

TITLE	Optalis Ltd: Update on the Business case for Merger with the Royal Borough of Windsor and Maidenhead
FOR CONSIDERATION BY	The Executive on 26 January 2017
WARD	None specific
LEAD OFFICER	Andy Couldrick, Chief Executive
LEAD MEMBER	Keith Baker, Leader of the Council and Julian McGhee Sumner, Executive Member for Health and Wellbeing

OUTCOME / BENEFITS TO THE COMMUNITY

An enlarged Optalis improves the effectiveness and resilience of its service delivery to Wokingham residents and improves the financial footing of the company, maximising value to Wokingham tax-payers.

RECOMMENDATION

The Executive is recommended to:

- 1) note the progress of the work to effect the merger;
- 2) approve the business case enabling the implementation work to continue;
- 3) require a further update at its March meeting on the progress of implementation;
- 4) approve the virement of £40k from the RBWM shareholder payment and agree an increased debt of £55k for the Holding Company, to fund the costs of implementation.

SUMMARY OF REPORT

The business case supports progressing to effect the merger of Optalis Ltd with the Royal Borough of Windsor and Maidenhead (RBWM), whereby Optalis will deliver RBWM's adult social care services and RBWM will acquire a 45% shareholding in the company, moving to 50% within 2 years.

Background

At its meeting in October the Executive voted to support the development of the business case for the merger of the Royal Borough of Windsor and Maidenhead's adult social care services into Optalis Ltd, Wokingham Borough Council's social care company.

The merger will mean Optalis delivering all of the social care for adults currently delivered by RBWM, both provider and social work services. RBWM will purchase a 45% shareholding, and a new board will be formed, Optalis Holdings Ltd, comprising three elected members from each Council, with a 2-year rotation of chair. Wokingham BC will hold the chair for the first period of two years.

The business case has been completed (Appendix 1) and makes a positive case for proceeding to implement the merger, aiming for completion and 'Go Live' for the new company in April 2017.

Analysis of Issues

The business case sets out the basis for the merger, the services to transfer, the 'back office' support that accompanies the services, and the proposed organisational governance arrangements.

The merger offers many benefits. Optalis Ltd gains through greater resilience, market share, reputation and financial outcomes. Wokingham BC gains through these elements, as well as being a beneficiary of the ongoing efficiency savings the company makes in future years. Additionally, the new company, with a £55m turnover, is superbly placed to win further business and pursue additional growth (having first consolidated its operations and service quality in its new guise).

At its meeting on 9 December, Wokingham Holdings Ltd provided its support for the merger business case and for proceeding to implement the merger to establish the new, bigger company and the new shareholding partnership with the Royal Borough of Windsor and Maidenhead.

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)	£95k* (implementation costs) (£771k) (RBWM share purchase)	Yes	Revenue Capital
Next Financial Year (Year 2)	(£45-140k)**		Revenue

Following Financial Year (Year 3)	(£45-140k)** (£85k) (purchase price of balance of remaining shares to move to 50-50 shareholding)		Revenue Capital
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Other financial information relevant to the Recommendation/Decision

*These costs include Optalis implementation costs (£55k: funded by way of increased debt in WBC Holdings Ltd) and WBC shareholder costs (40k: virement from the share purchase receipt from RBWM), to ensure safe and effective transition (to be repaid out of the £771k share purchase receipt).

**These figures assume income based on 1-3% efficiencies in the company. Performance beyond this level will increase the savings/surplus.

The savings can be treated in one of three ways:

- Reinvestment in the company to support further growth
- Savings to the commissioner (WBC) to offset demographic growth pressures
- Profit in the company

Cross-Council Implications

N/A

List of Background Papers

Merger Business Case; Financial Summary

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Appendix 1: Merger Business Case

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