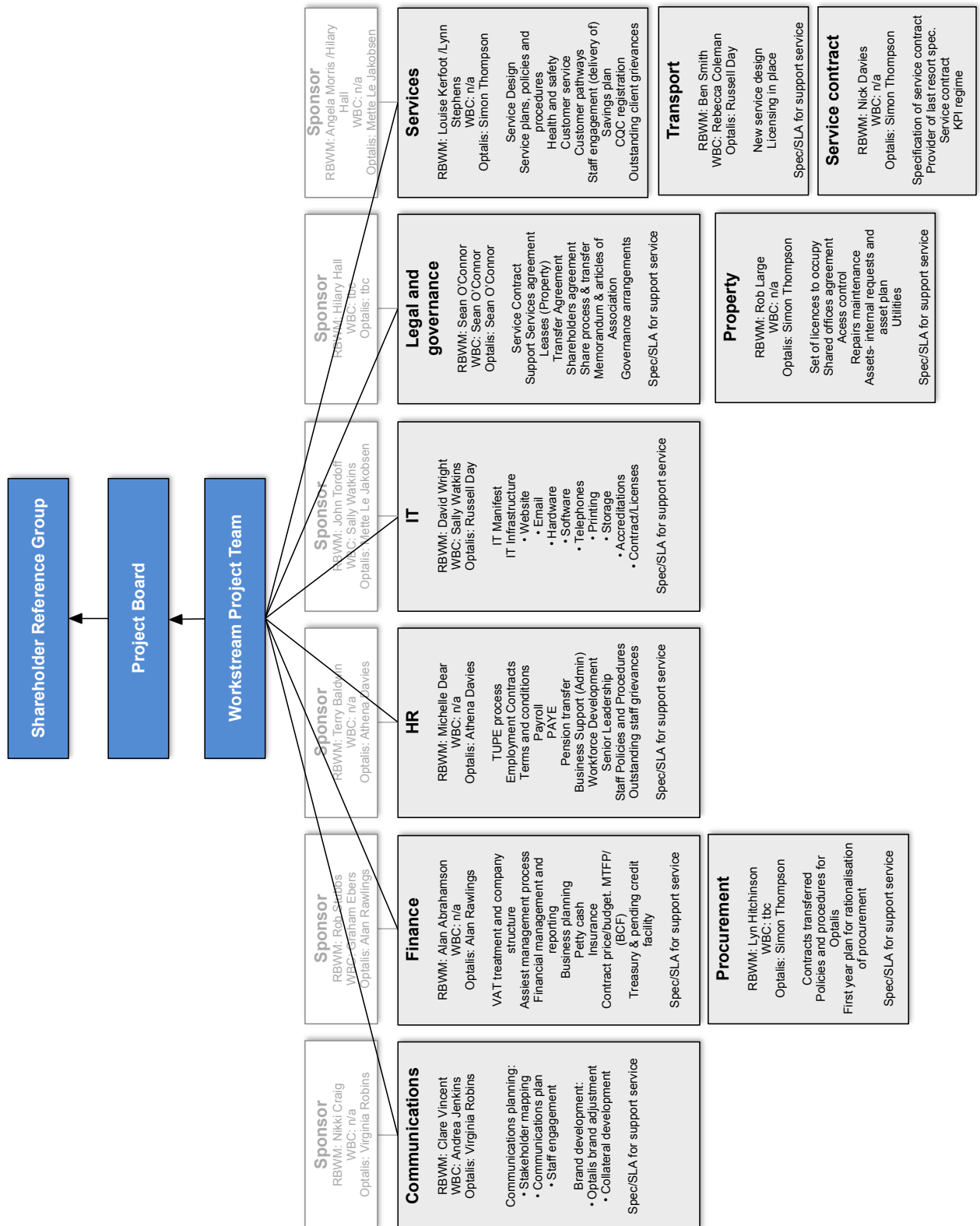
- Timeline for successful transfer and transition, see diagram 4.
- Overview of structure for implementation.
- Key stages for implementation roadmap.
- Key considerations for implementation roadmap.

Diagram 4: Timeline for Partnership project



10.3 The workstreams, key members, and high level view of the work required from each workstream has been identified, see diagram 5.

Diagram 5: Implementation project structure



Adult Social Care Partnership
Business Case
Appendices

Appendix 1: UNDERLYING PRINCIPLES FOR THE PARTNERSHIP

11.1 The following represent the underlying principles agreed in the Merger Model for the Partnership:

1. Savings/profit:
 - a. Earns a financial return through share transfer price and profit share.
 - b. Improves current financial position through growth and achieving a critical mass.
 - c. Enhances reputation to attract more partners and growth as a “big player in the market”.
 - d. Reduces current cost of delivery: the net cost of the services as funded by the Royal Borough must be reduced over the first three years – at a minimal level of £1.8m.
 - e. Flexibility of charging the LATC model must allow for flexibility of pricing and charging and open the market for self-funders.
2. Service:
 - a. Long term resilience is increased through scale and variety of services, by the Royal Borough and Optalis services joining together.
 - b. Improves recruitment and retention: recruitment and retention of quality staff is key to future success and can avoid competition for staff.
 - c. Ensures a supply of quality service provision in the changed service world of personalization in response to commissioning 20-25% of the market as people commission themselves, Optalis needs to be in that market.
 - d. Gains market management capability: joining Optalis puts an alternative provider in the market, assisting to influence other local providers.
 - e. Gives a preferred Provider of Last Resort: the Royal Borough, as commissioners, needs to be able to call on a provider that will guarantee to manage a failing service when they request it. This can only happen if the Royal Borough has a level of control over such a provider. This level of control is usually associated with some form of ownership. This ‘step-in’ service is often termed ‘The Provider of Last Resort’. This is separate from the Royal Borough’s statutory safeguarding duty in the event of provider failure but will be a significant support to enable it to deliver its duty.
3. Quality:
 - a. Maintains quality:
 - b. Improving quality is not seen as a major driver as the perception is that the services are currently performing well.
 - c. The current level of service quality must be maintained for customers – service resilience would be increased.
4. Control:
 - a. Control is shared:
 - b. Both Councils are seeking a partnership with shared control.
 - c. Shareholding proportions will be marginally in favour of Wokingham in the first two years, or until a new partner is admitted.
 - d. Partner authorities have control of their services through contracts.
 - e. A commissioning relationship and strong contract management will ensure control of each Council’s services as delivered by Optalis.
5. Risk:
 - a. The implementation of the merger must not negatively impact on current services or service users: a maxim of ‘do no harm’ to be applied to the implementation programme.
 - b. Risk must be appropriately managed/mitigated through:

- c. Appropriate governance arrangements.
- d. A common purpose: a common understanding of vision, mission and objectives by both Councils. This common understanding will be developed through the business case and implementation of the merger.
- e. Effective communication between the company and the Councils and key partners e.g. Clinical Commissioning Groups.
- f. Reduces risk of competition if the Royal Borough went on their own, competition would increase for both clients and staff.
- g. Reduces risk overall for the Company:
- h. The new Company will be significantly bigger.
- i. Recruitment and retention of quality staff is key to future success and can avoid competition for staff.
- j. Will have a larger potential private market to develop.

Appendix 2: KEY ASSUMPTIONS UNDERPINNING BUSINESS CASE

11.2 Key assumptions have been approved for the Business Case. Together with the financial assumptions, they represent the work done in designing the new Optalis Partnership:

Communications assumptions

1. The style guidelines for how Optalis interacts with Wokingham will be copied for how Optalis will interact with the Royal Borough from go-live.
2. The key visible change on go-live will be a change of name badges – ‘the same customers will receive the same services from the same staff in the same buildings at go-live’.

Financial assumptions

1. Payroll Provision:
 - a. Optalis will continue to provide services to their staff and new starters across all new services on the Pegasus system from 3rd April.
 - b. The Royal Borough will continue to provide payroll services for 12 months post go-live until the long term solution for support services has been put in place.
 - c. BACS payments will be used to pay transferred staff – it is assumed that current Optalis facilities will continue.
 - d. The Royal Borough payroll will provide monthly BACS payment lists for Optalis to pay staff with and monthly journals/downloads for the ledgers.
 - e. New starters will be managed on the existing Royal Borough self service HR systems and processes for the first year.
2. Two-tier workforce:
 - a. There will be a two tier workforce.
 - b. New employees will join on Optalis terms and conditions.
 - c. New employees will be eligible to join the Optalis new starter pension scheme.
 - d. Optalis will apply for admitted body status into LGPS for the staff transferring from the Royal Borough.
 - e. The scheme will not be an open scheme.
 - f. Optalis will continue to follow auto-enrolment regulations.
3. VAT:
 - a. Unclaimable Input VAT on registered services will be mitigated by the two company structure as agreed by HMRC and introduced in four existing LATCs.
 - b. The Business Case recommends the most VAT efficient structure.
4. Financial transaction processing:
 - a. All the Royal Borough financial transaction processing will remain with the Royal Borough finance at go-live. This will include:
 - i. Purchase orders and supplier invoices.
 - ii. Petty Cash returns including purchasing cards.
 - iii. Sales invoice generation and posting for private income.
 - iv. Sales receipts banking and posting.
 - v. Payroll data upload.
 - vi. Bank transactions posting.
 - b. The system outputs will be designed to be downloaded into the Optalis accounting system so that all general ledger management and financial

- reporting capacity will be managed by the Optalis finance team.
5. Additional costs of the new governance structure will be paid by the new Optalis, eg cost of Non-Executive Director and Independent Chair.
 6. Any recruitment costs for Optalis Ltd Board will be paid by the shareholders.
 7. The financial modelling for the Business Case is based on the following assumptions:
 - a. All financial and other consequences of planned or proposed property reconfigurations have not been included the Value for Money comparison as they will be applied with or without the merger.
 - b. Inflation assumed to be ZERO for all costs for comparison purposes only.
 - c. The Business Case will be evaluated over a 5 year period and will use an internal rate of return of 6% (as required by Wokingham).
 - d. Not all efficiency savings in Optalis will be reflected in a reduced cost of service to the Councils, but could be retained as profit available for dividend.
 - e. Service budgets for the Royal Borough services will be taken from agreed 2016/17 budget costs for the relevant services. These budgets do not include any re-allocated costs from corporate or other centrally provided services.
 - f. Royal Borough budgets will be increased by the “demographic cost increase” of £750k year on year.
 - g. The Royal Borough identified budget savings will be achieved by Optalis over the initial three-year period. These savings are not guaranteed, and any shortfall in savings will not be paid out of other Optalis income or savings streams.
 - h. The Royal Borough will cover any historic pension deficit at the point of transfer to Optalis for those staff to transfer. The cost of pension contributions will represent the cost of current provision and will not include any historical deficit contributions.
 - i. Any post transfer pension deficit accrued subsequent to and relating to the admission of the Royal Borough staff to the LGPS pension scheme will be the responsibility of Optalis.
 - j. Budgeted/forecast pension contributions will be at a sufficient level to support the new pension provision for Optalis. Optalis will look for the most cost-effective structure to provide current pension provision.
 - k. Large scale redundancy costs from the Royal Borough services will be paid by the Royal Borough.
 - l. Pension uplift liabilities, caused by redundancy of over 55s, will be the responsibility of the respective Councils, this applies to both large scale and small scale redundancies.
 - m. Current income from other Government bodies will remain with the respective recipient Council. Optalis will be a provider of services, not a collector of income on behalf of the Royal Borough, unless it is agreed for a specific service provision.
 - n. New self-funder income and other new income streams will be included as Optalis income and treated as such through Pegasus.
 - o. Cashflow calculations will be based on normal payment days – 30/60 days.
 - p. Working Capital will be financed by early payment of first month’s service invoices.
 - q. Fixtures, fittings and equipment (FF&E) assumed transfer value of NRV. This does not include any IT equipment.
 - r. IT equipment will be provided as part of fully costed service delivery provided by the Royal Borough. Wokingham will continue to provide its current IT service to Optalis.
 - s. FF&E depreciated straight line over 10 years.
 - t. Corporation Tax liability will be calculated on 20% of net profit after interest and the rebate structure of the Royal Borough service contract with Optalis

- will aim to reduce the corporation tax liability.
- u. VAT to be levied at 20%.
- v. Savings to be achieved by Optalis on the Royal Borough services will be through:
 - i. Increased efficiencies.
 - ii. Better working patterns and practices.
 - iii. Reduced cost and consumption of supplies and services.
- w. Additional insurance costs will be estimated – an experienced LATC insurance broker will be used to provide quotes/estimates.
- x. External Audit costs for Optalis will be increased (based on experience and current costs).
- y. Deputy Director costs and support costs will be transferred from the Royal Borough budgets.
- z. Training budgets for staff will be provided through a support services SLA from the Royal Borough.
- aa. Properties occupied by services will be provided through licenses to occupy at a market rent.
- bb. The Royal Borough and Wokingham will be responsible as the landlord for all major repairs and maintenance – there are no significant budgets for this in services to be transferred.
- cc. Optalis will continue to occupy its current H.O. building, until the lease is due for renewal, when a review of other available locations will be made.

HR assumptions

1. TUPE:
 - a. The current staff, estimated at 294 staff / 259 FTE, will TUPE transfer into the company within the implementation programme.
 - b. Under TUPE, staff will remain on the same terms and conditions as at transfer.
 - c. TUPE consultation starts January 3rd 2017 and runs for 30 days.
 - d. The pay/reward scheme will transfer. Optalis will annually decide whether to put budget into it for distribution.
2. Terms and conditions:
 - a. The Royal Borough is on Local, not National, Pay and Terms and Conditions.
 - b. Future changes to Council terms and conditions:
 - c. There will be no ongoing link with the Royal Borough terms and conditions.
 - d. There will be no agreement that the Company will mirror any future changes to Council terms and conditions, whether adverse or positive.
3. Union recognition:
 - a. The Company will recognise the Unions and form their own relationship with them.
4. Two tier workforce:
 - a. The plan assumes that there will be a two tier workforce and that new employees into the company will be on Optalis terms and conditions, including Optalis pension.
5. Change of roles:
 - a. If ex-Royal Borough staff change roles within Optalis, they will move onto Optalis terms and conditions and Optalis pension.
6. Pension:
 - a. Optalis will apply for admitted body status into LGPS for the staff transferring from the Royal Borough.
 - b. The 'ex-Royal Borough' scheme will be a closed scheme.
 - c. Optalis follows auto-enrolment regulations for new starters into the Optalis pension scheme.

7. Future redundancies:
 - a. Redundancies caused by Council decisions, e.g. the Royal Borough cutting a contract for a service, will be funded by the Royal Borough.
 - b. Redundancies caused by decisions agreed in advance by the royal Borough shareholders made within the company will be funded by the Royal Borough, e.g. as a result of service improvement, where efficiencies and relevant cost have been identified in the business plan / business case.
 - c. Redundancies caused by decisions not agreed by Royal Borough shareholders in advance will be funded by Optalis with the exception of the pension deficit (where relevant).
 - d. During implementation, the negotiations on the Service Contract to the Council will include measures to allow both parties to agree a sharing of redundancy costs for service and efficiency improvements after reasonable mitigation through redeployment has taken place.
 - e. Optalis is covered by the Modification Order (Redundancy Payments (Continuity of Employment in Local Government) (Modification) Order 1999), and this will apply to ex-Royal Borough staff. A transfer of employment from one employer to another will not break continuity if the two employers are "associated".

IT assumptions

1. Directorate staff will be treated as Council 'employees', in a slightly separate department, for IT purposes. This greatly simplifies the IT setup because it negates the need to set up a completely separate system for the services on moving from the Royal Borough.
2. All IT will be bought back from the Royal Borough as a Managed Service for one year until a long term solution is put in place.
3. Software:
 - a. The company will continue to use the following major current software:
 - i. Microsoft 365. Both Councils and Optalis use 365.
 - ii. Payroll and finance systems.
 - iii. Care management system – Paris.
4. Access control:
 - a. Optalis and the Royal Borough staff will continue to use the access control system for ID badges and access, where applicable.
 - b. Badges will be relabelled.
 - c. Staff will need two cards to access both 'sides' of the company.
 - d. The Royal Borough uses Mayflex cards at approximately £5 each.
5. Refresh to hardware as per the Royal Borough current programme:
 - a. Day one they take laptops across.
6. Files:
 - a. Working files to be taken across.
 - b. Independent directories to be set up.
 - c. Shared directory for joint work.
7. New starters:
 - a. New starters in the Royal Borough directorate will begin on the same systems as the rest of the ex-Royal Borough staff.
8. Election support:
 - a. Ex-Royal Borough staff will continue to offer election support to the Royal Borough
9. Shared work areas:
 - a. Ex-Royal Borough staff will continue to be able to use the Royal Borough shared work areas.
10. Mobile phones:

- a. Staff will remain on EE.
- 11. Website:
 - a. The Royal Borough website will point customers to Optalis.
 - b. The Optalis website will include the Royal Borough services.
- 12. Intranet:
 - a. Ex-Royal Borough staff will retain access to the Royal Borough intranet in first instance to access terms and conditions, health and safety policies, phone book etc.
- 13. Network:
 - a. The Royal Borough and Wokingham have a secure connection between their networks.
 - b. The Directorate will continue to use the same network.
 - c. Shared drives will be partitioned so the Optalis Directorate cannot see across the divide and vice versa.
- 14. PSN accreditation:
 - a. The Directorate will need to retain accreditation and comply with the relevant standards.
 - b. The Royal Borough has N3 accreditation.

Legal assumptions

1. The organisation will be redesigned with a two company structure for Teckal and VAT purposes:
 - a. Care company – registered with CQC and employing all care staff. This is Optalis Limited (OL).
 - b. Support company – providing all other operational facilities for the services including supply contracts and leases. Also holds the contracts with both authorities for the provision of ASC services. This is Optalis Public Limited (OPL).
2. This decision will need financial input and VAT expertise to ensure that the best financial result is obtained without risking challenge from HMRC.
3. The Royal Borough will be purchasing shares to achieve a 45% stake-holding in Optalis Holdings Limited (OHL). OHL holds 100% shares in OL and OPL. The exact details of which company's shares to be purchased will be made by the Project Board.
4. There is a desire by both partners to move towards a 50/50 shareholding. Through the first two years, progress will be formally reviewed by the OHL and, provided it has gone well, the Group will then broker a move towards a more equal shareholding. The price of the additional shares will be based on the same valuation principles as the initial transfer price.
5. The Shareholders will agree the treatment of profits, reinvested or distributed in some form or other to take account of adverse tax implications and business development requirements.
6. Profit- share of profits/savings achieved outside of the agreed £2.m specified in the business plan will be based on the shareholding proportions at the end of the financial year in which the profits were earned.
7. The Royal Borough is proposing to pay £771k for their 45% shareholding in OHL. This will be paid before the TUPE transfer date 1st April 2017.
8. The Merger Model paper includes a Shareholder Governance Board (SGB) with three Members from each of the partner authorities with voting rights. Officers are invited to attend and inform the Board. This Board will be replaced with the Members being statutory directors of OHL. Senior Officers will still be invited to attend the Board meetings to inform and advise Directors. Only Statutory Directors will have voting rights and it is one person/one vote. The Chair will have a casting vote.

9. Redundancy liability for ex-the Royal Borough staff will rest with the Royal Borough.
10. Pre-transfer liabilities on pension deficits will remain with the Royal Borough. Where transferring employees are admitted to Royal Berkshire Pension Scheme as an admitted and closed group, then the Royal Borough will provide a bond or indemnity as stipulated by the pension fund.
11. Pension deficit liabilities built up after go-live will be Optalis's responsibility.
12. The Chairmanship of the OHL will rotate every two years and will commence with a Wokingham Member as Chair.
13. There will be a Shareholder Agreement that will regularise the relationship between the shareholders and will set out a number of reserved matters for the shareholders to make decisions on. These reserved matters will include actions that the Optalis Board cannot carry out without the express permission of OHL. Draft reserved matters are included in the Merger model paper and will be finalised during implementation. Matters may be reserved to each partner Council.
14. The Shareholder Agreement needs to include a means to bring in a third partner, on terms to be agreed by the OHL Board at that time. It is an expectation of both partner authorities that a third partner will be looking to join Optalis within 2 years.
15. The OL/OPL Company Board will continue to function as it is and there will be no Members from either authority on it, as Members or Chair. Directors cannot be appointed or removed unless the decision is ratified by OHL. The Board of OL and OPL will be the same persons.
16. If any shareholder wishes to dispose of shares, they must first obtain consent of the other shareholders. All shareholders have pre-emption rights on any agreed disposal of shares.
17. Both Councils are committed to a long-term partnership, exit protocols will need to be produced as part of the shareholder agreement work during implementation. The general principles will be that any partner requesting a change will be required to fund the cost of change
18. OPL/OL are operating under the Teckal ex.emption and the Royal Borough's services and staff can transfer into OL under that exemption:
 - a. The company will monitor the level of external business to ensure it maintains compliance, or ceases to be covered by Teckal.
19. Ability to occupy the Royal Borough properties:
 - a. Both Wokingham and the Royal Borough Legal and Property Departments have decided the best vehicle for safe occupancy is Licences to occupy.
 - b. The charge for occupancy of the Royal Borough properties will be at market values or some form of reduced rent that will stand up to any State-Aid challenge.
 - c. This option will not involve a Stamp Duty Land Tax liability.
 - d. The Royal Borough will remain as landlord and will keep the principal liabilities of the maintenance of the properties and will ensure that properties remain fit for purpose. Optalis will be responsible for minor and internal repairs from occupation. Where improvements are made, beyond that needed to remain fit for purposes, then the parties will agree how these are funded.
20. External legal and tax advice will be sought to structure and draft the required legal documents.
21. The Royal Borough will enter into a 10 year service agreement with OPL with a break at year 7. The contract will either end at 10 years or upon 12 months notice to take effect at the end of year 7. The Councils will be required to jointly fund the costs of ending the agreement, such proportion to be in accordance with their shareholding.
22. Additional contracts shall be required for:
 - a. Contract for supply of support services to Optalis by the Royal Borough including phasing of support or payment of costs when transferred to Optalis.

- b. Business Transfer Agreement which shall include the scope of the Adult Social Care business that will be transferred and the timetable of transfer.
- 23. The Royal Borough Property Department will agree the base licence to occupy and other agreements for all of the properties.
- 24. The list of documents to be reviewed and agreed by legal is set out in Table 7.

Table 7: Documents to be developed during implementation

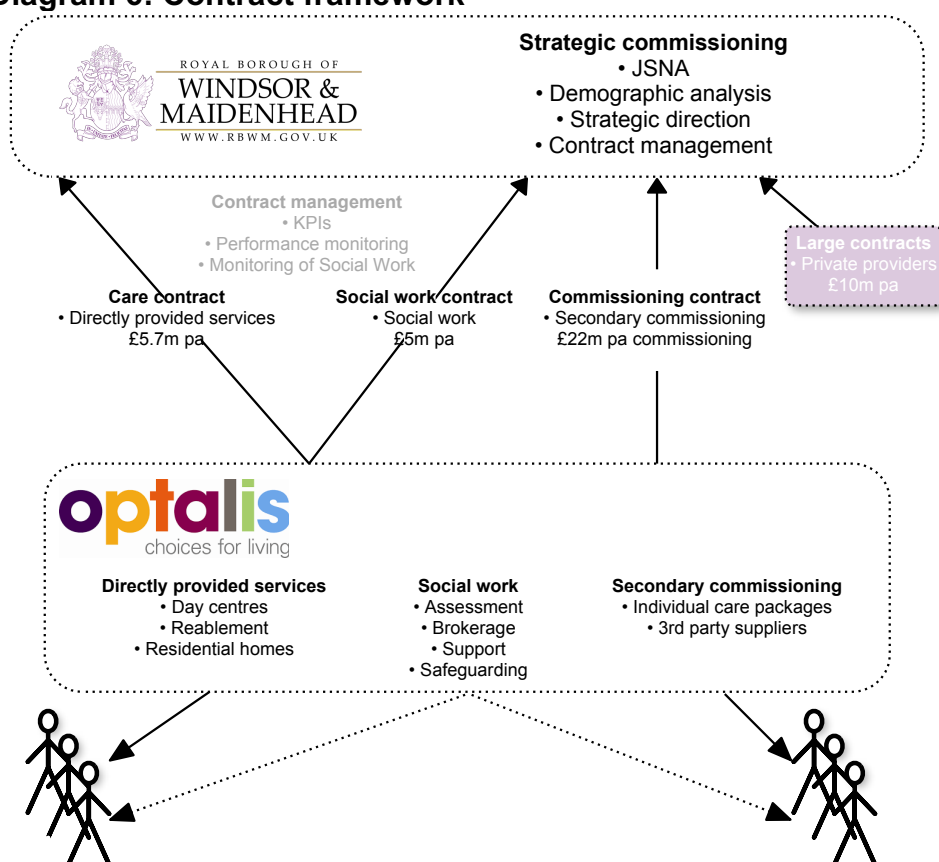
Document	Produced by:
Service contract (including provider of last resort)	Optalis/Wokingham
Service Contract Specifications	Operations and Commissioners
Contract price	Finance
KPIs	Operations and Commissioners
Leases	Royal Borough Property
Transfer agreement	Shared legal service
Shareholders agreement	Trowers
Share purchase and transfer	Royal Borough
Memorandum and articles of association	Royal Borough
Support services agreement	Royal Borough
Support Services Specification	Royal Borough
Support Services price	Royal Borough Finance

Procurement assumptions

1. The company will be set up with a two company structure for VAT purposes:
 - a. Care company.
 - b. Support company – for all purchases.
2. The company will be set up under the Teckal exemption:
 - a. The company will monitor the level of external business to ensure it maintains compliance, or ceases to be covered by Teckal.
3. Current contracts with suppliers:
 - a. For the purposes of current supplier contracts Optalis will be seen as a 'department' of the Council and continue to use these existing contracts.
 - b. Current suppliers will be informed of the set up of the company by 'light touch' means to ensure contracts are available to Optalis to access as required.
 - c. These contracts will not be assigned – but the company will be able to call-off as required through the same mechanisms as currently available to service departments.
4. New contracts:
 - a. Optalis will be able take part in the Royal Borough procurement activities, including national and local framework agreements.
 - b. Optalis is free to set up their own purchasing provision and purchase outside of the Royal Borough set up contracts.
5. Governance:
 - a. In the first instance Optalis 'the Royal Borough' will adopt the Council's guidelines for:
 - i. Procurement.
 - ii. Purchasing.
 - b. The LATC will follow public sector procurement legislation until it is

- ascertained if it may move away from these.
- c. Within these constraints, Optalis 'the Royal Borough' will be free to decide if they wish to amend the guidelines, for example tighter central control of purchasing is typical in a smaller, more commercial organisation.
6. Service procurement:
 - a. Procurement will continue to advise adults on significant procurement of contracts for services.
 - b. Spot purchases: A blanket annual waiver will be set up in terms of a procurement template.
 7. Contract management:
 - a. Appropriate contract management arrangements, including KPI's, performance monitoring, and monitoring of Social Work will be put in place to manage the contracts with Optalis for provider services, Social Work and secondary commissioning, see diagram 6.

Diagram 6: Contract framework



Property assumptions

1. For sole occupancy buildings the Royal Borough Directorate will occupy its buildings through Licences to occupy.
2. Head Office will remain at Trinity House in Wokingham and will be reviewed when the third party lease is due to end.
3. Shared occupancy buildings, eg, Town Hall, Nicholson House and York House, will have an agreed "serviced desk" charge based on the average number of Optalis staff using the building.
4. Optalis will need to have capacity to hold senior management meetings in the Royal Borough buildings as well as in Wokingham buildings.
5. The use of the buildings by Optalis will be charged at either market rent or an agreed price that will stand any challenge on the grounds of State Aid.
6. The Council will continue, as the landlord, to be responsible for the fabric of the

- occupied buildings, ie wind and weather proof and all exterior issues.
7. Optalis will be responsible for the interior condition of the sole occupied properties, supported by appropriate repair and maintenance budgets to be transferred over from the Council. Fine details of tenant and landlord responsibilities to be agreed during implementation.
 8. The Council will be responsible for keeping the properties in good serviceable condition equivalent to what is currently provided, it is accepted that the Council has no money to significantly improve building quality:
 - a. A service level agreement will be developed for:
 - i. Optalis to work with the Council to enable critical maintenance and testing to be undertaken including PAT testing.
 - ii. Optalis to be responsible for replacing or repairing or decommissioning items that fail the PAT testing.
 - iii. Optalis to be responsible for the repair, replacement or decommissioning of fixtures and fittings.
 - iv. Optalis to be responsible for the testing of alarms and emergency systems etc that are usually required to be tested by the health & safety duty holder.
 - v. Optalis to act as the health and safety duty holder.
 - vi. Legionella testing to be decided during implementation.
 9. Optalis to seek Council approval for any alterations or upgrades it wishes to undertake to a property, such approval not to be unreasonably withheld. In implementing any works, the company to use contractors approved by the Council, this would involve checks on competence, insurances and their health and safety plan.
 10. Optalis to be responsible for all utility payments provided the funding is inside the service budgets or transferred to Optalis.

Service contract assumptions

1. Transfer of services to Optalis will be on an 'as is' basis.
2. 2016/17 Gross cost budgets for all services in scope will be transferring to the company.
3. Income generated locally by Optalis contracts will transfer to the company.
4. Existing service user contributions will be collected and kept by the Council.
5. All other grant funding and other local authority income, will remain with the Council.
6. Optalis will commission all the services in scope on a block contract basis with the contract price reflecting savings and efficiencies.
7. All services provided to the Council will be backed by a legal contract with service specifications and KPIs.
8. If the company results are significantly better than the Business Case forecasts, some or all of the profit will be given back to the Council as a rebate. This decision to be made by the Optalis Holdings Ltd.

Transport assumptions

1. The current licencing arrangements for passenger transport will require changing because the commercial nature of the new organisation triggers the need to change arrangements. This work will form part of the Transport workstream.
2. The current day to day management of transport is done within the services. This will transfer to Optalis within the Directorate.
3. Insurance for the company will continue to be provided by the Council's insurers under the same financial arrangements.

Appendix 3: SERVICES IN THE OPTALIS PARTNERSHIP

11.3 The services transferring from the Royal Borough into Optalis are set out in Table 8, including budget, FTE and headcount:

Table 8: Services transferring from the Royal Borough

Adult Social Care Partnership			
Cost budgets and staff numbers for Royal Borough services in scope			
Service Areas	Gross Budget	FTEs	Headcount
	£'000s		
<u>Directly provided services</u>			
Windsor Day Care Centre for older people	286	7.16	8
Oak Bridge Centre for adults with learning disabilities	426	9.43	10
Boyn Grove day care centre	1,179	37.12	46
Short term support and reablement	2,400	62.52	68
Winston Court registered residential home	526	11.10	17
Homeside registered residential home	485	11.31	13
Allenby Road respite services	371	4.44	6
<u>Care Management</u>			
Physical disabilities and older people – staffing	2,029	47.03	52
CTP for learning disabilities – staffing	483	10.22	12
Deprivation of Liberty services, Safeguarding & QA staffing	499	7.00	7
Community mental health staffing	1,082	25.59	27
<u>Brokerage Support Services</u>			
Operational commissioning – care brokerage & placements	87	3.00	3
Business Support	283	12.00	13
Data analyst & telecare	90	2.00	2
Financial assessment	201	5.00	5
<u>Senior Management</u>			
Adult social care management and support	308	5.00	5
<u>Commissioned services - in scope - at transfer date</u>			
Residential/Nursing Care - spot contacts	9,253		
Direct payments (£1.5m), respite care, external daycare & other	3,309		
Spot contracts for services for LD	7,226		
Adult social care support services	550		
Mental health care budget – services	2,279		
3/4/2017 transfer - Total	33,353	259.92	294
<u>Commissioned services - in scope - delayed transfer.</u>			
Homecare - outcome based commissioning contract	3,570		
Residential/Nursing Care - care element of block contracts for tender in 2016	2,550		
Equipment BCES contract - telecare & other	454		
Block contracts for LD services	3,000		
<u>Total Services in scope</u>	£42,927	259.92	294

11.4 The services provided currently by Optalis are set out in table 9:

Table 9: Optalis services at date of transfer

Adult Social Care Partnership Optalis services at date of transfer				
Service Areas	Address/Location	Turnover £'000s	FTEs	Headcount
<u>Directly provided LD services</u>				
Supported employment service	Borough-wide	567	15.84	16
Independent living service	Independent Living Svs Wokingham	966	35.28	36.6
Learning disability day services	Earley and Woodley, Wokingham	1,571	40.25	47.16
Physical disability day service	Westmead Wokingham	275	9.68	11.33
RBWM LD residential home	Mokatam Maidenhead	480	7.64	12.4
Out & about	Borough-wide	185	3.6	4.5
Supported living	Hillside and Oakfield, Wokingham	304	5	5
<u>Directly provided older person svcs</u>				
Dementia specialist residential home	Suffolk Lodge, Wokingham	1,915	52.59	61
Extra care	Alexandra Place, Beeches, W'ham	1,833	69.02	89.99
Extra care	Cockayne Court, Wokingham			
Extra care	Clement House, Bracknell			
Extra care	Pinehaven, Wokingham			
Extra care	Nicholson House, Abingdon	551	12.3	22
Home care	Borough-wide	620	41.28	55
START	Borough-wide	571	12.35	16
<u>Brokerage support services</u>				
Social work	Trinity House Wokingham	2,186	59.7	67.0
Safeguarding	Trinity House Wokingham			
OT service	Borough-wide			
Brokerage	Trinity House Wokingham			
Duty & reviews	Trinity House Wokingham			
Professional standards	Trinity House Wokingham			
<u>Senior management</u>				
Finance	Trinity House Wokingham	n/a	23.69	28
HR	Trinity House Wokingham			
Operations	Trinity House Wokingham			
<u>Total services</u>		£ 12,024	388.2	472.0

Appendix 4: RISK REGISTER

11.5 The risks and mitigating actions identified during the development of the Business Case that could occur during the Implementation programme are set out in Table 10.

11.6 A robust risk management plan will be developed to support the Implementation Programme Plan.

Table 10: Implementation risks

Implementation		
Risk	Mitigation	Residual Risk
Lack of availability of Council and Optalis staff to participate in and support the delivery of the project and lack of staff time at the right moment.	<p>Prioritisation of participants'/supporters' workload by senior management.</p> <p>Understand the capacity to change and provide change management support as required.</p> <p>Clear project plan with milestones and dependencies on the Council and Optalis identified.</p> <p>High level sponsorship of the project reiterates importance of this project to achieving Council outcomes and savings.</p>	Low
Lack of technical knowledge about various management options and specifically LATC's.	Strong Project Board / relevant and experienced consultant input / sound legal advice, and thorough research and evaluation of options.	Low
Staff opposed to Partnership leave.	<p>Early engagement with staff.</p> <p>Continued targeted communications programme throughout implementation.</p> <p>Promote anticipated benefits of the changes.</p> <p>Provide mechanisms for questions and feedback.</p>	Low
Service users opposed to Partnership.	<p>Targeted communications programme with service users and representation groups.</p> <p>Promote anticipated benefits of the changes.</p> <p>Provide mechanisms for questions and feedback.</p>	Low
Project delay impacting on cost and staffing availability.	<p>Ensure realistic planning and timescales are agreed and quantify costs of delay</p> <p>Pre-plan implementation so that the</p>	Medium

Implementation		
Risk	Mitigation	Residual Risk
	programme can begin, fully resourced.	
Lack of access to or availability of required Council data.	Specific data requests distributed to identified individuals at earliest opportunity with reasonable timescales for response.	Low
Lack of decision-making in support service departments.	Robust project management and accountability.	Low
Non-engagement of staff, Members and unions.	Early and continuous engagement of these key stakeholder group throughout the project.	Low
Legal challenge of process adopted in deciding to go ahead with the Partnership.	Follow due process including project governance, EIAs and consultation approach.	Low

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