



Wirral Council

Appendix A
Strategic Business Case for a Local
Authority Company

by
V4 Services

4 June 2014



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Contents

1.0	Executive Summary	4
2.0	The Case for Change	13
3.0	The Services in Scope of the Company	18
4.0	The Operation of the Company	24
5.0	The Implementation of the Company	31
6.0	The Financial Plan for the Company	33
7.0	The Risk of Failure and Proposed Exit Strategy	34
8.0	Summary and Recommendations	37

Appendices

Appendix B	Stakeholder Engagement
Appendix C	Options for Scope of the Company
Appendix D	Company Implementation Plan (exempt)
Appendix E	Risk Management
Appendix F	Implementation of the Company (exempt)
Appendix G	The Financial Plan of the Company (exempt)
Appendix H	Equality Impact Assessment

1.0 Executive Summary

1.1 The Case for Change

A decision was made by Cabinet in March 2014 to develop a Strategic Business Case for a Local Authority Company, setting out a clear rationale for the establishment of a Company that will deliver sustainable services whilst meeting Medium Term Plan (MTP) savings.

Wirral Council, like other councils, faces the challenge of ensuring the quality of adult social care provision amid increasing and more complex demand and severe financial constraints. There are a number of reasons why the current model in the services within scope is not an option. These are listed and briefly outlined below:

- Demographic pressures means services such as day care cannot remain the same;
- Financial constraints means that these services have high MTP commitments; and
- Income generation cannot be tapped into without a new delivery model.

This business case aims to provide the evidence that a Local Authority Company is the optimum solution for alternative delivery of the services in scope through evidencing the ability to achieve the following objectives:

1. Improving performance and productivity – thereby enhancing the quality of services and outcomes for people on the Wirral;
2. Ensuring future sustainability of services – through a viable marketable approach;
3. Managing financial pressures – through efficiency and additional revenue generation; and
4. Supporting the Council's ambition and objectives – through alignment of corporate principles.

Although not all challenges can be addressed at the Strategic Business Case stage, it is important that some of the key areas are addressed:

- Is the proposed Company being created too small to succeed?
- Can the Company grow in size and importance for other Council services?
- Would transferring more services into the Company lead to greater benefits?
- Can the Company generate the income required?
- Can the Council implement the viable approach in-house?
- Can the required MTP savings be delivered through outsourcing?

1.2 The services in Scope for the Company

The diagram below outlines the options in terms of scope for the Company. These are labelled as

'levels' in order to capture the concept that each level builds upon the one below it.



Level 1 service areas are in scope now. These are able to be transferred by the intended go-live date and provide a critical mass of services necessary. This includes some services that whilst not being included in the first phase of implementation could potentially form part of the future model.

Level 2 service areas are potentially in scope for consideration during implementation. These are those services that offer real opportunity for expansion and focussed on other support service areas. This would enable the Council to commission services from the Company on a more cost effective basis and would enhance the market availability and choice.

Level 3 service areas are out of scope but can be seen as future opportunities. These are wider Council services that could join a broader Company once established. The exception to this is Leisure Services which is a current opportunity that could be considered now.

The table below indicates the number of service users and the gross cost of the services in 2013-2014 where these are available. These are the services that form Level 1.

	Client Count	Gross Cost
Day Services and Opportunities	456	£6,295,510

Local Area Co-ordination figures have been included in the day service and opportunities as this

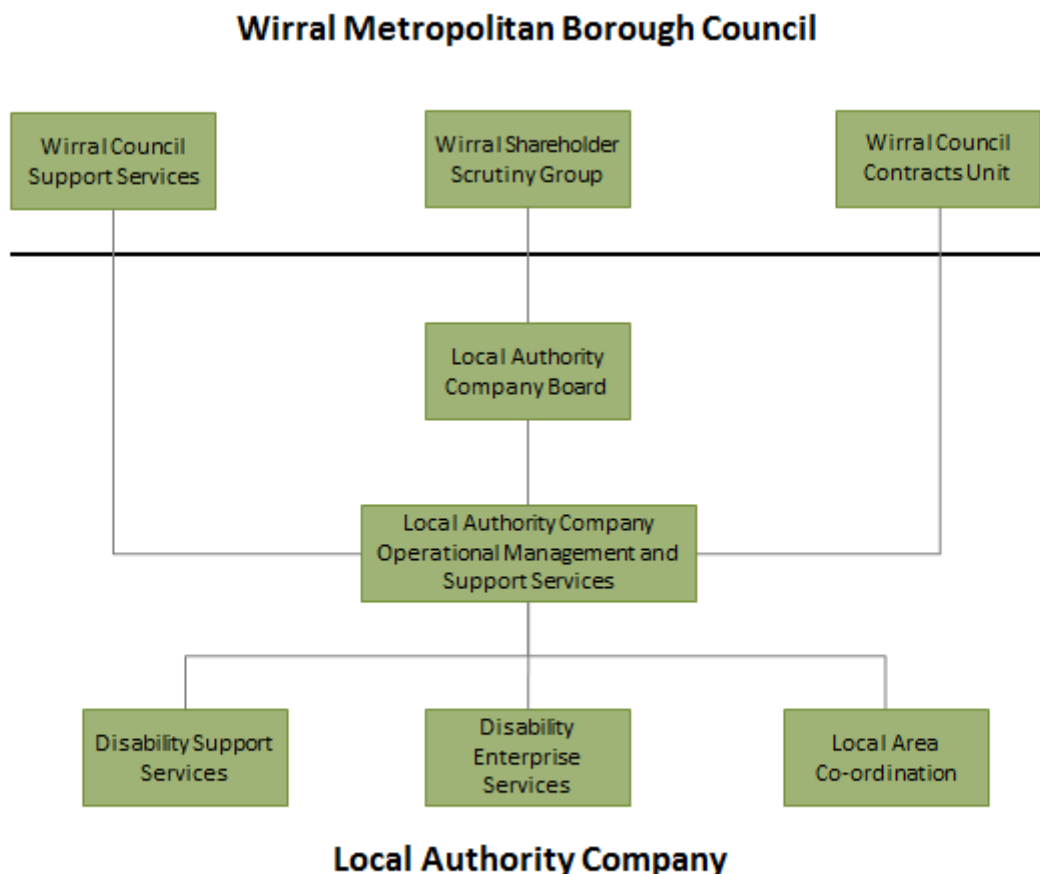
currently forms part of these services.

1.3 The Operation of the Company

It is important that the delivery of day services and other support services for people with a disability is aligned with the Council's strategic ambition. In particular it provides for:

1. An alignment to the 'Corporate Plan 2014-2016'
2. Assists delivery of the 'Families and Wellbeing Directorate Plan 2013-2016'
3. Assist the achievement of your commissioning intentions

It is proposed that the Company will have a structure and relationship to the Council as set out in the diagram below.



This structure has been tried and tested in Northampton with Olympus Care Services and in Buckinghamshire with Buckinghamshire Cares and involves the creation of a company managed by a Board.

This structure would also allow new businesses or existing services that may come from for example, the acquisition of health related services to be created as separate companies under a group company structure. The key parts of the new company are outlined below:

Shareholder Governance

From experience with other Companies such as Essex Cares and Olympus Care Services it is recommended that the Council exert its controlling powers through the creation of a shareholder scrutiny group (SSG). Members will sit on the SSG and therefore selecting Members with business experience and commercial acumen on the SSG will help to provide constructive challenge to the Company Board.

There are other examples of other variants that have been used elsewhere, such as Optalis, where Members are appointed to the Board. Whilst this may be an appealing option for Members, it is not recommended as there are significant conflicts of interest in that they are both the shareholder and commissioner.

Company Board Structure

There are some important considerations to be made when appointing the Board. For example, if the Council is considering other services for inclusion in the Company the Board would need to have a skill set that can manage diversity within the portfolio. There may also be opportunities in the future to include health services within the Company.

Shareholder / Commissioner Relationship

Whilst the focus of the implementation of a Local Authority Company will be on the forming of the company, it is also important to ensure that the relationship between the shareholder and the commissioner is clearly articulated as there could be potential for conflict of interest.

Company Structure and Relationship to the Council

It is suggested at this stage that the Company will have a structure and relationship to the Council as set out in the diagram above. This structure has been tried and tested elsewhere and involves the creation of a company managed by a Board.

Impact of the Company on the Council

Setting up a wholly owned Company whilst owned by the Council, will have a number of impacts on the Council including:

- An additional requirement on commissioning / contract monitoring through the Shareholder Scrutiny Group.
- It is understood that the services remaining with the Council are already managed within the current Families and Wellbeing portfolio and will therefore not require any additional management capacity.
- A contract will be required that specifies the Council support services that will be supplied to the Company, defining cost and volume and creating a commercial arrangement between the two. It would be anticipated that this arrangement may lead to improvements in customer focus and a more viable ethos to these services. This should not require additional capacity as it will be 'business as usual'. There may be an impact over the longer term if the Council agrees to the Company being able to review the sourcing of these services in a more competitive manner.

Transition

It is recommended that in the period between approval of the business case and go-live of the company, some form of 'shadow' arrangements should be put in place to oversee the setting up of the Company. Key to these arrangements will be negotiation with the Council's support services on

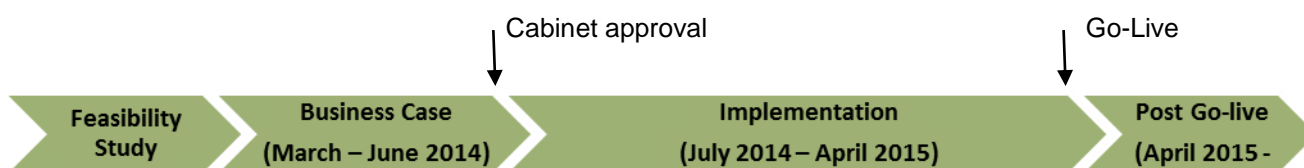
the level of service and associated costs.

Performance Management

A benefit for the Council of establishing a wholly owned Company is the opportunity to put in place new service specification arrangements which define the required contractual relationship between the Council (Commissioning, Assessment and Care Management) and the Company. Central to the service specifications will be the creation of a Key Performance Indicator (KPI) regime to monitor the activity and delivery targets for the services.

1.4 The Implementation of the Company

Subject to approval from Cabinet in June, establishment of the Company would take approximately nine months. Therefore, company go-live is anticipated to be April 2015. The diagram below outlines the timeline from feasibility study to post go live.



Establishment of the Company may involve additional Cabinet approval before final transfer takes place.

Other consideration for implementation should be given to the following:

- Stakeholder engagement is critical to the success of the Company. Ensuring operational staff, service users and carers and trade unions are engaged with and support the Company not only lends itself to an easier transition but also to a more successful company.
- A Market Impact and Equalities Impact Assessment has begun and will be completed during the Implementation phase. This will ensure that the creation of a Local Authority Company does not discriminate against any disadvantaged or vulnerable people.
- A clear change management strategy will be designed at the beginning of the implementation phase. Service areas should feel engaged with the process and operational managers need to have ownership of programme. Articulating clear goals and delivery plan as well leadership from above are critical success factors.
- The transfer of staff under TUPE will require an appropriate staff consultation period (usually between 6 weeks and 3 months) and will also require dedicated HR project resource.

1.5 The financial plan for the Company

The summary of the financial plan are:

- The new company is a small/medium enterprise (SME) employing approximately 180 staff and turning over £5.3m per annum.
- The Local Authority Company is the only corporate vehicle that allows the Company to develop its trading income through increased commercial activity and business development focus. Any profits can be reinvested by the Council as the 100% shareholder.
- The new company would achieve £368k savings at point of go-live, increasing to £909k in 2016-17 contributing to the required savings that have been requested of the services in scope.
- The Company will achieve an additional £77k of savings in addition to MTP savings. This is against a context that no other route (except decommissioning the service) is possible to deliver the MTP budget reduction.
- Additional income through increased trading will be achieved in part through the Managing Director capability, business development focus and a marketing function tasked with service innovation (to be calculated during implementation).
- The Company can achieve savings and generate income from other sources such as direct payments, private funders and potentially other contracts from outside of the Council. This has not been included as a primary financial driver in the financial plan to ensure that it is prudent.

1.6 Mitigating the 'Risk of Failure' and potential 'Exit Strategy'

As the only shareholder, the Council will retain the ultimate financial risk associated with the Company as it currently does in providing these services from within the Council. Whilst this would be the beginning of an exciting new era for these services it is important to recognise that business failure is always a possibility and not always directly within the control of the organisation. Therefore mitigation actions are required to deal with the risk of failure and include:

- Proper scrutiny of the business plan - the first mitigation has to be through the robustness of a realistic and achievable Business Plan where assumptions are understood and acceptable. Scrutiny of the Business Plan through the governance of this project will provide challenge and confidence if the challenge is able to be withstood or improvements achieved to the satisfaction of Members and Officers.
- Proper scrutiny and oversight of the Board - should the Council believe that the Board are failing the Company, the position of the Council as sole shareholder entitles it to remove members of the Board and replace them through their own recruitment process.
- Ensure the company is truly viable - as with any new enterprise the Company will need to have suitable insurance in place. The Company, with agreement of the shareholder, can also create a reserve from surplus generated to mitigate significant unforeseen financial losses.

The Council and the Local Authority Company also face the risk of reputational damage, particularly as expectations around corporate behaviour change and public scrutiny of business is heightened. Reputational risk is difficult to manage as it can emerge from anywhere within the Company or its supply chain, making it difficult to predict. The Company can mitigate this by engaging in more frequent dialogue with stakeholders to understand their views and monitor the external environment more systematically to identify the emerging reputational threats that put their relationships at risk.

It is important to recognise that the Company as a model of provision is tested and successful elsewhere and this is therefore not a leap of faith.

There are two fundamental reasons to consider an exit strategy:

- Transition of Local Authority Company services into the independent market - whilst it has been accepted that it is not appropriate at this stage to transfer these services to a fully independent state, the alternative options will continue to be available at a later date. This could mean that the Council sells some or all of the services within the Company after an initial contract(s); thereby transferring a successful enterprise to independence. Fundamentally all of the options explored in the initial options appraisal will still be open to the Council and different market conditions or policy requirements may lead the Council to choose one of these at a future date.
- Failure of the Company to deliver the proposed business plan - in the event of business failure or poor performance, the Council would need to consider alternative arrangements.

There are two solutions:

1. Bringing the services back in to the Council - 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.
2. 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 the Company 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.

1.7 Summary and Recommendation

The Council is in a situation whereby it:

- Cannot continue the provision of services in-house without significant change
- Is unable to outsource the provision to meet its objectives
- Does not want to simply decommission
- Needs to establish key preventative services

This strategic business case sets out the vision, operational remit and financial plan that aims to overcome this context through establishing a Local Authority Company. This strategic business case can deliver:

- An increase in flexibility and viable nature of way the services are run
- An ability to trade and generate new income
- The required MTP savings
- Establishment of new preventative services

- Maintenance of 'provider of last resort'

The business case will also provide the evidence that the Company will deliver the following desired objectives:

1. Improving performance and productivity - the Company delivers improved performance in service delivery. It will provide the current services in a more flexible and viable manner. In relation to the staff, productivity will improve and as such performance will be further enhanced. The viable approach to workforce management will deliver improved service outcomes being delivered.
2. Ensuring future sustainability of services - the Company will secure the need to reshape and size services without the need for wholesale decommissioning. Through adopting a viable approach it allows new services to enter the market and existing ones to be protected.
3. Managing financial pressures - through efficiency and additional revenue generation - the Company provides the mechanism that means £1.277m savings from MTP can be identified and delivered. This is the only way the services in scope could deliver this target without decommissioning.
4. Supporting the Council's strategic ambition and objectives – through alignment to corporate principles, the delivery of priorities and milestones set out in the Families and Wellbeing Directorate Plan and by strengthening the Council's role as a commissioning body.

This business case demonstrates a clear rationale for the establishment of a Local Authority Company that will deliver sustainable services whilst meeting MTP savings. There is also significant potential to include other services, generate greater revenue and deliver services more innovatively.

It is therefore recommended that:

1. The Council approves the formation of a Local Authority Company.
2. The Council defines the Company's strategic ambitions to plan to move towards an expanded commercial scope.
3. The Council considers its Council-wide strategic approach and aligns appropriate other work to maximise the benefits of an expanded scope.
4. An implementation programme is established to oversee the transition of services to the new Company.
5. The Cabinet receives regular updates on progression commencing in mid-September.



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Strategic Business Case for the Company

2.0 The Case for Change

2.1 Background

The Families and Wellbeing Directorate, Department of Adult Social Services (DASS) identified that there may be a significant opportunity to improve outcomes, achieve efficiencies and create sustainability of service provision by implementing a new approach to delivering its Day Services for people with a learning disability. With a continued national focus on personalisation and more specifically, increasing the volume of Direct Payments, Wirral Council needs to ensure the sustainability of services within this changing environment. Moreover, personalisation is driving councils to become commissioners rather than providers of services and Wirral Council needs to consider a delivery model that will strategically meet this impetus.

A decision was made by Cabinet in December 2012 to consider a wide range of options for the delivery of day services. As a result, Wirral Council commissioned V4 Services Limited to review of new service delivery models for Day Services.

The review recommended that the preferred model of a Local Authority Company with an expanded scope beyond day services could be viable. Widening the scope for the Company creates an efficient critical mass to ensure that support overheads are optimised and the model is more economically viable

The Local Authority Company was recommended as the most viable option because it:

- Can achieve savings and can generate income from other sources such as direct payments, private funders and potentially other contracts from outside of the Council. This will drive services to become more viable and more efficient
- Has potential to provide leadership in a relatively disparate market which could help to manage quality issues in the external market. This ensures that the Council can continue to meet its legal obligations in the event of market failures
- Would be wholly owned by Wirral Council and therefore subject to democratic scrutiny.

2.2 Why the 'Current Model' is not an Option

Wirral Council, like other councils, faces the challenge of ensuring the quality of adult social care provision amid increasing and more complex demand and severe financial constraints. There are a number of reasons why the current model of service delivery for the services within scope is not an option. These are listed and briefly outlined below:

a) Demographic pressures means services like day care cannot stay the same

There are estimated to be approximately 4,600 people aged under 65 years with a learning disability in the Wirral. People with a learning disability are experiencing increased longevity and the population as a whole is ageing. As the population ages there will be an increasing trend of

older adults with learning disabilities with increased levels of frailty due to age requiring support, including those whose parents have been caring for them but can no longer do so due to their own increasing frailties as they age.

There are a small but significant number of young people who are currently supported by children's services and who are due to transfer to adult social care as they become adults. Estimates for the next 3 years suggest approximately 40 new cases year on year.

Demand for day services has remained relatively high in the Wirral compared with the rest of the UK. This would suggest that the Wirral remains competitive when compared nationally.

Adults Using Day Services

Period	England Average	North West	Wirral
2008-9	406.14	411.14	281.69
2009-10	364.47	370.30	290.82
2010-11	352.42	357.42	312.50
2011-12	347.20	346.61	313.73

This demand is based on a number of factors:

- The level of people with learning disabilities and / or physical disabilities is rising
- A deprived proportion of the population with little choice but to remain using existing services
- An aging population of care users who have consistently used existing services for an extended period of time
- The relatively low take up of personal budgets / direct payments to date.

There are also continuing changes in the number of people requiring support in the community, with a steady rise in the number of people with the highest support needs who will continue to require specialist centres which can offer skilled therapeutic support and appropriate equipment and facilities. In addition the population that attends day centres is ageing and is likely to require a different range of services into the future.

If the vision of the market over the next ten years is based upon demographic changes solely, then if the status quo were to continue there is a possibility that the demand for places would outstrip that of provision by the council as well as the third sector.

b) Financial constraints means these services have high MTP commitments

Cuts to central government funding are likely to continue into the next Comprehensive Spending Review (CSR). Wirral Council has identified £40.41m of savings that need to be made by 2014-15 and a further £22.06m in 2015-16 and is forecasting a budget reduction of 13.96% over a 3 year period. The Families and Wellbeing net budget (including Sports & Recreation but excluding Schools) is £164.06m, which represents 54.36% of the Council's overall net budget of £301.82m for 2014-15.

Services in scope for this business case have MTP savings attached to them that makes outsourcing them unviable. If MTP savings are required without wholesale decommissioning then

an alternative to in-house and outsourced provision has to be developed – the Local Authority Company.

c) Income generation cannot be tapped into without a new delivery model

The number of people in receipt of a direct payment is steadily increasing as people chose to arrange their own care and support. Wirral currently provides direct payments to approximately 385 people with learning disabilities, physical disabilities and mental health issues. These people are currently unable to use their direct payment to buy back day services from Council provision. Income generation from direct payments and individual budgets cannot be tapped into without a new delivery model.

Number of People in Receipt of a Direct Payment during the Year

Client Group	2009/10	2010/11	2011/12
Older Persons	125	155	190
Physical Disabilities / other	135	175	210
Mental Health	15	15	35
Learning Disabilities	65	95	140

Analysis of the 2013/14 actual and forecast gross expenditure for Wirral Adult Social Services highlights that the expenditure on direct payments is predicted to be £6,502,947.

Expenditure on Direct Payments during the Year

Client Group	2012/13 Expenditure (£)	2013/14 Expenditure to 31 Jan 2014 (£)	2013/14 Forecast Expenditure (£)
Older People / Physical Disabilities	4,653,030	3,616,239	3,781,266
Learning Disabilities	2,388,620	2,417,423	2,603,919
Mental Health	132,656	116,016	117,762
Total	7,174,306	6,149,678	6,502,947

It will be the case that service users, carers and parents with personal budgets will increasingly become the commissioners of their own services, purchasing the largest share of the social care market.

Self-directed support represents a real opportunity for income generation. Currently, the Council is unable to receive payments for services delivered to users in receipt of direct payments. However, this is not the case for the Company. Moreover, the Company would be able to receive payments from private funders. This opens up additional revenue streams outside of the Council's contracts. It also follows the direction of central government policy and could go some way to alleviate any funding pressure.

Whilst increases in service demand for the day care may be constrained in the short term by the capacity of the Day Opportunity Centres, it is possible to expand services which are not restricted by assets Local Area Co-ordination and community outreach, for example, through opening these up to those with moderate or lower levels of need. This could generate income for both the Company and the Council. However, with the introduction of market forces, the Company will need to deliver services that meet user expectations and that are competitively priced.

2.3 Key Objectives for the Company

This business case aims to provide the evidence that a Local Authority Company is the optimum solution for alternative delivery of the services in scope.

This will be evidenced through testing the business and financial case against four primary objectives of establishing the Company:

1. Improving performance and productivity - thereby enhancing quality of services and outcomes for people on the Wirral;
2. Ensuring future sustainability of services - through a viable marketable approach;
3. Managing financial pressures - through efficiency and additional revenue generation; and
4. Supporting the Council's strategic ambition and objectives – through alignment of corporate principles.

Additional objectives that will be evidenced are:

- a) Services which are more flexible and adaptable so that they remain sustainable within the context of personal budgets and direct payments.
- b) Promotion of choice and the potential to generate additional income through trading for example with private individuals and other public bodies.
- c) Improved value for money achieved through a formal contractual relationship that incentivises services to improve and enables the Council to hold managers to account for quality and financial performance.
- d) Efficiency savings, providing the Council with year-on-year 'like for like' reduction in costs.
- e) Providing the workforce with an opportunity to secure a stake in their own future and to develop an entrepreneurial culture that rewards improved performance and drives productivity.
- f) Retaining the vital function of being the provider of 'last resort' in cases of emergency or market failure and allow Wirral Council to satisfy its statutory duties.

The business case will also aim to provide a broad view of major stakeholders to underpin the decision to proceed with the implementation of a Company. These groups will include:

- Operational and commissioning staff
- Council officers
- Elected Members
- Service users and carers
- Other service areas in the Council
- Partners and providers (where possible)

Appendix B provides greater detail to the stakeholder engagement undertaken during the business case.

2.4 Key Challenges for the Company

Although not all challenges can be addressed at the business case stage, it is important that some key areas are addressed at this stage.

This document aims to provide the direct consideration of the key areas of challenge for this option to assist in effective decision making. These have been summarised as:

1. Is the proposed Company being created too small to succeed?

The Company will essentially be a relatively small business at the outset. Compared to existing Local Authority Companies, the size of the services being transferred is at the smaller end, sitting close to a critical mass.

2. Can the Company grow in size and importance for other Council services?

Within DASS services overall, the scope of the Company represents a small but significant opportunity. Is there real potential for this to become much larger for the Council both financially and strategically?

3. Would transferring more services into the Company lead to greater benefits?

Would transfer of additional services both within and outside of DASS lead to greater efficiency savings, greater potential to generate income and greater integration of services?

4. Can the Company generate the income required?

Can the Company successfully trade and generate income with a small starting scope of services and limited additional capacity?

5. Can the Council implement the viable approach in-house?

Could the Council drive the performance improvement on workforce management and organisational savings through improved management of an in-house service?

6. Can the required MTP savings be delivered through outsourcing?

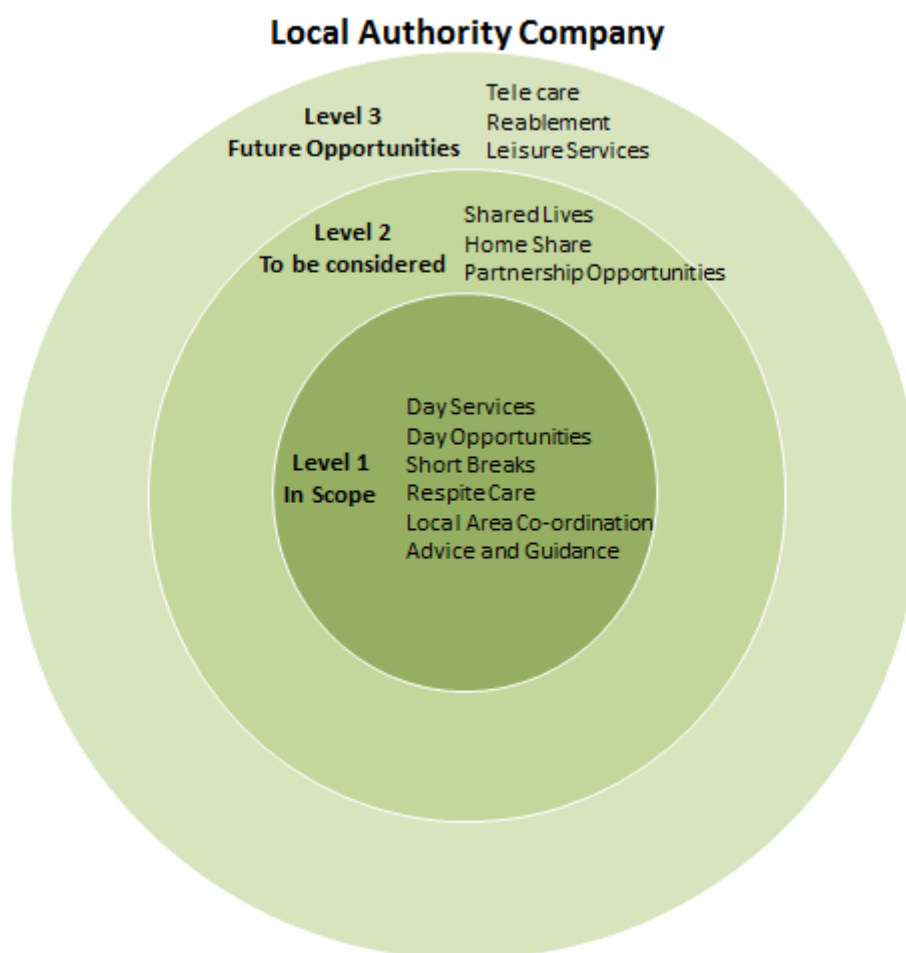
Would it be safer, easier and less expensive to outsource the services in order to make the aggressive savings required?

Each of these challenges along with the factors set out in section 2.3 will create the overall assessment and recommendation of this business case.

3.0 The Services in Scope of the Company

3.1 Service Scope

The diagram below outlines the options in terms of scope for the Company. We have labelled them as “levels” in order to capture the concept that each level builds upon the one below it. For example, Level 2 also incorporates those in Level 1.



The analysis of scope is supported by Appendix C.

3.1.1 Level 1 – In scope

The services in Level 1 are:

- Able to be transferred by the intended go-live date
- A critical mass of services necessary to deliver sustainable services
- Located within one Directorate which will make transfer and implementation easier than services which sit across several; and

- A more natural grouping of services that allow a consistent brand and ethos at the outset of the company.

These services are further outlined in sections 3.2 below.

3.1.2 Level 2 – Adult social care services to be considered

Level 2 considers those services in Level 1 as well as the inclusion of Shared Lives, Home Share and Partnership Opportunities. Level 2 offers concrete opportunities to expand services to include other adult social care services. It includes services that could be transferred into the Local Authority Company either during its establishment or at a later date.

Some additional adult social care services will be more feasible to transfer into the Local Authority Company than others. For example, this will be easier for services such as Shared Lives whereas the partnership opportunities will need to be considered more closely.

The Shared Lives service has significant synergies with Day Services as short breaks within a family setting can enhance quality of life and prolong independence. Shared Lives has an annual budget of £605,100 and is used by 40 people. This synergy also extends to increasing efficiency between the two services as visits, short breaks and holidays can be coordinated more easily. This service should be considered for early transfer to the Local Authority Company.

These services are not currently included in the base case for the Local Authority Company but should be considered during detailed implementation or early trading period.

3.1.3 Level 3 – Other opportunities

There is potential within other services to consider alternative service delivery models. There is an opportunity to adopt a Council-wide approach to exploit the synergies and economies of scale of expanding the scope of the Company's services.

Whilst this level is currently difficult to define, Leisure Services is just one example of other areas of the Council considering new ways to deliver services including a Local Authority Company. Leisure Service's operational expenditure for 2013-14 was £8.5m with user income generating £5.5m from all its operations. There is a strategic fit with the Local Authority Company development and a recent options appraisal identified this as one of the preferred models of delivery. Therefore, we strongly recommend that the potential synergies be considered if a Local Authority Company moves to implementation.

The transfer of services beyond adult social care into the Company requires a Council-wide strategic approach. This would require significant work to redesign the Council's operating model and vision. Moreover, any ambition to make the most of the opportunities to align with Health through the Company requires a substantial amount of work and time to build and redesign health and social care pathways, establish and strengthen relationships and to shape governance arrangements.

These services are not included in the base case for the Local Authority Company but could be considered on a case by case basis through the usual Council governance process.

3.2 Summary of Services in Scope

The table below indicates the number of service users and the gross cost of the service in 2013-2014.

	Client Count	Gross Cost
Day Services and Opportunities	456	£6,295,510

In total, 456 people access these services at a gross cost of approximately £6.296m.

Local Area Co-ordination figures have been included in the day service and opportunities as this currently forms part of these services.

Set out below are the services in scope and the rationale for their inclusion.

3.2.1 Day Services

There are six day centres for people with physical and learning disabilities, three day centres for people with mental health needs and six day services offering “work type” placements for people with a disability. These have close links with their communities, operate increasingly personalised services and carry out a range of trading activities including catering and sale of plants and produce. These centres will provide services to people with learning and / or physical disability, those with mental health issues and also serve as community hubs.

Within the current and future challenging financial climate, continuing internal provision of Day Services was viewed as unsustainable. As a consequence, popular and vital services could be at risk. Personalisation means that there will be increasing numbers of Self-Directed Support (SDS) service users. Services need also to respond and adapt as people increasingly commission their own services. The feasibility study on the future of Day Services Opportunities recommended a Company as the preferred model of delivery. It allows for both the flexibility and the receipt of Direct Payments, responding to the changes in the adult social care market. It also has the potential to generate income for both the service and the Council.

Day services are required to meet MTP savings of £1.2 million over 2 years. These savings have not been allocated to particular services within day services. The Company will have options to change that the Council does not have. The Company will be able to trade with other public and private bodies, including self-funders. The Council does not have the legal ability trade at a profit.

3.2.2 Day Opportunities

Wirral Council’s Day Opportunities support people with disability or mental health issues achieve goals through training and employment. Best Bites, Dale Farm, Royden Park and Star Design illustrate Day Opportunities provided by Wirral Council:

- Best Bites is a supported employment project offering support to adults with learning and / or physical disabilities. It currently operates across a number of Council services, such as Mendell Court and Willow Bank, Williamson Art Gallery, Tam O’Shanter Farm and The Oval

leisure centre. It provides support for people to gain skills, knowledge and qualifications in a working environment and supports the search for suitable employment.

- Dale Farm is a training centre for adults with learning disabilities and / or mental health issues. Trainees help run the farm which covers a three acre site situated alongside Heswall Dales. All aspects of horticulture are used to create a working environment, including the cultivation of organic fruit and vegetables and bee keeping. It provides support for people to learn life skills and gain work training and experience.
- Royden Park is a training centre for adults with learning disabilities. The site is situated in Royden Park which is a large area of parkland adjacent to Thurstaston Common and the centre has a well-established relationship with the Parks and Countryside department. Horticulture and arboriculture activities both on and off-site are used to create a working environment. It provides support and work-based training in horticulture, conservation and woodwork.
- Star Design is part of the Community Recovery Service and supports with mental health issues and people with learning and / or physical disabilities. It is a woodwork project enabling people to work in a workshop environment producing a wide array of wood products for local parks and schools as well as bespoke items made to customer's specifications. It provides support in establishing work routines and supports the search for suitable employment.

Training services are particularly popular and therefore it is important that these services are sustainable. The Company will enable the services to trade with individuals and with other organisations. Moreover, there are synergies between day opportunities and the day services offered and would therefore fit well in the Company.

3.2.3 Short Breaks and Respite Care

Short Breaks and Respite Care are widely recognised as an important service and the Company will bring commercial expertise and instil a culture of creativity and innovation that will lead to the development of new services more aligned to individual aspirations.

Our short break and respite care services will provide flexible support services for people with a learning and / or physical disability. Our aim is to provide an integrated space that allows people who use services, their carers and family to receive the support they need to maintain / improve the quality of their lives. The Company will provide the innovation and commercial expertise to ensure that any assets are also available for use by the local community.

3.2.4 Local Area Co-ordination

Local Area Co-ordinators provide support, information, guidance and a place to socialise in a friendly environment where people have the opportunity to develop life skills. They can provide support for people with a learning disability their carers, professionals and parents. Local Area Co-ordinators build up and maintain knowledge of information resources on all aspects of daily life in order to signpost people to the information they need. Collating, updating and producing information on local opportunities, groups and other support services.

The Local Area Co-ordination service will help to ensure that Wirral Council can maximise the use of limited resources, vital at a time of demographic change and pressured budgets. This will mean that they are more able to manage increasing demands. Local Area Co-ordination can offer

significant reductions in long term care and support cost for both the Council and Health services.

The timing of the consideration of a Local Authority Company for day services presents an opportunity for this to include Local Area Co-ordination. There is also an opportunity to expand trade in Local Area Co-ordination services to health, insurance companies and self-funders (those who may be viewed as having a low to moderate level of needs). Whilst the Local Area Co-ordination service can be delivered internally, the ability to trade provides a rationale for delivering through the Company. Moreover, it would become part of a holistic group of services, facilitating greater integration or alignment of services and improving the customer journey.

3.2.5 Other Services in Scope

Early intervention and preventative services

The purpose of early intervention is to work in partnership to improve outcomes for individuals with disabilities and their families. Early intervention requires a shift in focus onto the causes rather than the symptoms of problems. Investment in prevention and early intervention has been proven to reduce the demand on specialist services in the longer term. Early intervention and regular breaks help to keep families together and sustain carers in their long term caring role. Without this care, many people would be at risk, their quality of life would be poor and they may require admission to permanent care.

Advice and guidance

The right information, advice and guidance enables people to clarify options about their future and move forward in their personal development. The types of information, advice and guidance available range from health, activities and relationships to work, benefits, volunteering and personal budgets. People can be supported to safely access the internet and advocacy can be provided as necessary.

The Care and Support Bill highlights the importance of preventing and reducing needs putting people in control of their care and support. As part of assessments of needs and care and support plans, local authorities must consider whether support is available that could contribute to the outcomes identified and provide information on how to prevent or delay future needs. Local authorities must also provide a universal advice and information service for people who do not have eligible needs about reducing, preventing or delaying needs for care and support.

3.2.6 Examples of service mix successfully applied in Local Authority Companies

COMPANY	Established	Turnover	Core Service
Essex Cares	2009	£33m	Reablement, LD Employment and Inclusion, Older People's Day Services, Extra Care, Equipment
Optalis (Wokingham)	2011	£9m	Reablement, OP and LD Residential, OP and LD Day Services, Sensory Services, Brokerage and Long Term Social Work support
Your Choice (Barnet)	2011	£6.5m	LD Services, MH Services (part of Barnet Group LATC)
Olympus Care	2012	£32m	Residential Homes, Reablement /

(Northamptonshire)			Enablement Day Services, Community Opportunities, EADS
Buckinghamshire Cares	2013	£9m	Reablement, OP and LD Day Services, Respite Care, Home Care, Employment, Laundry and Prevention Matters

4.0 The Operation of the Company

4.1 'Strategic Fit' with the Council

It is important that the delivery of day services and other adult services is aligned with the Council's strategic ambitions. The Local Authority Company as a delivery model furthers a range of these ambitions, embodying many of the Council's priorities particularly through providing services that place citizens at the heart of delivery.

In particular it provides for:

1. An alignment to the 'Corporate Plan 2014-2016'

The Corporate Plan for 2014-2016 sets out the vision that will drive the Council's work over the coming two years. It will ensure a robust approach to the Council's business planning; ensuring that our vision, priorities and spending decisions are based on sound evidence, through analysis and understanding of community needs.

Crucially, it will ensure that the priorities identified in the Corporate Plan will be underpinned by a sustainable budget over the next two years and can be delivered within resources available to us.

The proposed Company is aligned to the following principles:

'Local Solutions, Local Decisions' – the Company will make the best use of resources in local communities, inspiring local communities and the third sector to come together to find the right solutions to address local need and improve people's quality of life.

'Promoting Independence' – the Company will strive to ensure that the people it serves are recognised for the talents and assets they have. It will work to equip them with the right tools and knowledge to enable them to make the choices that are right for them and their families.

'Driving Growth and Aspiration' – the Company will work with local voluntary and community organisations, encouraging them to hold the same level of ambition for Wirral as we have; driving growth in the economy and with it aspiration, achievement and employment.

2. Assists delivery of the 'Families and Wellbeing Directorate Plan 2013-2016'

The Families and Wellbeing Directorate Plan 2013-2016 sets out the priorities and delivery milestones over a three year period. It clearly sets out the changes the Directorate needs to make to its position as a commissioner and deliverer of services at a time of very challenging fiscal constraint.

The Company will support Families and Wellbeing Directorate to achieve its priorities:

'Managing the Money' – the Company will deliver the MTP savings of £1.2m within two years, enabling the Directorate to deliver 2014-15 and 2015-16 services on budget. Establishing a Company will result in new, robust service specification arrangements which define the contractual relationship between the Council and the Company.

'Delivering Differently' – the Company itself is an alternative service delivery model that ensures the future sustainability of services through a viable marketable approach. It will reconfigure services to focus on early intervention and prevention, providing greater choice and control for users and carers. It will continually engage people who use these services, their families and local communities to shape its future and their services.

'Working Together' – the Company will work closely with voluntary and community sector organisations to maximise opportunities, meet shared objectives and deliver best value for the Wirral. It will work in collaboration with NHS partners and seek out opportunities for health and social care service integration. This will enable the Company will provide a new conduit to deliver community health services and enable greater integration of health and social care services.

'Transforming the Business' – the contract with Company will include quality assurance framework targets and requirements together with an explicit financial formula that relates capacity and demand levels. A Key Performance Indicator (KPI) regime will be established to monitor the activity and delivery targets for the services alongside required outcomes which the contract must deliver. Both KPIs and outcomes could also be linked to a payment mechanism whereby payments can be adjusted for good or poor performance.

3. Assist the achievement of your commissioning intentions

The Local Authority Company crucially allows Wirral Council to strengthen its role as a commissioning body rather than a provider whilst maintaining both quality and control of service provision. Personalisation is anticipated to play an even greater role in adult social care.

With a continued national focus on the increasing the volume of Direct Payments, Wirral Council will need to turn its focus from provision to commissioning. Currently, local authorities are unable to receive direct payments resulting in double running costs as councils disburse direct payments yet continue to provide services.

The Company supports Wirral Council to strategically place itself as a commissioning body whilst maintaining control of the services. Moreover, it mitigates some of the risks around quality and democratic scrutiny that may come with this shift in role.

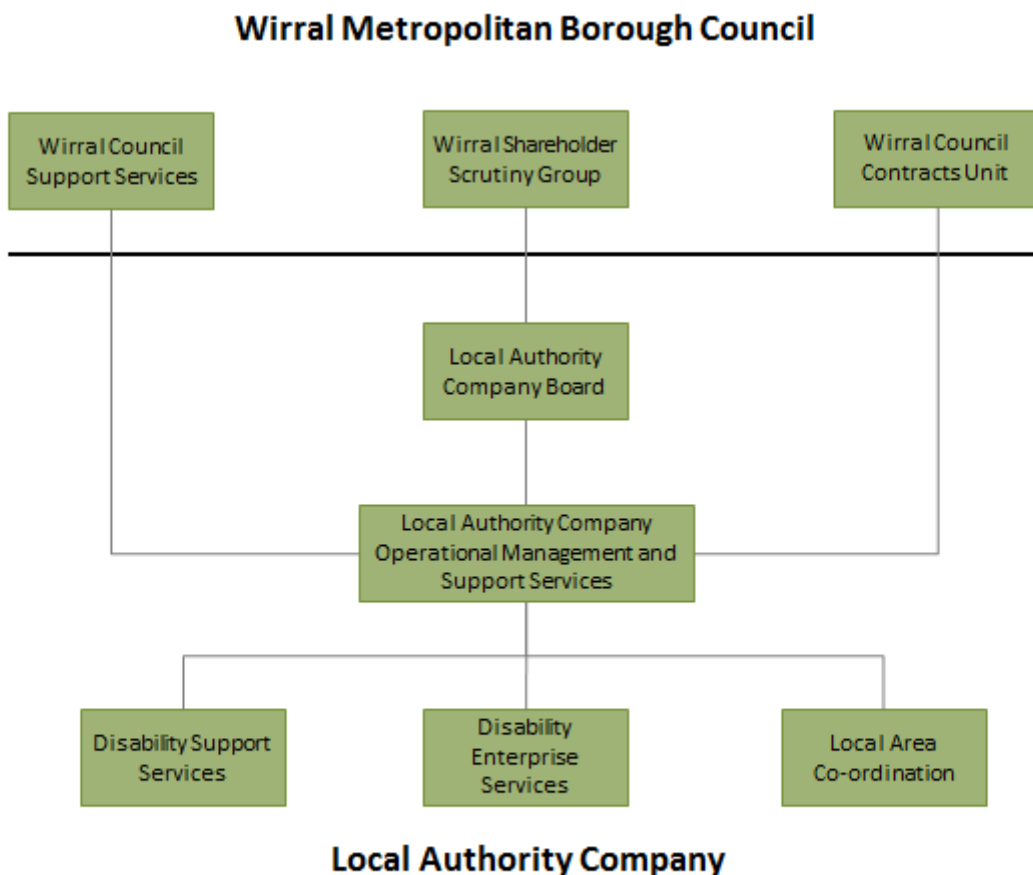
4.2 Governance and Structure

In order to create a Local Authority Company there are a number of key governance and contractual matters which will need to be addressed by both the Council and the new company. There are four main relationships that the Council will have with the Company:

- As the shareholder;
- Through the commissioning relationship with the contract for service delivery;

- Through operational links related to the delivery of strategically important services that form part of the Council’s access pathway; and
- Through a contract for the Council to deliver support services to the Company.

4.2.1 Recommended company structure and relationship to the Council



There will be a contractual relationship between the Council and Company for the services provided to the Council but also a contract for any support services provided by the Council to the Company.

The underlying nature of these contracts will be determined during the implementation planning stage where assumptions will be agreed with the various parties. Any services provided by the Council to the Company have to be provided at a commercial rate in order to avoid issues of State Aid.

4.2.2 Shareholder Governance and the Council’s control and influence

Shareholder governance is an essential component in creating a Company in order to ensure that the requirements of the Teckal Exemption are satisfied (i.e. the need for the Council to exert control and influence over the Company).

There is a need however, to achieve a balance between the Council’s control and influence and the space the Company needs to be able to develop. It is possible that too close control and

influence will create the risk of recreating a Council Directorate and not enough may mean that the Council cannot demonstrate the control required.

From experience with other Local Authority Companies, this business case recommends that the Council exerts its controlling powers through the creation of a shareholder scrutiny group (SSG).

The fundamental purpose of the SSG is to act on behalf of the shareholder in scrutinising performance against the contract and Business Plan, review investment plans and review risks.

The Shareholder Scrutiny Group would typically have the following membership:

- Five Members including a Chair and possibly an opposition Member;
- Section 151 Officer;
- Director of Adult Services;
- Strategic Commissioner;
- Director of Public Health;
- Health and Wellbeing Board representative; and
- Senior Contracts Manager.

Selecting Members with business experience and commercial acumen on the SSG will help to provide constructive challenge to the Company Board. It is suggested that the SSG would meet on a quarterly basis with one of these meetings acting as the Annual General Meeting.

There are examples of other variants that have been used elsewhere, where Members are appointed to the Board. This option is not recommended as:

- There are significant conflicts of interest as they would be both the shareholder and commissioner.
- Legally Board Members have to do what is in the best interests of the Company which may place them in conflict with the Council.
- It is suggested that Members are best placed to scrutinise and hold the company to account rather than have a role in managing services, which is similar to the role that is defined in other outsourced or internally provided relationships.
- This can be most appropriately achieved through involvement with ongoing commissioning and contract management and the shareholding governance exerted through the SSG – rather than direct board membership.

4.2.3 The Board structure and business operations

The Company will require a Management Board which oversees the business. The Board structure will reflect the commercial nature of the Company. The proposed composition of the Board at set-up of the Company consists of:

- Independent Chair (part/time);
- Managing Director;
- Finance Director;

- Business Development Director; and
- Two / three part-time Non-Executive Directors.

The structure of the Company Board has to be future proof. For example, if the Council is considering other services for inclusion in the Company, the Board would need to have a skill set that can manage diversity in the portfolio. There may also be opportunities in the future to include health services within the Company and therefore the board structure may want to reflect partner representations.

The hybrid nature of the Company, independent but owned by the Council, means that it may be helpful that one or more members of the Management Board provide a combination of previous experience from both commercial and local authority backgrounds.

This will assist in the transition of moving the business from a Local Authority culture to providing the commercial focus that will be required and will be achieved by external appointment and internal transfer. However providing the Company with a commercial focus will facilitate the significant culture change that is required for the Company to succeed.

Company governance will be set out in the Memorandum and Articles of Association. This will be an important document to ensure that the Council's expectations of the Company are clearly articulated.

4.2.4 The Shareholder / Commissioner relationship

Whilst the focus of the implementation of a Local Authority Company will be on the forming of the Company it is also important to ensure that the relationship between the shareholder and the commissioner is clearly articulated as this is where the value will be secured for the Wirral.

Some examples of key considerations that will need to be agreed at implementation are:

- Ensuring that there is prior agreement as what happens to any dividend payments that are returned to the Council
- Should they be paid to commissioning Directorate or to the Council as a whole?
- Which part of the Council / commissioning body will manage the service contract?
- Which part of the Council will provide and manage the support services contract provided to the Company?

It is recommended that the terms of reference for the SSG will determine the parameters of this relationship through implementation.

4.2.5 Expected impact of the Company on the Council

Setting up a wholly owned Company whilst owned by the Council, will have a number of impacts on the Council as follows:

- Increased commissioning / contract monitoring - an additional requirement on commissioning/contract monitoring which may result in the need for an additional part time post for contract management.

- Restructure of Families and Wellbeing service management - the transfer of the services in scope will mean that there will be retained services within the Family and Wellbeing Directorate. It is understood that as these services are already managed within the current Families and Wellbeing portfolio they will not require any additional management capacity but a restructure will be required.
- A redefined relationship for support services - a contract will be required that specifies the Council support services that will be supplied to the Company defining cost and volume and creating a commercial arrangement between the two. It would be anticipated that this arrangement may lead to improvements in customer focus and a more viable ethos to these services. This should not require additional capacity as on many levels it will be business as usual.
- A test to the value for money of support and customer services - there may be an impact over the longer term if the Council agrees to the Company being able to review the sourcing of these services in a more competitive manner. An opportunity to ensure support is provided in the most efficient manner will ensure that the Company's overheads are minimised so that it can compete for work in the social care market.

4.2.6 Transition

It is recommended that in the period between approval of the business case and go-live of the Company, some form of 'shadow' arrangements should be put in place to oversee the setting up of the Company.

Key to these arrangements will be negotiation with the Council's support services on the level of service and associated costs and to consider alternative provision of these within the open market. It is recommended that at the appropriate point in implementation period that an interim or 'shadow' Director and Finance Director oversee this work.

It is important that during the initial transition period the Company has stability and resource to undertake the due diligence required in transferring both staff and resources of a significantly sized business.

4.2.7 Performance Management

A benefit for the Council of establishing an Local Authority Company is the opportunity to put in place new service specification arrangements which define the required contractual relationship between the Council (Commissioning, Assessment and Care Management) and the Company (former direct services). Within the changing climate of developing Self Directed Support, specific targets relating to efficiencies, service reshaping and day to day relationships and pathways can be reviewed and updated.

An expectation will be the inclusion of any Council quality assurance framework targets and requirements for a new provider business and, within the contract, an explicit financial formula that relates capacity and demand levels.

Central to the service specifications will be the creation of a Key Performance Indicator (KPI) regime to monitor the activity and delivery targets for the services. Alongside this, will be the specification of required outcomes which the contract must deliver. Both KPIs and outcomes could also be linked to a payment mechanism whereby payments can be adjusted for good or poor

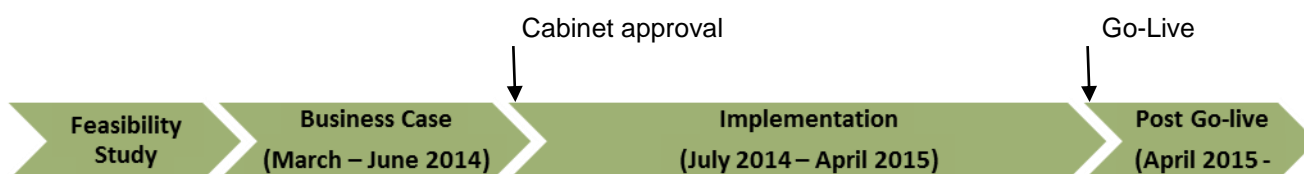
performance. This mechanism acts as commercial protection for the Council against consistent under-performance by the Company.

Experience elsewhere has shown that the scrutiny placed on services transferred to a Local Authority Company tends to be much greater than it ever was whilst they were in the Council. This scrutiny will be ensured through the shareholder governance agreement and from the scrutiny of a robust performance-managed contract that these services have not previously been party to.

5.0 The Implementation of the Company

5.1 Timeline for establishment

Subject to approval from Cabinet in June 2014, establishment of the Local Authority Company would take approximately nine months. Therefore, company go-live is anticipated to be April 2015. The diagram below outlines the timeline from options appraisal to post go live.



Establishment of the Company may involve an additional Cabinet approval before final transfer takes place.

This section outlines the key activities and high level approach for implementation. It is subject to Cabinet approval of the full business case. This section is supported by the Implementation Plan in Appendix D and key information in Appendix F (exempt information).

5.4 Key considerations for implementation

5.4.1 Stakeholder Engagement

Stakeholder engagement is critical to the success of the Company. Ensuring operational staff, service users and carers and trade unions are engaged with and support the Company not only lends itself to an easier transition but also to a more successful company.

During the development of this business case, the views of a wide range of stakeholders have been considered. Appendix B provides greater detail to the stakeholder engagement undertaken during the strategic business case.

The implementation phase will also need to engage with key stakeholders, including external partners.

5.4.2 Market Impact and Equalities Impact Assessment

A Market Impact Assessment (MIA) assesses the extent of any likely impact on markets relevant to the proposed creation of a Local Authority Company.

An Equalities Impact Assessment (EIA) although not required by law, will be conducted as a way of facilitating and evidencing compliance with the Public Sector Equality Duty.

The Council will conduct an EIA focused on fairness, access and inclusion and will consider whether the creation of a Local Authority Company does or does not discriminate against any disadvantaged or vulnerable people. The EIA will also help the Council to open up services to new groups and make services better and they also help to get services right first time, saving money and time.

Wirral Council will consider the outcome of the MIA and EIA, which will be published, and reach its provisional conclusions regarding the creation of a new Company during the implementation phase. The Council will consult on its provisional conclusions before reaching a final decision. The Council must be satisfied that any likely adverse impact on the market or individuals is justified by the likely public value of the new Company.

5.4.3 Change Management

A clear change management strategy will be designed at the beginning of the implementation phase. Service areas should feel engaged with the process and operational managers need to have ownership of programme. Articulating clear goals and delivery plan as well leadership from above are critical success factors.

Equally, the current transformation of day services coupled with the implementation of the Company means that service users and carers are facing a significant amount of change. Communication activities with service users and carers will involve regular briefings and opportunities for service users and carers to voice any concerns. As the success of the Company depends on its ability to deliver services which meet the needs and demands of its users, the implementation phase will provide opportunities for service users and carers to shape the services that affect them.

5.4.4 TUPE

The transfer of staff under TUPE will require an appropriate staff consultation period (usually between 6 weeks and 3 months) and will also require dedicated HR project resource.

In transferring the workforce a decision will be needed on whether the newly formed Company will offer the same terms to new employees post-transfer or look to amend to 'broadly comparable' including the possibility of implementing alternative pension arrangements.

5.4.5 Post Go Live

The Company is not expected to begin trading immediately. Services and staff will need time to grow accustomed to their new identity and relationship to the Council. At post go-live the company may wish to consider the potential for future income generation in terms of business planning and measuring additional capacity requirements. This timeline has been assumed in the financial case for the Company.

6.0 The Financial Plan for the Company



This section is supported by key information in Appendix G (exempt information).

7.0 The Risk of Failure and Proposed Exit Strategy

With a complex programme such as establishing the Company it is vital that the risks are identified and agreed as being manageable. This will require a high degree of management and mitigation. This can be achieved through adopting a systematic approach to risk management so that:

- Risks are quantified on a consistent basis;
- Mitigation actions are identified that reduce their potential impact;
- Individuals responsible for ownership are clearly identified; and
- The risk register is reviewed in its entirety on a regular basis.

Appendix E provides full details of the possible risks and mitigating actions for the establishment and the success of the Company as well as those identified regarding to the development of the business case.

An impact analysis for the market and equalities of establishing a Local Authority Company is underway.

This section focuses on the perceived risk of failure and the exit strategy if this was to arise.

7.1 Risk of failure

As the only shareholder the Council will retain the ultimate financial risk associated with the trading arm as it currently does in providing these services from within the Council. It is worth noting that:

- All the solutions considered in the Options Appraisal carry risk and the Company was seen as the option with the most manageable risk profile as the Business Plan is satisfactory.
- Transferring services to independent providers does not isolate the Council from the risks of failure of these businesses or completely transfer these risks to the provider.
- Most councils will have experienced having to 'bail out' failing operators and provide additional in-house support to manage those organisations. This ultimately leads to engaging in costly retendering or re-provision exercises as it is the Council that has the statutory obligations to provide care where this has been assessed at required.

Whilst this is potentially the beginning of an exciting new era for these services it is important to recognise that business failure is always a possibility and not always directly within the control of the organisation.

Therefore mitigation actions are required to deal with the risk of failure and include:

Proper scrutiny of the business plan - the first mitigation has to be through the robustness of a realistic and achievable Business Plan where assumptions are understood and acceptable. Scrutiny of the Business Plan through the governance of this project will provide challenge and

ultimately confidence if challenge is able to be withstood or suitable improvements are achieved to the satisfaction of Members and Officers. Should the Business Plan not 'stack-up' to the satisfaction of the decision makers then these services should not be transferred to a Local Authority Company at this point.

Proper scrutiny and oversight of the board - should the Council believe that the Board are failing the Company the position of the Council as sole shareholder entitles it to remove one or members of the Board and replace them through their own recruitment process.

Appropriate and quality governance structures and processes will also help to mitigate risk of failure and these are described in section 8. Experience with other Local Authority Companies indicates that the level of scrutiny of the Company as a Council owned business provides opportunities, not available within external contracts, to identify in a timely manner, when and where performance is below that expected in order to put a plan in place to rectify any issues.

Ensure the company is truly viable - as with any new enterprise the Company will need to have suitable insurance in place. Estimates for this are included in the financial case and the Council will need to consider the requirements to provide indemnity for the Directors of the company. The trading arm, with agreement of the shareholder, can also create a reserve from surplus generated to mitigate significant unforeseen financial losses; for example, insurance excesses, or significant employment tribunal settlements.

The Council and the Local Authority Company also face the risk of reputational damage, particularly as expectations around corporate behaviour change and public scrutiny of business is heightened. Reputational risk is difficult to manage as it can emerge from anywhere within the Company or its supply chain, making it difficult to predict. The Company can mitigate this by engaging in more frequent dialogue with stakeholders to understand their views and monitor the external environment more systematically to identify the emerging reputational threats that put their relationships at risk.

It is important to recognise that the Company as a model of provision is tested and successful elsewhere and this is therefore not just a leap of faith but an evidenced solution for transfer of these vital services.

7.2 Exit Strategy

It is possible that for reasons within and outside the control of the Council and Company that failure occurs and an 'exit' decision is taken. Exit strategy options, at this stage, are an important consideration, of understanding the suitability of this option for implementation.

There are two fundamental reasons to consider an exit strategy and both hold different options:

1. Transition of Local Authority Company services into the independent market

Whilst it has been accepted that it is not appropriate or conducive at this stage to transfer these services to a fully independent state, the alternative options will continue to be available at a later date. This could mean that the Council sells some or all of the services within the Company after an initial contract(s); thereby transferring a successful enterprise to independence.

This can be achieved by a tender process to either a private or third sector organisation or by

transferring it to an increased level of independence through the creation of a Community Interest Company. This would still allow some Council influence of these strategically and statutorily important services.

There is also an opportunity to create a partnership with another organisation/company in the form of a public or private joint venture.

2. Failure of the Local Authority Company to deliver the proposed business plan

In the event of business failure or poor performance, the Council would need to consider alternative arrangements.

Whilst the business plan should provide confidence that the Company will be successful, it is important to recognise the risks of unforeseen circumstances undermining the success of the business.

There are two solutions:

- i. *Bringing the services back in to the Council.* This would be a relative quick and inexpensive solution. Whilst it would be a retrograde step it may also be popular with some, providing confidence to service users, carers, staff and unions and help to manage reputational risk.
- ii. *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 the COMPANY 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.

What would be the impact of failure for Wirral Council?

It is highly unlikely that business failure and the need to implement an exit strategy would occur overnight. The Company and Council as shareholder will have plenty of warning if the Company 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 in to line or if it is felt that this is unlikely, to look at the other alternatives discussed above.

The timing of any potential failure will be crucial though will be most likely to become apparent later in the contract. This should mean that the local market would be in a better position to take the transfer of any services than is currently the case. Alternatively there may be a need for the Council as shareholder to subsidise the Company whilst implementing an improvement plan.

8.0 Summary and Recommendations

8.1 Summary of the business plan

The Council is in a situation whereby it:

- Cannot continue the provision of services in-house – this is due to the need to take radical reductions in cost out of the Day Opportunities services over the medium term.
- Is unable to outsource the provision – this is due to the unattractiveness of the services being offered with the extreme cuts.
- Does not want to simply decommission – due to the impact on service users and the political decision as a result of consultation.
- Needs to establish key preventative services – needs to establish Local Area Co-ordination services that are vital to contributing to the future viability of the Families and Wellbeing budget.

This strategic business case sets out the vision, operational remit and financial plan that aims to overcome this context through establishing a Local Authority Company. This will be wholly owned by Wirral Council but be put into a commercial environment in order to thrive and compete.

This strategic business case demonstrates the potential for the Company to deliver:

- An increase in the flexibility and viable nature of way the services are run – being caused through a new identity and top management team that is focussed on the commercialisation of the provider services with a public sector ethos.
- An ability to trade and generate new income – this is a legal obligation gained through the new legal ownership structure created.
- The required MTP savings – this will be delivered without the need to decommission services that would have had to happen in the context of in-house or outsourced provision.
- Establishment of new preventative services – the supporting environment to set up and grow a new Local Area Co-ordination service that is crucial for the future sustainability of Families and Wellbeing directorate and Wirral Council commissioning.
- Maintenance of ‘provider of last resort’ – the ability to maintain a crucial statutory role in a commercial environment.

It will financially deliver:

- The achievement of £1.2m savings over a two-year period, contributing to all of the required savings that have been requested of the services in scope.
- It will achieve an additional £77k of savings in addition to MTP savings. This is against a context that no other route (except decommissioning the service) is possible to deliver the MTP budget reduction.

- Additional income through increased trading will be achieved in part through the Managing Director capability, business development focus and a marketing function tasked with service innovation (to be calculated during implementation).
- The Company can achieve savings and generate income from other sources such as direct payments, private funders and potentially other contracts from outside of the Council. This has not been included as a primary financial driver in the financial plan to ensure that it is prudent.

8.2 Assessment of the business plan against objectives

8.2.1 Does it deliver the desired objectives?

1. Improving performance and productivity

The Local Authority Company delivers improved performance in service delivery. It will provide the current services in a more flexible and viable manner.

In relation to the staff, productivity will improve and as such performance will be further enhanced. The viable approach to workforce management will deliver improved service outcomes being delivered.

2. Ensuring future sustainability of services - through a viable marketable approach

The Local Authority Company will secure the need to reshape and size services without the need for wholesale decommissioning. Through adopting a viable approach it allows new services to enter the market and existing ones to be protected whilst still delivering the financial challenges that it has been set.

3. Managing financial pressures - through efficiency and additional revenue generation

The Local Authority Company provides the mechanism that means over £1.2m savings from MTP can be identified and delivered. This is the only way the services in scope could deliver this target without decommissioning.

4. Supporting the Council's ambition and objectives – through alignment of corporate principles

The Local Authority Company will support the delivery of priorities and milestones set out in the Families and Wellbeing Directorate Plan and by strengthening the Council's role as a commissioning body.

8.2.2 Does it overcome the key challenges identified?

This strategic business case has highlighted the importance of the challenges that have been raised to date in relation to this. This case provides comfort in the ability for these challenges to be overcome:

1. Is the proposed Company being created too small to succeed?

The turnover for the Company is estimated at £5.3m. This is a slightly smaller size to another successful Company that delivers similar services (Your Choice for LB Barnet).

2. Can the Company grow in size and importance for other Council services?

The strategic business case is not predicated on other services coming into the Local Authority Company. However, the proposed ownership and management structure would mean that it can easily provide for that kind of growth and would benefit from it. Our analysis to date identifies other Families and Wellbeing services that should be explored in implementation.

3. Would transferring more services into the Company lead to greater benefits?

Yes. The additional services assist in managing overhead and support costs in the most effective way. Where service delivery synergy exists further benefits can be delivered.

4. Can the Company generate the income required?

The project team believe it can, and this level of income raising is unambitious in relation to what has occurred elsewhere. All the service managers have been consulted on the level of ambition for the income and are confident that this can be delivered.

5. Can the Council implement the viable approach in-house?

In some areas the Council can hypothetically deliver this approach – for example in more effective workforce management. However, the evidence suggests that it cannot do so to the same extent as a separate entity would through a more viable and entrepreneurial approach particularly through the dedicated management expertise of the new entity. In other areas it cannot implement the same approach notably, the ability to trade.

6. Can the required MTP savings be delivered through outsourcing?

All market research has strongly provided the answer that it would not be able to in the timescales of the current MTP. The only manner at which the savings could be delivered is by outsourcing and reducing contract volumes or by decommissioning services.

8.3 Recommendations

This business case demonstrates a clear rationale for the establishment of a Local Authority Company that will deliver sustainable services whilst meeting MTP savings. There is also significant potential to include other services, generate greater revenue and deliver services more innovatively.

There is widespread support from key stakeholders including service users and carers for the Local Authority Company. There are multiple benefits, as reflected in the main body of this business case including:

- Increased flexibility of services
- Ability to trade and generate new income
- Ability to invest so that services can be reshaped
- Improving value for money
- Efficiency savings through improved workforce management and productivity
- Retaining the vital function of being the provider of 'last resort'
- Working collaboratively with other partners

It is therefore recommended that:

1. The Council approves the formation of a Local Authority Company
2. The Council defines the Company's strategic ambitions to plan to move towards an expanded commercial scope
3. The Council considers its Council-wide strategic approach and aligns its alternative service delivery models maximising the benefits of an expanded scope
4. An implementation programme is established to oversee the transition of services to the new Company
5. Cabinet receives regular updates on progression commencing in mid-September

