

<b>TITLE</b>	<b>Expansion of Optalis, a Company Wholly-Owned by Wokingham Borough Council</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 27 October 2016
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Andy Couldrick, Chief Executive
<b>LEAD MEMBER</b>	Keith Baker, Leader of the Council

**OUTCOME / BENEFITS TO THE COMMUNITY**

An expanded Council-owned company will enjoy greater resilience, capacity and flexibility to operate in ways that deliver profits or savings back to the Council, ameliorating the pressures in the Adult Social Care (ASC) system.

**RECOMMENDATION**

The Executive is recommended to:

- 1) approve the Merger Model as a template to use in developing the Business Case for the merger with The Royal Borough of Windsor and Maidenhead (RBWM) which will lead to Optalis Ltd. Delivering all of the Royal Borough’s Adult Social Care services;
- 2) delegate authority to the Leader of the Council and Chief Executive to oversee the detailed business case development and ensure that Wokingham Borough Council’s interests as shareholder are safeguarded;
- 3) in the event the business case is acceptable to all parties (WBC, RBWM, Optalis Ltd) to approve commencement of implementation of the business case to enable a ‘go-live’ target for the merged company of April 2017;
- 4) instruct the Leader and Chief Executive to report back to Executive in January and March, updating on progress, and before then in the event matters arise in the business case requiring Executive attention.

**SUMMARY OF REPORT**

When Optalis Ltd was formed, there was ambition that it would grow and expand as a company, through winning new business outside of Wokingham Borough Council, which it has successfully done, and through its potential to take on the delivery of service for, and forge new partnerships with, other councils

RBWM approached WBC in early 2016 to explore a possible merger, whereby the Royal Borough acquire a shareholding in Optalis Ltd, with the company delivering its adult social care services. Work has gone on since then, involving officers and elected members from both councils, as well as officers and board members from Optalis Ltd, that work culminating in an agreed merger model. The key elements include:

- RBWM are looking to transfer *all* of their ASC into Optalis, in a phased way with a ‘go-live’ date for the first phase of April 2017 (and assumed completion

of the process within the first quarter of 2017-18

- RBWM will acquire a 45% shareholding in Optalis Ltd, for which they will pay Wokingham Borough Council £771,302, on the basis of a share valuation model agreed by the two councils. A buy-in price of £771,302 has been identified. In arriving at the buy-in price, recognition has been made of:
  - The expertise that Optalis has built up and its significant brand value.
  - The work that Optalis will have to undertake to ensure the successful formation of the new enlarged company.
  - 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 our residents.
  - The opportunity for the Royal Borough to share in current and future additional profits and savings.
  - The time, cost and risks avoided by Royal Borough compared to setting up its own local authority traded company.
- It is the expressed ambition of both councils to move towards a 50-50% shareholding following review of progress: any additional share acquisition would take place at the same agreed rate per share (equating to a price of £85,000 for a further 5%, £68,000 for 4% of the shares)
- A new Shareholder Governance Board will be formed, comprising three members from each council. The chair will rotate on a two-yearly cycle. WBC will hold the chair for the first two years. This board will be accountable to the two councils
- Work on a detailed business case will commence in earnest once the merger model and approach are approved by both councils. This work will include appropriate due diligence from RBWM and Optalis Ltd

The work on the business case is expected to take at least two months, after which preparation for implementation will begin. The Optalis board, and officers and members of WBC will be closely involved throughout

## Background

Optalis was established in 2012 to provide ASC services to Wokingham residents commissioned by the Council and in some instances directly purchased by residents

Growth, through private work, contracts with other authorities has been consistent since its inception and the service quality has generally remained strong. The scale of expansion proposed through this merger is substantial, and offers the company advantage in terms of resilience, capacity and scope, as it becomes a growing player in the market, having a positive impact on quality and cost.

To date, WBC has been the exclusive shareholder. This deal releases shares to the Royal Borough, and establishes a new shareholding partnership platform from which to govern the new, expanded company.

Currently the board of Optalis is accountable to WBC Holdings Ltd. In the new arrangement, the board will account to the new Shareholder Governance Board, whose roles will include agreeing and signing off the company's business plan, holding the company accountable for its performance in relation to quality, user experience, and cost and income. The new board's accountability relationships will be defined as part of the business case development

Wokingham Holdings Ltd, at its meeting on the 23 September 2016 considered and endorsed the proposal to effect the merger and to move forward to develop the detailed business case. The resolution of the Holding Co is as follows:

### **The Board received the report of the Chief Executive and resolved that:**

[HC/R230916/1] Resolution of the Board:

- i) Wokingham shall proceed, subject to due diligence, with the merger and transfer of the RBWM adult social care function within Optalis;
- ii) Optalis and Wokingham shall commence the full business case with RBWM;
- iii) the governance of Optalis shall change to reflect that the company will no longer be wholly owned by Wokingham. The governance shall be:
- iv) the executive board who shall run the day to day operations of the company (whose membership shall only be independent executives and NEDs); and
- v) the strategic governance board which may consist of members/officers from both Wokingham and RBWM
- vi) the structure of the jointly owned Optalis group shall be determined in the business case.

## **FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	(£771,302)		One-off payment
Next Financial Year (Year 2)			
Following Financial Year (Year 3)			

<b>Other financial information relevant to the Recommendation/Decision</b>
----------------------------------------------------------------------------

Our ambition remains to work with our company to secure ongoing savings to the council as commissioner of its services
------------------------------------------------------------------------------------------------------------------------

<b>Cross-Council Implications</b>
-----------------------------------

N/A
-----

<b>List of Background Papers</b>
----------------------------------

Optalis Ltd Merger Model
--------------------------

<b>Contact</b> Andy Couldrick	<b>Service</b> Chief Executive
<b>Telephone No</b> 01189746001	<b>Email</b> andy.couldrick@wokingham.gov.uk
<b>Date</b> 14 October 2016	<b>Version No.</b>