Report Title:	**Outcome of reviews of Achieving for Children and Optalis delivery arrangements**
Contains Confidential or Exempt Information?	No – Part I
Lead Member:	Councillor Hilton, Lead Member for Finance and Ascot Councillor Carroll, Deputy Chairman of Cabinet, Adult Social Care, Children's Services, Health and Mental Health
Meeting and Date:	Cabinet – 30 July 2020
Responsible Officer(s):	Hilary Hall – Director of Adults, Health and Commissioning and Lynne Lidster, Head of Commissioning - People
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. As part of the budget setting process for 2020-2021, it was recommended that the arrangements that the Royal Borough has through Achieving for Children and Optalis for the delivery of children's and adult services respectively should be reviewed to ensure that they were fit for purpose.

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) was commissioned in April 2020 to undertake the review. The aim of the review was to understand whether the current arrangements, which have been in place since 2017, were still the appropriate models to deliver the Council's ongoing strategic transformation objectives for adult and children's services.

3. Both reports, see appendices 1 and 2, conclude that the current arrangements are still the best option for service delivery although in both cases, there are issues that need resolution in order to maximise the benefits. In relation to Optalis, the issue centres on the ongoing relationship between the owners, the Royal Borough and Wokingham Borough Council, and in relation to Achieving for Children, the main issue is that of ongoing cost control of the services.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet notes the report and:

a) Delegates authority to the Managing Director, in consultation with the Lead Member for Finance and Deputy Chairman of Cabinet, Adult Social Care, Children's Services, Health and Mental Health, to implement the recommendations set out in the two respective CIPFA reports annexed to this report.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Options

Table 1: Options arising from this report - Optalis

Option	Comments
Do nothing	This is not recommended as it does not enable changes and improvements to the existing operating models between the Council, Wokingham Borough Council and Optalis.
Improve the existing arrangements by revising the existing shareholder agreement between the Royal Borough and Wokingham Council **This is the recommended option**	Updating the shareholder agreement is key to clarifying the relationship between the Royal Borough and Wokingham Borough Council. It will also provide the Royal Borough with greater control over future transformation with the minimum of disruption to staff and service delivery at the current time.
Wokingham or the Royal Borough assume full ownership of Optalis and establish contractual arrangements with the other.	Whilst this retains the flexibilities of a Local Authority Trading Company and provides greater control for the Royal Borough, it would require considerable negotiation and risks significant service disruption.
The Royal Borough establishes new wholly owned Local Authority Trading Company; TUPE transfer relevant staff; Wind down Optalis in agreement with Wokingham	This would present potential risks to service delivery and disruption to staff, as well as incur significant transitional costs to new company.
In house provision; (wind down Optalis; bring relevant Optalis staff back into the Royal Borough)	There would potentially be additional staff costs when under the Royal Borough terms and conditions and it would require considerable time, effort and cost to wind down Optalis. There would be potential pension liabilities if the Optalis fund does not have sufficient resources to meet its pension liabilities.

Table 2: Options arising from this report – Achieving for Children

Option	Comments
Do nothing	This is not recommended as it does not permit changes and improvements to the existing operating model between the Council and Achieving for Children.
Improve the existing arrangements by establishing a Service Level Agreement between the Royal Borough and	This option retains the benefits that the Achieving for Children expertise has brought to the council's children's services, evidenced by the recent "Good" rating by OFSTED. In addition, the Royal Borough

Option	Comments
Achieving for Children, the Royal Borough agreeing the level of central support it requires from Achieving for Children and Achieving for Children reviewing the level of commissioning support to the Royal Borough **This is the recommended option**	has opportunity for increased influence in the operation of Achieving for Children as well as greater clarity on its central costs and its ability to deliver cost savings.
The Royal Borough relinquishes its 20% share in the ownership of Achieving for Children and Achieving for Children agrees a contract with the Royal Borough	The Royal Borough becomes a key client rather than a minority owner and can choose what shared services it wishes to receive and what level of central Achieving for Children involvement it requires. However, it is harder to vary services under a contract, which may hamper future transformation and it may result in a significant cost increase as Achieving for Children price in cost risk. There may be delays in the delivery of business transformation in the short term with focus on establishing a new company and withdrawal from Achieving for Children. There is a risk that it will be more expensive and Achieving for Children might not bid for the work.
The Royal Borough establish a new wholly owned Company and TUPE transfers Achieving for Children staff to it, at the same time withdrawing from Achieving for Children.	The cost of change will be significant both in terms of transfer and pension liabilities. However, the Royal Borough would have greater control over central company costs and future service delivery. However, there is a significant risk of delays in the delivery of business transformation as well as disruption to staff. Central costs may be greater if Achieving for Children support functions are not shared.
In house provision, transferring all relevant Achieving for Children staff back to the Royal Borough.	The cost of change will be significant, for example terms and conditions of new Achieving for Children staff are different from the Royal Borough. There is the risk of potential significant service disruption and additional staff costs when under the Royal Borough terms and conditions. Most management staff could remain with Achieving for Children and central overheads could increase as they are not shared with other partners.

Optalis.

2.1 The CIPFA report notes that Optalis has brought considerable benefits to the Royal Borough in terms of service improvement, which justifies the original decision to transfer services into the company. However, the Royal Borough as the minority shareholder (45%) does not have sufficient control over major service transformation for Optalis. The current relationship between the Royal Borough and Wokingham is impacting on Optalis and its ability to plan and manage service delivery and future transformation.

2.2 Furthermore, the report notes that Optalis itself has not yet demonstrated the strategic focus on its business to control costs, understand demand, plan ahead and deliver transformation.

2.3 Currently Wokingham Borough Council has disputed previous years' apportionment of central overheads. Despite offering to settle this matter by negotiation, Wokingham Borough Council determined to appoint an independent mediator. Their decision was made recently and *EITHER Royal Borough contribution has been increased in line with our budgeted and negotiating position OR our costs have increased as the mediation determined a fair apportionment that will cost the Royal Borough more but not the £750,000 Wokingham Borough Council were claiming.*

2.4 Accordingly, the recommended option is to work with Wokingham Borough Council to revise the existing shareholder agreement between the two Councils, so that:

- The relationship between the two councils in relation to Optalis is reset and common objectives for Optalis are agreed.
- The apportionment of central overheads is agreed between the two councils.
- There is clarity for Optalis on day to day service delivery and future transformation including the process for taking new business.

Achieving for Children

2.5 Since joining Achieving for Children, children's services have improved considerably, now rated as good by Ofsted. This is an enormous achievement in a relatively short time and reflects extremely well on Achieving for Children and its staff. There is also evidence that Achieving for Children has generated considerable staff loyalty. All of this validates the original decision to transfer services to Achieving for Children.

2.6 However, the report concludes that the other benefits of joining have been more difficult to achieve. There have been few financial savings from these arrangements and costs have risen considerably which, in part, are reflected nationally. Plans to expand the company are on hold, which leaves little scope for further costs savings for the Royal Borough. The council does not have the level of oversight that it needs over children's services costs.

2.7 The recommended option by CIPFA is that Achieving for Children is the best delivery option for children's services but that improvements are needed. These are:

- The Royal Borough should ensure that its commissioning and finance teams have sufficient expertise and influence to hold Achieving for Children to account for the delivery of children's services.

- The Royal Borough and Achieving for Children should work closely together to achieve a common understanding of current costs for delivering children's services, as well as a clear four-year strategy for future demand and the financial consequences.
- The Royal Borough should agree a clear Service Level Agreement with Achieving for Children that is explicit about risks, rewards and responsibilities.

3. KEY IMPLICATIONS

3.1 The key implications are set out in table 3.

Table 3: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
New Optalis shareholder agreement negotiated and agreed	30 April 2021	31 March 2021	31 January 2021	31 December 2020	31 March 2021
Service Level Agreement in place between the Royal Borough and Achieving for Children	30 April 2021	31 March 2021	31 January 2021	31 December 2020	31 March 2021
Level of central support services required from Achieving for Children established	1 November 2020	1 October 2020	1 September 2020	N/A	01 October 2020
Level of commissioning support Achieving for Children currently provides clarified.	1 November 2020	1 October 2020	1 September 2020	N/A	01 October 2020

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 The value of work carried out by Optalis for the Royal Borough is some £33m per annum and includes all adult social care statutory and provider services. Strategic commissioning remains within the local authority. Similarly, for Children's Services, the annual contract value is around £33m per annum.

Optalis and Achieving for Children together account for nearly 70% of the council's net revenue budget.

4.2 Whilst there are no direct financial implications as a result of the report, the recommended options for both Optalis and Achieving for Children provide the opportunity to revisit and agree central overheads which are currently in dispute with Wokingham for Optalis, and to exert greater leverage on Achieving for Children to deliver budgeted in-year savings going forwards.

4.3 Recommendations from the report include consideration of ensuring that RBWM has the right level of expertise within the council. If additional resources are required, then the funding of these will need to be considered as part of our overall budget management.

5. LEGAL IMPLICATIONS

5.1 The recommended options set out in this report for both Optalis and Achieving for Children would require revising the existing Shareholder Agreement between the Royal Borough, Wokingham Council and Optalis and drafting a new Service Level Agreement for Achieving for Children. Legal services would be fully involved in the drafting and execution of the necessary agreements

6. RISK MANAGEMENT

Table 4: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
Failure to agree terms for a new Shareholder Agreement between the Royal Borough and Wokingham.	HIGH	Formal negotiations to be undertaken in order to agree new provisions	MEDIUM
Failure to agree terms for a Service Level Agreement with Achieving for Children	MEDIUM	Formal negotiations to be undertaken in order to agree a Service Level Agreement.	LOW

7. POTENTIAL IMPACTS

7.1 Equalities. The proposed recommendations in this report do not change the existing Equality Impact Assessments undertaken at the time the two companies were established.

7.2 Climate change/sustainability. There are no potential climate / environmental impacts associated with these proposals.

7.3 Data Protection/GDPR. No personal data is being processed and a Data Protection Impact Assessment is not required.

8. CONSULTATION

8.1 A number of interviews in the Royal Borough, Optalis and Achieving for Children were undertaken by CIPFA as part of undertaking the review.

8.2 Consultation on the draft report has been undertaken with the Chief Executive and Chairman of Optalis Limited and the Interim Chief Operating Officer and Chairman of Achieving for Children.

8.3 Both reports have been shared with the respective joint owning councils – Wokingham Borough Council (Optalis); Royal Borough of Kingston-upon-Thames and London Borough of Richmond upon Thames (Achieving for Children).

9. TIMETABLE FOR IMPLEMENTATION

9.1 Implementation date if not called in: Immediately. The full implementation stages are set out in table 5.

Table 5: Implementation timetable

Date	Details
Optalis	
July to September	Negotiations on new shareholder agreement
September	Heads of terms agreed
October to January	Legal drafting and agreement
1 April 2021	Implementation of new shareholder agreement
Achieving for Children	
July to August	Negotiations on new service level agreement, commissioning support and central support
September	Legal drafting and agreement
1 October 2020	Implementation of new agreements

10. APPENDICES

10.1 This report is supported by two appendices:

- Chartered Institute of Public Finances and Accountancy “Royal Borough of Windsor and Maidenhead Review of Delivery Options for Optalis; FULL REPORT; Final Draft; June 2020” John O’Halloran, Director Business Advisory and Consultancy – CIPFA.

- Chartered Institute of Public Finances and Accountancy “Royal Borough of Windsor and Maidenhead Review of Delivery Options for Achieving for Children; FULL REPORT; Final Draft; June 2020” John O’Halloran, Director Business Advisory and Consultancy – CIPFA.

11. BACKGROUND DOCUMENTS

11.1 None.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Hilton	Lead Member for Finance and Ascot	30/06/20	02/07/20
Councillor Carroll	Deputy Chairman of Cabinet, Adult Social Care, Children's Services, Health and Mental Health	30/06/20	02/07/20
Duncan Sharkey	Managing Director	26/06/20	30/06/20
Russell O'Keefe	Director of Place	30/06/20	
Adele Taylor	Director of Resources/S151 Officer	30/06/20	01/07/20
Kevin McDaniel	Director of Children's Services	30/06/20	02/07/20
Hilary Hall	Director Adults, Health and Commissioning	23/06/20	26/06/20
Elaine Browne	Head of Law	30/06/20	01/07/20
Mary Severin	Monitoring Officer	30/06/20	
Nikki Craig	Head of HR, Corporate Projects and IT	30/06/20	01/07/20
Louisa Dean	Communications	30/06/20	01/07/20
Karen Shepherd	Head of Governance	30/06/20	02/07/20

REPORT HISTORY

Decision type: Key decision: No	**Urgency item?** No	**To Follow item?** No
Report Author: Lynne Lidster, Head of Commissioning – People; 07554 459628.		

CIPFA performance in public services

Royal Borough of Windsor and Maidenhead

Review of Delivery Options

For

Optalis

FULL REPORT

June 2020

Contact details

In the first instance please direct all enquiries to:

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Executive Summary

The Royal Borough of Windsor and Maidenhead (RBWM) has engaged Cipfa to carry out a review of delivery options for Achieving for Children (AfC) and Optalis. The authors would like to thank everyone (Annex A) who has co-operated with this review for the time they have set aside to be interviewed.

Some two years ago RBWM decided to join local authority companies to deliver Childrens and Adult Social Care Services. These key services required either considerable improvement or transformation. The new arrangements also offered greater resilience and potential economies of scale.

Since joining Optalis, Adult Social Care services have improved. Elements of the service have been rated as good by the CQC. The other benefits of joining have been more difficult to achieve. There is little sharing with the other owner, Wokingham. Over 75% of Optalis business comes from RBWM but it only has the minority (45%) stake within the company.

While Optalis has been good at managing day to day adult social care, there is little evidence that it currently adds significant value in terms of strategic planning, transforming services or indeed understanding future demand for its services. It needs to demonstrate that it can do more in this area if it is to deliver the major transformation that RBWM want to make within Adult Social Care.

The relationship between RBWM and its co-owner Wokingham is broken. Unless this can be resolved there is little prospect that Optalis will be able to deliver the transformation that RBWM wants or indeed be viable in its current form.

The review of delivery options shows that Optalis still has the potential to be the best delivery model for RBWM. Significant changes to Optalis could delay the transformation as well as risking current service delivery for Adult Social Care at a time of considerable risk (Covid 19).

All of this means that it is in the best interest of RBWM to try to resolve its current relationship with Wokingham and agree a joint way forward for Optalis. This is not impossible and despite the disagreement, both organisations want Optalis to deliver similar things around transformation and effective service delivery.

The review of central overhead costs, which is being carried out at the same time as this review, will test the relationship between the two owners. If this changes the apportionment of central costs, RBWM may have to decide whether it wishes to contribute more to Optalis to maintain the current management structure.

The recommendations at Section 8 are designed to help RBWM find a way to resolve its relationship with Wokingham and agree a clear way forward for Optalis. While there is much for RBWM and Wokingham to resolve, there is also a lot for Optalis to do to demonstrate that it can provide the added value that RBWM and Wokingham need.

1. INTRODUCTION

1.1 The Royal Borough of Windsor and Maidenhead (RBWM) has commissioned Cipfa to carry out a review of the delivery options for Adults Social Care and Children Services.

1.2 Currently these services are delivered by two local authority companies, Optalis and Achieving for Children, which together account for nearly 70% of the council's net revenue budget.

1.3 RBWM, like a number of councils, has an extremely challenging financial position. The Covid 19 national emergency has made this even more acute and the Director of Resources has warned that she may need to issue a Section 114 notice by the autumn if the position does not improve.

1.4 This report considers how the existing arrangements are working and whether they are delivering value for money. It also goes on to consider whether alternative options are likely to deliver better value for money or make it easier for the Council to address the significant financial challenges that it faces.

2. THE CURRENT ARRANGEMENTS FOR ADULT SOCIAL CARE

2.1 On 30th March 2017 the RBWM entered into an agreement with Wokingham Borough Council and Optalis Holdings Limited for Optalis to deliver its Adult Social Care.

2.2 Wokingham Borough Council retained a 55% share in the company, with RBWM holding the remaining 45% share. The company must also deliver at least 80% of its business to Wokingham and RBWM combined in accordance with the Public Contracts Regulations of 2015.

2.3 At the time of the transfer it was expected that both RBWM and Wokingham would transfer the majority of their adult social care services to Optalis Holdings Limited in line with the business plan. This in turn would achieve significant economies of scale for Wokingham and RBWM.

2.4 RBWM subsequently transferred the majority of its Adult Social Care Services to Optalis and only retained a small client commissioning function. The only exception to this was the retention of some significant block contracts with existing external providers of adult social care.

2.5 The value of work carried out by Optalis for RBWM is some £35m and includes

- Regulatory Services

- Statutory Services
- Provider Services

2.6 During the last two years Wokingham has not transferred all of its Adult Social Care services to Optalis.

2.7 The value of work carried out by Optalis for Wokingham is some £10m and is exclusively provider services.

2.8 This effectively means that while (75%) of Optalis business comes from RBWM, Wokingham still retains 55% control of Optalis.

3. THE CONTEXT FOR REVIEWING SERVICE DELIVERY OPTIONS

3.1 This section sets out the key factors which impact on the potential range of delivery options for Adult Social Care.

3.2 Financial Position of Royal Borough of Windsor & Maidenhead

- RBWM is faced with having insufficient reserves to cover a potential budget shortfall of £12m
- RBWM has already warned MHCLG that it may need to issue a S114 notice in the summer on the basis that it will not be able to set a balanced budget for 2021/22
- Optalis Contract accounts for some 40% of the RBWM budget
- RBWM wants to transform adult social care to deliver greater savings to help balance its budget in the short, medium, and long term.

3.3 Growing Pressures on Elderly Social Care

- Demand for elderly social care is growing as the population ages
- At the same time there is greater regulatory pressure to improve the quality of adult social care provider services, which potentially increases delivery costs.
- Optalis has improved the quality of adult social care provider services and has achieved a good CQC rating for many of the services that it provides.
- RBWM wants to transform adult social care to better manage the growing pressures on Elderly Social Care.

3.4 A Delivery Model (Optalis) that is unable to deliver all the benefits that it was established to deliver.

- In 2017, RBWM became a minority owner of Optalis, a local authority company, which was established by Wokingham Borough Council to deliver adult social care.

- At the outset it was envisaged that both organisations would transfer the entirety of their adult social care (regulatory and statutory) to Optalis.
- RBWM made this transfer at an early stage but Wokingham has since chosen not to do this.
- This has created an imbalance within Optalis which is 55% owned by Wokingham but delivers 75% of services to RBWM.
- This has left Optalis delivering different services to RBWM and Wokingham with little sharing and economies of scale between the two organisations.
- Optalis has not therefore delivered the benefits of sharing services and economies of scale to RBWM.

3.5 A broken relationship with RBWM's key partner, Wokingham.

- RBWM and Wokingham are now in dispute over the allocation of central costs
- The two councils have been unable to resolve this and have engaged an independent expert to advise.
- There is a considerable level of distrust and unwillingness to share at even the most basis service delivery level e.g. the allocation of P.P.E equipment during the Covid19 crisis.
- Optalis has struggled to get decisions on key organisational matters in a timely way e.g. the recruitment of a new Chief Executive, the agreement of a permanent pay award for staff

3.6 The Covid19 National Emergency

- Adult Social Care is at the heart of each Local Authority's response to Covid19
- Optalis have demonstrated an effective response that is better than some other local authority areas
- This response relies on effective leadership across Optalis and committed staff within Optalis
- Retaining good social care staff is at the heart of being able to respond to this crisis
- The position is fragile and any change at this time could impact on the confidence of those staff.

3.7 Transforming Adult Social Care

- RBWM wants and needs to transform its Adult Social Care including through increased use of technology
- RBWM has set out a transformation plan and established a transformation board that includes Optalis
- Optalis has started to engage with RBWM to look at the opportunities for transformation, although previously Optalis has focused on improving service delivery rather than transforming it.

- Covid19 is already challenging how Optalis delivers services and the relative need for certain services e.g. day care and face to face visits.

3.8 Local Authority Controls

- Local Authority Companies have greater freedom to trade with other local bodies, to set terms and conditions for staff and to let contracts.
- These freedoms can enable these companies to make cost savings that would not be available to local authorities (e.g. terms & conditions)
- These companies can also achieve greater economies of scale by delivering services to other bodies without the same restrictions imposed on local authorities.
- While new Optalis staff are on new terms and conditions, it is still operating in a competitive market, which means that it makes use of agency staff to varying degrees in most areas including social workers
- Optalis has little external business other than with Wokingham and RBWM.

3.9 Charging for Adult Social Care

- A review of income collection/charging for Adult Social Care is currently underway
- The Charging Policy for RBWM has not been reviewed for over 7 years.
- Documentation for the recovery of charges is poor
- A high number of agency social workers/assessors means that Optalis staff are not fully aware of charging mechanisms and may not implement them.
- Overall, there is concern that the transitions between Optalis and RBWM could mean that there is added complexity in recovering charges
- In turn this could lead to failure to charge (lost income) or failure to collect charges (bad debts).

3.10 Pensions

- Former RBWM staff within Optalis have retained their pension rights and have continued within the Berkshire Pension Scheme (Optalis has admitted body status)
- Optalis has closed their pension scheme to any new staff that joined from 1 April 2017.
- If Optalis is wound down then all staff will automatically transfer back to RBWM, unless it makes alternative arrangements i.e. establishes a local authority company or agrees other contractual arrangements for the delivery of adult social care.
- At the same time RBWM will assume the pension liabilities for staff within Optalis, although it will have a share of the Optalis pension fund to enable it to do this.
- Equally all Optalis staff, currently outside the pension fund will have the right to join it.

4. KEY CRITERIA FOR ANY DELIVERY MODEL

4.1 Given the above context there are some key tests for any delivery model for Adult Social Care.

a) Deliver Good Quality Statutory Services

Any model should not demonstrably weaken the quality of statutory care services.

b) Transform the way it delivers Adult Social Care

Any model should make it as easy as possible for RBWM to implement its transformation strategy.

c) Have the control it needs over the future direction of Adult Social Care

Any model should give RBWM sufficient control over how it delivers Adult Social Care without undue influence from another partner.

d) Take advantage of new ways of working and freedoms in delivering services.

Any model should enable RBWM to access greater freedoms in the delivery of adult social care.

e) Repay the costs of transition within 2 years.

Any transition costs of moving to a new model from the existing model should be able to be recovered by greater savings under the new model with a payback period of no more than 2 years.

f) Attract and retain high quality social care staff

Any change needs to set out clearly how it will retain high quality social care staff, especially during a period of national emergency

g) Operate as efficiently as possible

Any delivery model should minimise the level of central overhead costs and duplication between RBWM and Optalis.

4.2 In terms of any delivery model going forward the most important issues are:

(a) Maintaining a good service and keeping people safe
(b) Effectively controlling costs
(c) Transforming adult social care services to better manage current and future service pressures

(d) To have effective working relationships with the organisation and partners/owners within the delivery model.

4.3 The current arrangements for Optalis meet the first of these criteria but do not currently address the remaining three criteria. This means that there is an urgent need to look at either improving the current delivery model or other delivery models.

5. ALTERNATIVE DELIVERY MODELS

5.1 This section considers the range of delivery models for Adult Social Care as follows:

Option 1 No change to current arrangements
Option 2 Improved current arrangements e.g. with a revised shareholders agreement
Option 3 RBWM wholly owned company
Option 4 Transfer back to RBWM.

Option 1: Status Quo

5.2 The Table below assesses the advantages and disadvantages of keeping the existing arrangements for Optalis together with the opportunities and threats associated with this option.

Status Quo • Continue with existing arrangements • Continue with same shareholder agreement	
Advantages 1. Delivers a good service for same costs 2. Flexibility around terms & conditions 3. Not bound by EU regulations (limited) 4. Potential for economies of scale to share central costs 5. Retain existing staff 6. Retain experienced managers 7. Maintain Service quality	Disadvantages 1. Central Costs are high unless Wokingham meets a significant share 2. RBWM a minority shareholder and so does not have an equal level of control 3. Little strategic focus to plan future service delivery or control current costs 4. Difficult to deliver transformation through Optalis without sufficient control 5. Optalis not pro-active historically in delivering transformation 6. Transition between Optalis and RBWM poor for maximising income 7. High Staff turnover – social workers – is this due to terms & conditions.
Opportunities 1. Potential to transform service within Optalis 2. Optalis experienced managers with a proven track record of service delivery	Threats 1. Poor relationship between Wokingham and RBWM persists and prevents RBWM transforming services. 2. Poor relationship with Wokingham creates significant uncertainty that

3. New Chief Executive of Optalis committed to delivering transformation 4. Potential to attract additional services from Wokingham or other local authorities	could disrupt day to day service at a key time i.e. Covid 19. 3. A slimmed down Optalis may not be viable 4. Wokingham withdraws – RBWM cannot afford central costs 5. High level of agency staff may mean that Optalis struggles to deliver service without improved terms and conditions and higher costs.
Conclusion • RBWM does not have sufficient control over Optalis to deliver savings • RBWM may find it hard to justify a higher additional share of the costs of Optalis • The relationship with Wokingham creates significant uncertainty and risk of disruption to service delivery within Optalis at a key time (Cov19 and Business transformation) • Optalis cannot move forward unless the relationship between Wokingham and RBWM is resolved.	

Financial Implications

5.3 The table below shows the main financial implications associated with this option.

1. Additional Overhead cost recovery	500

A detailed assessment is currently underway to resolve a dispute surrounding the recovery of central costs. The above figure shows the quantum of the amount in dispute and is not an adjudicated figure. If RBWM was asked to contribute more to these costs, then it would clearly have the option to request a full review of these costs by Optalis so that its contribution level did not rise so significantly or at all.

5.4 In addition to the above there are also some key financial risks of staying with Optalis in its current form. These risks, particularly around placement costs do not taken into account the work being carried out by Peopletoo, which will enable a more accurate assessment of the potential saving and risks around reducing placement costs.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	500
2. Saving delivery – non-delivery of transformation savings	1,500
3. Commissioning cost – failure to achieve value for money in commissioning services.	500

Other Considerations

5.5 Ultimately RBWM does not have any control how Optalis is reshaped unless the shareholders agreement is revised to give it equal control over Optalis.

5.6 Currently this decision rests with Wokingham, who are the majority shareholder and are already using this position to block the transfer of additional services to Optalis.

5.7 Wokingham have already commissioned a review of central overheads on the basis that the current allocation is unfair to them as these costs are split according to the shareholding, as set out in the shareholders agreement.

5.8 Wokingham or RBWM could also elect to withdraw from Optalis at any time, subject to meeting the associated costs of withdrawal.

5.9 RBWM has a clear strategy to transform Adult Social Care. This strategy relies heavily on Optalis to implement significant changes in the way it delivers services.

5.10 Given the current relationship with Wokingham there is it makes it much harder to deliver this strategy given that:

a) Wokingham has a majority stake in Optalis and is already blocking key decisions around pay awards.
b) Wokingham is already starting to block the transfer of further RBWM services to Optalis
c) The allocation of central costs is under review and could result in additional charges for RBWM or reduced management capacity overall.

5.11 In addition, the review of central costs may result in increased costs for RBWM at a time when it is trying to contain and reduce the cost of adult social care.

5.12 The fact that Optalis is delivering different services to RBWM and Wokingham also makes it difficult to rationalise central overhead costs because effectively the central core of the organisation is managing the delivery of different services to the two organisations.

5.13 There is no question that Optalis delivers a good service and its response Covid19 has been excellent. This means that it is still sensible to see whether there is potential to make changes to the way that Optalis is run that better meet the needs of its two owners.

Option 2 – Improved Status Quo

5.14 The Second Option therefore considers how the existing arrangements with Optalis could be improved to the benefit of both owners.

5.15 The current position for Optalis is very different than was envisaged in the original shareholder agreement and business case. In particular there is little sharing between the two owners.

5.16 The shareholders agreement would need to be revised to reflect the reality of the current position.

<table>
<tr><td colspan="2">Optalis continues with a revised shareholder agreement
• Optalis acts as Local Authority Company for RBWM and Wokingham
• Optalis accepts it delivers different services to different partners
• Optalis reconfigures its organisation to do this
• Shareholder agreement updated to give each partner control over the part of Optalis that relates to them</td></tr>
<tr><td><u>Advantages</u>
1. Delivers a good service and likely to retain existing good CQC ratings.
2. Allows RBWM to retain focus on Covid19 and Business Transformation without disruption of setting up a new company.
3. Maintains service at a time of national emergency – Covid19
4. Fastest way to deliver business transformation.
5. Flexibility around terms & conditions
6. Not bound by EU regulations (limited)
7. Avoids the need for both authorities to set up their own local authority company
8. Retains existing management skills and staff</td><td><u>Disadvantages</u>
1. Optalis may not be viable with lower central costs
2. Optalis may struggle to serve two masters who want different things.
3. Optalis still needs to develop skills and expertise to deliver transformation and cost savings for RBWM
4. RBWM still does not have total control over future service transformation
5. Transitions difficult in terms of financial assessments and income collection.
6. Terms & Conditions may still need to be reviewed to avoid high levels of agency staff.</td></tr>
<tr><td><u>Opportunities</u>
1. Potential to transform service within Optalis
2. Optalis experienced managers could deliver transformation
3. Potential for economies of scale to share central costs at a later date
4. Potential to deliver service to other local authorities.</td><td><u>Threats</u>
1. Wokingham withdraws – RBWM cannot afford central costs
2. Review of Central Costs – RBWM cannot afford extra costs
3. Unable to agree revised shareholder agreement
4. Poor relationship between Wokingham and RBWM persists and prevents RBWM transforming services.
5. Are Optalis skills to deliver service improvement transferrable to deliver transformation and cost reduction?</td></tr>
<tr><td colspan="2"><u>Conclusion</u>
• This is probably the lowest risk option
• It would give RBWM greater control over future transformation with the minimum of disruption to staff and service delivery at a time of national emergency.
• This option would also enable transformation to be delivered quickly provided Optalis has the skills to do this.
• The key downside is that any change is dependent on Wokingham agreeing the changes outlined above coupled with the viability of Optalis if central costs are shared on a different basis.</td></tr>
</table>

Financial Implications

5.17 The table below shows the main financial implications associated with this option.

1. Additional Overhead cost recovery	500
2. Greater control over central overhead costs	-250

5.18 While the above table highlights the risk of extra cost recovery it also matches it with greater control of overhead costs by RBWM, which would lead to a smaller central core within Optalis.

5.19 Clearly it would be unrealistic to expect RBWM to incur a greater share of the central costs without any control over them. Any change to central costs would therefore also need to coincide with a change in the overall shareholding.

5.20 The other risks outlined above still remain although it could be argued that these are reduced as RBWM has greater control within Optalis.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	500
2. Savings delivery – non-delivery of transformation savings	750
3. Commissioning cost – failure to achieve value for money in commissioning services.	500

Other Considerations

5.21 The above option benefits RBWM as it allows RBWM to maintain the quality of service delivery that Optalis delivers at a time of unprecedented risk for Adult Social Care due to Covid19.

5.22 The option also means that Wokingham and RBWM can continue to benefit from the additional freedoms that a local authority company has compared to a local authority. It will avoid the need to transfer staff back to both organisations or the need to create separate local authority companies for Wokingham and RBWM. On that basis it is probably the most cost-effective solution for both councils.

5.23 The delivery of this option is again heavily dependent on Wokingham agreeing changes to the shareholder agreement with RBWM, which is by no means certain given the current relationship between the two councils.

5.24 Wokingham will need to agree changes to the shareholder agreement in any event if they want to change the allocation of central costs. It would

be unrealistic for Wokingham to expect RBWM to meet the largest share of central costs, without having any control over their size.

5.25 The other key issue with this option is whether the Management Team within Optalis can develop the strategic skills needed to manage adult social care demand going forward and deliver the transformation that RBWM needs.

5.26 The challenge for the management team for Optalis will be even greater because it is effectively delivering different services to RBWM and Wokingham.

5.27 Option 2 is discussed in more detail in Section 6 below.

5.28 Given the challenges outlined above, an alternative solution would be to explore with Wokingham whether it would be better for one of the owners to relinquish their ownership and establish a contractual relationship with Optalis. This would avoid the need for Optalis to balance the conflicting requirements of each owner.

Option 3 – Contractual Relationship with Optalis

5.29 Under this option either Wokingham or RBWM could assume full ownership of Optalis and would establish contractual arrangements with the other.

5.30 For the purposes of this appraisal it is assumed that RBWM would assume full ownership, given that the majority of services within Optalis are provided to them.

5.31 This option could take two main forms:

- A formal contract, which provides greater certainty in terms of timescales for Wokingham and RBWM
- A Service level agreement, which is a looser arrangement and gives more flexibility to both Wokingham and RBWM.

5.32 The table below assesses the implications of this option.

Optalis with contractual arrangements with Wokingham • RBWM assumes full ownership of Optalis • Optalis agrees a contract or Service Level agreement with Wokingham.	
Advantages 1. Retains flexibility of a local authority company 2. Easier for Optalis to set a consistent direction 3. Gives RBWM full control of their key Adult Social Care Services	Disadvantages 1. Will require considerable negotiation with Wokingham to agree contract costs. 2. Will require further negotiation to agree support costs from Wokingham included in central overhead.

4. Gives RBWM the control they need to transform Adult Social Care in future. 5. RBWM has a much clearer relationship with Wokingham, who retains the flexibility of external provision. 6. Greater control for RBWM around central costs 7. Still retains ability for some economies of scale between RBWM and Wokingham. 8. A relatively smooth transition from current arrangements. 9. Retains confidence of CQC 10. Retains confidence of staff. 11. Avoids wind up costs. 12. Flexibility around terms & conditions is retained 13. Not bound by EU regulations (limited)	3. Considerable work to transfer ownership to one owner given that Wokingham is currently the lead organisations. 4. Greater risk of service disruption 5. Delays delivery of business transformation in the short term with focus on company transfer. 6. May require an increased level of client support within RBWM 7. Wokingham and RBWM will need to agree what happens to pension liabilities when the contract terminates – RBWM does not want to assume pension liabilities for Wokingham staff within Optalis.
Opportunities 1. Potential to increase business with other organisations 2. Potential to deliver further services to Wokingham 3. Greater opportunities to transform Optalis and the Adult Social Care it provides	Threats 1. Wokingham may want to minimize contribution to central costs as part of contract negotiations 2. Core of Optalis may not be viable to meet the transformation that RBWM needs 3. Failure to agree a contract price with Wokingham 4. Wokingham may terminate contract or fail to renew it in the future. 5. Wokingham and RBWM may struggle to agree terms including termination clauses and contract length.
Conclusion • The main benefits of this option for RBWM is that it would give it more control over future transformation • The management team within Optalis would also have a much clearer focus on RBWM. • In the short term this carries more risk of service disruption and the key risk is whether Wokingham and RBWM can agree a contract price and other terms including contract period and termination.	

Financial Implications

5.33 The table below shows the main financial implications associated with this option.

1. Additional Overhead cost	750
2. Greater control over central overhead costs	250

5.34 Under this option it is likely that RBWM would incur an even greater share of the central overhead cost, although it would have complete control over

the scale of the overhead. Nevertheless, overall central costs are likely to be higher for RBWM under this option.

5.35 While the key financial risks below may not be eliminated, they may be considerably less with revised arrangements for Optalis.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	250
2. Saving delivery – non-delivery of in year savings	500
3. Commissioning cost – failure to achieve value for money in commissioning services.	250

Other Considerations

5.36 This Option has a lot to commend it. It provides the control that RBWM needs to transform adult social care and control costs while potentially addressing the challenge of conflicting requirements between RBWM and Wokingham.

5.37 The Option also means that RBWM can decide exactly what level of support it wants from Optalis but it may well have to pay more for it, as Wokingham is likely to seek to minimize these costs within any negotiation around contract price.

5.38 Again, this Option needs the support of Wokingham if it is to be viable and may require even more negotiation than changes to the shareholder agreement. This should not therefore be viewed as an easy option.

5.39 Moving to this option will also take a lot of time and effort and require a considerable amount to unravel the current arrangements around Optalis. Pension arrangements are complex and RBWM would need to assure itself that it was not assuming additional pension liabilities for former Wokingham staff working within Optalis, which could be considerable.

5.40 This option therefore carries additional financial and service risk and could potentially delay the delivery of transformation opportunities.

5.41 This means that it is sensible to look at further options including a wholly owned local authority company.

Option 4 – Wholly Owned Local Authority Company

5.42 For these reasons, it makes sense to consider an RBWM wholly owned local authority company

<table>
<tr><td colspan="2">Local Authority Company
• RBWM sets up wholly owned company
• Agrees TUPE transfer of relevant Optalis staff to wholly owned company
• Optalis is wound down by mutual agreement with Wokingham</td></tr>
<tr><td><u>Advantages</u>
1. Retains flexibility of a local authority company
2. RBWM has significant control over company and future service delivery
3. Greater flexibility to deliver more wide-ranging business transformation in the longer term.
4. Flexibility around terms & conditions
5. Not bound by EU regulations (limited)
6. Avoids the significant cost of admitting additional Optalis staff to the RBWM pension fund.
7. Avoids the potential for the transfer of Optalis staff to destabilise the RBWM pay structure.</td><td><u>Disadvantages</u>
1. Considerable threat to service at a time of national emergency – Cov19
2. Delays delivery of business transformation in the short term with focus on establishing new company and winding up Optalis
3. Significant transitional costs to new company e.g. wind up costs for Optalis
4. Optalis may not be viable with lower central costs.
5. Slimmed down Optalis management structure at a time when it needs extra skills and expertise to deliver transformation and cost savings for RBWM
6. RBWM does not have direct day to day control over Optalis as it would with an in-house provision.
7. Transitions still difficult in terms of financial assessments and income collection.
8. Terms & Conditions may still need to be reviewed to avoid high levels of agency staff.
9. New company would need admitted body status into the Local Authority Pension Scheme
10. RBWM would need to guarantee pension liabilities if RBWM share of the pension fund was not sufficient to cover all the liability for the staff transferring to the new company.</td></tr>
<tr><td><u>Opportunities</u>
1. Potential to expand to deliver wider services to RBWM e.g. children services
2. Optalis experienced managers could deliver transformation
3. Potential to admit other local authorities at a later date or to provide services to them</td><td><u>Threats</u>
1. Reduced focus on Cov19 and Business Transformation due to disruption of setting up a new company.
2. Maintains service at a time of national emergency – Cov19
3. Fastest way to deliver business transformation.</td></tr>
<tr><td colspan="2"><u>Conclusion</u>
• The main benefits of this option are that it would give RBWM the control it needs over future transformation.
• This main issues with this option are the level of potential compensation payable to Wokingham if any and whether Optalis is viable to deliver services solely to RBWM.</td></tr>
</table>

Financial Implications

5.43 The table below shows the main financial implications associated with this option.

	£'000
1. Central Costs may be greater if RBWM is not able to share these costs with other owners.	1,000
2. Costs for Establishing a new local authority company	250
3. Compensation Costs for Optalis owners	1,000

5.44 The compensation costs are particularly hard to assess and could be much less. The most significant could be pension costs for employees that transfer back to their former authority. This would depend on the state of the Optalis part of the pension fund.

5.45 The financial risks would be similar to the risks associated with a revised Optalis model above. They may be greater depending on the ability of the new company to retain key management and the effectiveness of the new management team.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	250
2. Saving delivery – non-delivery of in year savings	500
3. Commissioning cost – failure to achieve value for money in commissioning services.	250

Current Considerations

5.46 This option carries a greater risk in terms of service delivery.

5.47 This option would mean that the Management Team for the company would be focused totally on the transformation for RBWM and would not be split between conflicting loyalties and pressures in delivering different services to different organisations.

5.48 This option would also retain the flexibility in terms and conditions that a local authority company offers.

5.49 This option would come at some additional cost in that RBWM would have to meet all Optalis central costs rather than share them with Wokingham. This could result in a substantial additional cost to RBWM.

5.50 RBWM would struggle to reduce the company's management structure at a time when it needs even more skill and strategic expertise to deliver service transformation.

5.51 This option has potentially significant costs for winding down the previous operation and any compensation that might be payable to Wokingham, unless Optalis is dissolved by mutual agreement.

5.52 The scale of central overhead costs and the added complexity of delivering a service through a third party raises the option of whether it may be simpler and cheaper to transfer the services back to RBWM.

Option 5 – In-house provision

5.53 This is considered in the final option below.

Bring back service in house • Wind down Optalis • Transfer Optalis relevant Optalis Staff back to RBWM.	
Advantages 1. RBWM has the highest level of control over service delivery and future business transformation 2. Greatest flexibility to deliver more wide-ranging business transformation in the longer term. 3. Greater control around terms & conditions 4. The process for financial assessment and recovery will be simpler within the control of one organisation. 5. RBWM greater control over central costs and overheads and rationalise between Optalis and RBWM.	Disadvantages 1. Potential extra staff costs when under RBWM terms and conditions 2. Considerable time, effort and cost to wind down Optalis. 3. Potential pension liabilities if the Optalis fund does not have sufficient resources to meet its pension liabilities. 4. Conflict with Wokingham around staff transfer. 5. Most management staff could transfer to RBWM given that it has the largest share of Optalis business. 6. Central Overheads increase significantly in the short term. 7. Significant disruption to service at a time of national emergency – Cov19 8. Delays delivery of business transformation in the short term with focus on transfer of Optalis functions to RBWM 9. Significant transitional costs e.g. wind up costs for Optalis 10. Loss of flexibility of a local authority company. 11. Increased central costs in the short term. 12. Potential to destabilise RBWM pay structure – probably limited due to nature of staff. 13. Terms & Conditions may still need to be reviewed to avoid high levels of agency staff.
Opportunities 1. Potential to rationalise management costs in the delivery of adult social care across RBWM and Optalis	Threats 1. Reduced focus on Cov19 and Business Transformation due to disruption of transfer to RBWM and winding up Optalis.

2. Avoids duplication in commissioning – RBWM and Optalis 3. Improved recovery of income from financial assessments etc.	
Conclusion • The main benefits of this option are that it would give RBWM the most control over future transformation. • The main issue with this option is the potential disruption this will cause at a time of national emergency and the delay this might cause to delivering transformation. • The other main issue with this option is the potential higher cost of transferring staff back to RBWM on RBWM terms & conditions.	

Financial Implications

5.54 The table below shows the main financial implications associated with this option.

	£'000
1. Equal Pay risk – following transfer of Optalis staff back under RBWM terms and conditions	500
2. All staff transferred to RBWM would be eligible for the RBWM pension scheme resulting in increased pension costs.	500
3. Central Costs may be greater if RBWM is not able to share these costs with other owners.	1,000
4. Compensation Costs for Wokingham	1,000
5. Loss of procurement freedom and flexibility.	250

5.55 While the key financial risks below may not be eliminated, they may be considerably less with the service brought back within RBWM control.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	250
2. Saving delivery – non-delivery of in year savings	250
3. Commissioning cost – failure to achieve value for money in commissioning services.	250

Other Considerations

5.56 Given the unprecedented level of adult social care risk associated with Covid19, the timing of this option would need to be considered very carefully.

5.57 Although transformation is clearly important and indeed essential for the long-term viability of the services, in the short term the focus must be on maintaining the current service.

5.58 This option probably carries the greatest risk of disruption to the current service and therefore needs to be considered very carefully at the current time.

5.59 In the future, this Option may well need to be considered, particularly if the level of central costs is prohibitive and do not outweigh the benefits of the greater freedoms that operating as a local authority company brings.

6. CAN THE EXISTING ARRANGEMENTS BE MADE TO WORK?

6.1 A good starting point for moving forward is to consider whether the existing arrangements can be made to work. This section considers the key factors that would need to be resolved to make the existing arrangements effective.

Can Optalis Deliver the Benefits that it was set up to deliver?

6.2 There is no question that Adult Social Care services have improved significantly following the transfer to Optalis and this has been recognised by external assessments by the CQC. In service terms the transfer to Optalis has therefore been a success.

6.3 Unfortunately, the other business benefits in terms of cost saving and service transformation have not been delivered.

- Wokingham has not transferred its Statutory Services to Optalis and there is little prospect that this will happen in the future.
- While Optalis has focused on service improvement, there is little evidence to date that Optalis has transformed any of the services that it delivers.

6.4 Optalis has tried to expand its business beyond Wokingham and RBWM but has had little success in this area. The shareholders agreement limits the amount of external business to no more than 20%.

6.5 Since Optalis was established, it has not gained any other significant business, outside of Wokingham and RBWM.

6.6 Optalis has been unable to persuade Wokingham to put additional services into Optalis, even those within the original business plan. On that basis it is hard to appreciate how it is going to expand into another local authority.

6.7 On this basis it is reasonable to conclude:

- There is little prospect that Optalis will be able to deliver any economies of scale in service delivery to RBWM through sharing with Wokingham
- Optalis is unlikely to generate substantial external business to offset its central operating costs.

An Effective Working Relationship?

6.8 Any Local Authority joint venture of this nature requires a sound working relationship between the local Authority partners.

6.9 In the case of Optalis, this is a big challenge because there is so little sharing between Wokingham and RBWM. This means that both Councils will want Optalis to deliver different things.

6.10 This has had an impact on the relationship between Wokingham and RBWM and resulted in a dispute between the two councils over the recovery of central costs. It is worth noting that the two Councils have been unable to resolve this and have now appointed an external advisor.

6.11 Even worse, there are other examples, where RBWM and Wokingham have either failed to agree or taken a considerable amount of time to resolve key issues that impact on the day to day delivery of a service including:

- Agreeing to the permanent recruitment of key personnel
- Approving a pay award for care staff – the existing arrangements are only temporary
- Wokingham blocking the transfer of further services from RBWM to Optalis,

6.12 In addition, the holdings board for Optalis has seldom met during the last two years, which again raises concerns around the joint oversight of Optalis by Wokingham and RBWM.

6.13 This situation leaves both councils at an impasse where they cannot realistically plan the future delivery of their adult social care. This is exacerbated by the fact that the two Councils want Optalis to deliver different services or at least have a different focus and there is little sharing between them.

6.14 It is therefore in the interests of both Councils to resolve this situation either to allow Optalis to continue with a shared understanding of how it will move forward or alternatively accept that Optalis cannot continue in its existing form.

6.15 Any resolution between the partners will require a significant revision to the shareholders agreement. Given the current relationship between the two councils this is only likely to be achieved via mediation.

6.16 On this basis it is reasonable to conclude that:

- Optalis is unlikely to continue in its existing form
- The two partners need to agree a considerable change to the shareholders agreement to enable Optalis to operate effectively.

- Optalis may need to review the cost and size of its central overhead if the allocation between the partners changes.

Can Optalis deliver added value that justifies its overhead costs?

6.17 Optalis represents an additional central management overhead over and above the costs of the central commissioning team within Windsor and Maidenhead.

6.18 This is not necessarily a bad thing if Optalis can demonstrate that the increased cost reflects considerable additional value to RBWM from the arrangements.

6.19 Given the prospect that RBWM may need to meet an even greater share of this overhead, Optalis will be under even more pressure to demonstrate the added value that it provides.

6.20 The clearest example of added value from Optalis is the improvement in Adult Social Care as recognised by the CQC.

6.21 During the time that Optalis has been established there has been considerable intervention by RBWM to control costs and develop a vision for service transformation.

- A quality assurance panel was set up by Optalis at the instruction of the DASS to review all placements to ensure that they are appropriate and are cost effective. RBWM commissioning staff are members of the panel which means that RBWM is involved in reviewing all placements. This is a considerable level of intervention for a service, which in theory has been transferred fully to Optalis
- A Debt group has been set up by RBWM to manage the complicated transition and recovery of debts associated with adult social care. The transitions between Optalis and RBWM (Commissioning and Financial Assessments Teams) can add to the complexity in recovering debts that are already hard to recover.
- A transformation strategy has been developed by RBWM to transform the way it delivers adult social care with a view to delivering more and better care with less resources
- RBWM has also had to intervene directly to ensure that Optalis maintains resources in the "reablement" team to avoid clients needing more expensive residential care.

6.22 There is less compelling evidence that Optalis has a clear vision for the future.

- There is little evidence that Optalis understands its current demand and it is projecting its future demand.
- There appears to be little if any future service planning and currently Optalis does not have an up to date business plan.

- There has been some attempt to project future costs but at best this is an assessment that is carried out every 3 years and is not agile enough to account for changes in demand.

6.23 Given the relationship with Wokingham, it would appear that Optalis is not able to undertake any joint planning between RBWM and Wokingham to understand how this might impact on future service delivery and the management structure that it needs to support it.

6.24 RBWM has engaged Peopletoo to undertake some of this work, that RBWM might reasonably expect to be provided within Optalis. RBWM is effectively paying for a considerable level of expertise within Optalis, which has not translated into any medium to long terms plans for service delivery or transformation.

6.25 Optalis still has a lot to do to demonstrate its added value justifies its significant service costs. While it has clear ability in terms of service improvement it will need to demonstrate that it:

- Has a clear understanding of future demand and how this impacts on the service that it delivers
- Has clear ideas on how it can transform the service that it delivers and meet RBWM's ambitious plans to transform adult social care
- Can control the day to day cost of its services without the current level of intervention from RBWM.

6.26 Developing a viable way forward for Optalis therefore relies on these three key factors:

- Being realistic about the expansion prospects for Optalis, which means that it needs to focus on Wokingham and RBWM rather than new business.
- Wokingham and RBWM agreeing a new way forward for Optalis, including a revision to the shareholder agreement.
- A review of Optalis management structures and a clear business plan that controls costs and delivers service transformation.

6.27 None of these are impossible but all of them carry a considerable degree of risk. They are also not completely within the control of the council or its officers. This means that the future viability of Optalis is by no means certain. RBWM therefore needs to have a clear Plan B.

7. THE WAY FORWARD

7.1 Optalis has brought considerable benefits to RBWM in terms of service improvement, which justifies the original decision to transfer services to them.

7.2 Nevertheless, the arrangements with Optalis are not viable in their current form.

- RBWM as the minority shareholder does not have sufficient control over major service transformation.
- The broken relationship with Wokingham could impact on the viability of the company if Wokingham chooses to withdraw or make major changes at any time.
- There is little prospect of the benefits set out within the shareholders agreement and associated business plan being delivered.
- Optalis has not yet demonstrated the strategic focus on its business to control costs, understand demand, plan ahead and deliver transformation.

7.3 Optalis could still be a viable option for both RBWM and Wokingham. The structure and freedoms within Optalis offer the opportunity for greater flexibility and cost saving for both organisations. There is little benefit in either organisation setting up their own local authority company.

7.4 This requires the commitment of both Wokingham and RBWM to agree a new direction for Optalis and to explore whether it is viable for Optalis to deliver quite different services to the two authorities.

7.5 The review of the allocation of central costs could prompt an even more fundamental review of the size and shape of the central Optalis structure so that it is affordable to both its owners.

7.6 The poor relationship between RBWM and Wokingham is in danger of obscuring the fact that there is a lot of commonality in terms of what RBWM and Wokingham need from Optalis going forward. They both need Optalis to:

(a) Deliver good quality adult social care services
(b) Control overall service costs effectively within allocated budgets
(c) Have a better strategic focus to understanding demand
(d) Plan more effectively for the future
(e) Ensure that central costs deliver value for money

7.7 Both RBWM and Wokingham also benefit from the good level of service delivered by Optalis, as has been demonstrated by its response to Covid 19. Moving away from Optalis would therefore present a significant service risk to both RBWM and Wokingham.

7.8 Finally, RBWM or Wokingham are both going to struggle to justify the extra potential costs of local authority terms and conditions and service disruption associated with bringing the services delivered by Optalis in house.

7.9 All of this means that it is in the interests of both RBWM and Wokingham to explore the potential to make Optalis work for both organisations. The easiest way to do this would be to renegotiate the shareholder agreement.

7.10 The relationship between the two Councils means that a mediated approach is likely to be the most successful. This could explore how both organisations could benefit from a refocused Optalis and how a revised shareholder agreement could enable this.

7.11 At the same time Optalis needs to make the case for how it can best meet the needs of both Wokingham and RBWM. It needs to address this with the same urgency that it is applying to the current Covid19 national emergency.

7.12 This mediation will need to seek agreement on a range of key issues including:

- The level of ownership for Wokingham and RBWM – so that both organisations can be assured that the other will not exert undue influence to block the changes that they want to make.
- A fair and equitable means of sharing central costs to recognise the support provided to both organisations

7.13 Optalis may also need to review the level of its central costs as part of this work to ensure that it can still provide the necessary level of oversight at an affordable cost.

7.14 Mediation between the two councils is not all that needs to be addressed. Optalis needs to demonstrate far more clearly that it is a forward looking organisation committed and able to deliver service transformation. This would require a major organisational shift for Optalis.

7.15 If it does not prove possible to renegotiate the shareholder agreement, then it would be reasonable for both RBWM and Wokingham to explore a contractual relationship.

- This would enable Wokingham to retain overall control of Optalis if it does not wish to relinquish control through a revised shareholder agreement.
- Alternatively, it would enable RBWM to take over control of Optalis if both organisations agreed that this made more sense so that RBWM would then deliver services back to Wokingham under contract.

7.16 It is in the interests of both RBWM and Wokingham to come to an agreement on whether a joint ownership model or a more contractual model presents the best way forward.

7.17 This may require compromise on both sides but there is benefit to both if they reach this compromise. Any alternative arrangements are likely to carry greater risk in terms of service disruption as well as greater cost in terms of dissolving the current arrangements and creating new ones.

8. RECOMMENDATIONS

8.1 Overall, this review concludes that there is still benefit in RBWM trying to make the current arrangements with Optalis work. This can only be achieved if RBWM and Wokingham can resolve their broken relationship.

Recommendation 1

RBWM should use this report and the independent review of central costs to clarify its position with regard to Optalis and set this out clearly to Wokingham

8.2 RBWM needs to use this report to set out clearly its future position in relation to Optalis

8.3 RBWM needs to decide the extent if any of its increased contribution to Optalis following the results of an independent determination.

Recommendation 2

RBWM should do all that it can to ask Wokingham to set out clearly their position with regard to Optalis.

8.4 This may be assisted by sharing this report with Wokingham

Recommendation 3

RBWM needs to agree with Wokingham how best they are going to resolve their relationship.

8.5 This may require third party mediation. They both need to agree on the following if Optalis is to move forward.

(i) A revised shareholder agreement that gives equal control to the partners
(ii) The services that they wish to keep within Optalis
(iii) The size of their joint contribution to central costs
(iv) Whether they will make specific individual contributions for project-based work specific to them
(v) Regular meetings of the Holding Board, at least once per quarter to resolve any issues within Optalis.

Recommendation 4

RBWM needs to put pressure on Optalis to demonstrate that it provides added value over and above simply managing day to day service delivery.

8.6 If the owners can agree a clear way forward for Optalis, the company then needs to set out clearly how it will deliver against those objectives. As part of this it will need to demonstrate that it:

(i) Has a clear understanding of future demand and how this impacts on future service delivery
(ii) Has clear ideas on how it can transform the service that it delivers and meet RBWM's ambitious plans to transform adult social care
(iii) Can control the day to day cost of its services without the current level of intervention from RBWM.
(iv) How it will develop the necessary skills at a strategic and transformational level to deliver what RBWM wants.

Annex A

Schedule of Interviewees

Interviewee	Date
Cllr David Hilton, Lead Member Finance	20/4/20
Cllr Stuart Carroll, Lead Member Adult Social Care, Childrens Services, Health & Mental Health	4/5/20
Cllr Lynne Jones, Leader Local Independents **Duncan Sharkey,** Managing Director, RBWM	30/4/20 21/4/20
Hilary Hall, Director of Adults, Health & Commissioning, RBWM **Adele Taylor,** Director of Resources, RBWM	16/4/20 30/4/20
David Birch, Chief Executive, Optalis Ltd **David Cook,** Independent Chair Optalis Ltd	24/4/20 22/4/20
Helen Woodland, Director of Provider Services, Optalis Ltd	23/4/20
Lynne Lidster, Commissioning Lead (Adult Social Care), RBWM **Alan Abrahamson,** Finance Lead (Adult Social Care), RBWM	27/4/20 20/4/20
Ruth Watkins, Chief Accountant, RBWM **Louise Freeth,** Head of Adults Financial Assessments, RBWM	22/4/20 24/4/20

CIPFA performance in public services

Royal Borough of Windsor and Maidenhead

Review of Delivery Options

For

Childrens Services

June 2020

Contact details

In the first instance please direct all enquiries to:

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Executive Summary

The Royal Borough of Windsor and Maidenhead (RBWM) has engaged Cipfa to carry out a review of delivery options for Childrens Services, delivered by Achieving for Children (AfC) and Optalis. The authors would like to thank everyone who has co-operated with this review for the time they have set aside to be interviewed as part of this process (Annex A).

Some two years ago RBWM decided to join local authority companies to deliver Childrens and Adult Social Care Services. At the time, these key services required either considerable improvement or transformation. The new arrangements also offered greater resilience and potential economies of scale.

Since joining AfC, Children Services have improved considerably. The service has recently been rated as good by Ofsted. This is an enormous achievement in a relatively short time and reflects extremely well on the two organisations and the staff within them. The cost of the service is below average and there is also evidence that AfC has generated considerable staff loyalty. All of this validates the original decision to engage with these two organisations.

The other benefits of joining have been more difficult to achieve. There is little sharing with other partners within AfC and there is little prospect that this will improve. This in turn means that there have been few financial savings from these new arrangements and costs have risen considerably, although overall costs still compare favourably with many other local authorities.

No new organisations have joined AfC, which leaves little scope for further cost savings for RBWM and to an extent leaves RBWM at the periphery of AfC decisions, which must focus on the other two owners within the much bigger Operational Area 1.

There is a lack of clarity around the model and the operational and commissioning roles for Childrens Services. Coupled with the lack of commissioning resources, within RBWM with service and financial skills for Childrens Services, this means that the Council does not have the level of oversight that it needs over Childrens Services.

AfC is going through a period of transition following the departure of their former Managing Director to head up Operational Area 1. There is no clear definition of the strategic centre of AfC and it is hard to determine how the strategic centre of AfC adds value over and above a standalone arrangement. AfC appears to add limited value in terms of oversight or strategic or financial planning and there is little evidence that AfC clearly understands future demand for its service.

The greatest concern centres around the ability of AfC and RBWM to work closely together to control the costs of Childrens Services. AfC and RBWM do not appear to have a common view around the current or future cost of Childrens Services. Neither do they appear to be able to work effectively together to set budgets, manage costs and identify and implement cost savings.

These concerns are not insurmountable, and the review of delivery options confirms that AfC is still the best model for delivering Childrens Services for RBWM. There is still a lot that RBWM and AfC need to do to ensure that this relationship works effectively.

RBWM needs to make sure it has the necessary finance and service skills to commission and oversee Childrens Services.

RBWM and AfC jointly need to develop a much clearer joint understanding of the cost of delivering Childrens Services and how this is likely to change in the medium term. This will then allow both organisations to work together to plan the delivery of Childrens Services. RBWM should therefore consider carefully whether it can continue to sign up to the AfC Business Plan until this has been achieved.

RBWM then needs to be much clearer about what it wants AfC to deliver over and above the day to day delivery of Childrens Services. This may require some negotiation with other owners. At the same time AfC needs to be much clearer how it will add value over and above the core day to day delivery of Operational Area 2. This will help to establish much clearer roles between the RBWM client, AfC strategic centre and the Operational Area 2 management team that delivers the day to day service.

It would also help RBWM, if it could formalise the financial arrangements with AfC in a service level agreement so that it is clear what AfC is delivering and it is better able to hold AfC to account not only for service delivery but also for managing costs.

Section 8 within the report sets out the detailed recommendations.

1. INTRODUCTION

1.1 The Royal Borough of Windsor and Maidenhead (RBWM) has commissioned Cipfa to carry out a review of the delivery options for Adults Social Care and Children Services.

1.2 Currently these services are delivered by two local authority companies, Achieving for Children (AfC) and Optalis, which together account for over 70% of the council's net revenue budget.

1.3 RBWM, like a number of council's, has an extremely challenging financial position. The Covid 19 national emergency has made this even more acute and the Director of Resources has warned that she may need to issue a Section 114 notice by the autumn if the position does not improve.

1.4 This report considers how the existing arrangements are working and whether they are delivering value for money. It also goes on to consider whether alternative options are likely to deliver better value for money or make it easier for the Council to address the significant financial challenges that it faces.

2. THE CURRENT ARRANGEMENTS CHILDRENS SERVICES

2.1 In August 2017 RBWM entered into an agreement with Kingston and Richmond Councils joint owners of Achieving for Children (AfC) to own a share of AfC.

2.2 Kingston and Richmond each retained a 40% share and RBWM purchased a 20% share of the company. This was on the understanding that the company would continue to expand to include more local authorities so that the holding of Kingston and Richmond would then be further diluted to 20%.

2.3 AfC is divided between Operation Area 1 (Kingston and Richmond) and Operational Area 2 (RBWM). A central Business Support Division supports both these areas. When RBWM joined it was hoped that another council would ultimately join RBWM within Operational Area 2. This has not happened.

2.4 The current business plan summarises the services delivered by AfC as follows

Our service offer is based on strong universal provision delivered through our children's centres and youth centres, alongside a targeted early help offer that provides support to families at the earliest opportunity to prevent children's and young people's needs escalating and facilitate family resilience. We expanded our universal services with the addition of health visiting and school nursing when Windsor and Maidenhead joined the company. These public health services

complement our specialist nursing and therapy services for children with disabilities and complex health needs. Our statutory offer includes child protection, support for children in care and leaving care, youth justice and services for children with special educational needs and disabilities (SEND). Our final service area is the support we provide to early years settings and schools to deliver high quality teaching and learning; this includes planning school places, school admissions, advice on school improvement and targeted support for vulnerable pupil

The Benefits

2.5 AfC offered three key benefits to RBWM

a) Service Improvement – Ofsted had rated Children Services in RBWM as requiring improvement and AfC offered the potential to improve these key services
b) Economies of scale and cost efficiencies – being part of a bigger organisation offered the potential to share specialist services across the company.
c) Service resilience – RBWM is one of the smallest unitary authorities and therefore can struggle for resilience. Again, a larger organisation offered the prospect of greater resilience.

2.6 Earlier this year Children Services in RBWM were rated as good – a significant achievement given the relatively short period that services were transferred to AfC. RBWM was able to achieve this: -

a) by adopting sound policies and procedures that had already been adopted in Kingston and Richmond.
b) with the support of an improvement Director provided by AfC

2.7 While, the central AfC team provided support, the good rating was also largely down to the leadership, commitment and hard work of the management team and all staff based within Operational Area 2 (RBWM).

2.8 Since joining AfC the other benefits have been less obvious.

a) There has only been limited sharing between Operational Area 1 (Kingston and Richmond) and Operational Area 2 (RBWM).

- It is estimated that 90-95% of services are delivered by staff based in RBWM and who work solely on RBWM Children Services.
- Only 5-10% is shared, which mainly relates to support services within AfC i.e. virtual school, fostering, central finance, workforce development and commissioning.

b) The cost of service delivery has increased, and few savings have been delivered

c) It is questionable whether there has been any increase in resilience by managing peaks and troughs in workloads. The lack of another partner in Operational Area 2 has impacted on this. RBWM has had to set aside another £450,000 for interim social care agency staff within the 2020/21 AfC budget. Neither Kingston nor Richmond have had to make similar provision in 2020/21. Operational Area 1 attracts a London Weighting and so it is unlikely that staff will move from Operational Area 1 to Operation Area 2.

2.9 RBWM has achieved a lot through working with AfC, unfortunately it is questionable whether it is possible for RBWM to achieve any further benefits within AfC. In many ways it finds itself on the periphery of AfC plans, which centre on Operational Area 1.

3. THE CONTEXT FOR REVIEWING SERVICE DELIVERY OPTIONS.

3.1 There are a number of key factors which impact on the potential range of delivery options for Childrens Services.

3.2 Financial Position of Royal Borough of Windsor & Maidenhead

- RBWM is faced with having insufficient reserves to cover a potential budget shortfall of £12m
- RBWM has already warned MHCLG that it may need to issue a S114 notice in the summer on the basis that it will not be able to set a balanced budget for 2021/22
- AfC Contract Accounts for 25% of the RBWM budget
- RBWM has incurred substantial budget overspends for AfC - £3m (2018/19) and £1.5m (2019/20)

3.3 Growing Pressures on Children Services and the cost of delivering them.

- The safeguarding of children is ever more complex.
- As knowledge grows and professionals understand more about the needs of children in their area the demand and cost for more specialist care grows.
- Growing awareness of county lines activity and child sexual exploitation is making it harder to find appropriate residential care and resulting in significant cost increase.
- Demography also means that more children are presenting with more complex needs that in turn require more intensive and costly care solutions.
- Latest projections show that the number of 12-17year-olds within the Royal borough could grow by as much as 13% by 2025, partly because of considerable development across the borough.

- On a more positive note, the Borough has relatively few unaccompanied asylum-seeking children.
- At the same time there is greater regulatory pressure to improve the quality of children's services, which increases delivery costs.
- AfC has improved the quality of Childrens Services and has recently achieved a good Ofsted rating for the services that it provides.
- RBWM wants to ensure that its focus is on early intervention, which is better for the child and can in some cases avoid more intrusive and costly interventions.

3.4 A Delivery Model (AfC) that is unable to deliver all the benefits that it was established to deliver.

- In 2017, RBWM became a minority owner of AfC, a local authority company, which was established by Kingston and Richmond Borough Councils to deliver Children Services.
- Achieving for Children is subdivided between Operation Area 1 (Richmond and Kingston) and Operation Area 2 (Windsor & Maidenhead) as set out in paragraph 2.3 above.
- At the outset it was envisaged that at least one other organisation would join to enable RBWM to achieve similar economies of scale and resilience in Operational Area 2 to those achieved by Richmond and Kingston.
- This has not happened and there is little sharing between Operational Area 1 and Operational Area 2.
- It is estimated that some 90%-95% of all services in Operational Area 2 (RBWM) are not shared and are delivered solely to RBWM.
- AfC has recently confirmed that the medium-term objective is not to expand further but to achieve outstanding ratings for its constituent services.
- The skills expertise and processes adopted by AfC have been invaluable in helping RBWM achieve a good Ofsted rating, a major achievement from its previous rating. It also worth noting that Kingston has recently been rated as outstanding

3.5 Little Client involvement/influence over the delivery of Children Services

- Client resources and expertise to oversee AfC within RBWM is limited
- The Client Commissioning team is more focused on Optalis than AfC
- In part, this is due to a lack of specialist Children skills within the client side.
- This also reflects the way AfC was established, which provided RBWM limited control over the way Children Services are run.
- So far, this has worked in terms of Children Services improving significantly but it poses the question of what action RBWM could take if Children Services were to deteriorate.

- A review of Governance was undertaken by AfC which pointed to improvements – a lot of these were centred around improving the interface between AfC and its owners.
- It should also be noted that the Director for Adults, Health and Commissioning does not sit on the board for AfC.
- AfC has reviewed it's governance structures and has introduced an ownership board aimed to strengthen links with its owners.

3.6 An uncertain relationship with RBWM key partners, Kingston & Richmond.

- The former Chief Executive of AfC has now joined Kingston & Richmond as Director of Children Services.
- AfC has not agreed a permanent replacement for the Chief Executive, pending a review.
- AfC has appointed the Director of Finance as the acting dual Chief Operating Officer and Director Finance, pending this review.
- The formal governance of AfC is heavily slanted to Kingston and Richmond, who both hold a 40% share. RBWM has requested that it's current (20%) shareholding is reviewed as no other partners have joined.

3.7 An unclear strategy for the future development of AfC and delivery of financial sustainability.

- A Service focused business plan for 2020/24 has been produced by AfC and approved by the Joint Committee.
- The strategy was developed with considerable engagement with stakeholders
- The strategy focusses heavily on service improvement with the aim to achieve outstanding for all services.
- A medium-term financial strategy is produced each year in June. This was out of step with the production of the business plan, which did not include an update to the Medium-Term Financial Plan, when it was considered by the Joint Committee.
- The Medium Term financial strategy is being updated to show how this supports delivery of the business plan but this lacks detailed financial projections of AfC finances for future years and does not have any detailed assessment of the financial impact of future demand.
- There is little evidence that this strategy is based on a clear understanding of future demand

3.8 The Covid19 National Emergency

- A key part of Childrens Services is direct working with Children and their families.
- AfC has had to try alternative delivery models during Covid 19 and this provides opportunities for the future.

3.9 A poor level of shared financial control between RBWM and AfC

- The review cannot comment on the overall finances of AfC as an organisation.
- Instead it has concentrated on how AfC and RBWM have worked together to manage the costs of Children Services across RBWM.
- AfC has consistently overspent its budget allocation. They contend that the budget allocated at the time of transfer was unrealistic.
- RBWM is frustrated that it has faced significant additional in year overspends that have resulted in an overall council budget overspend and depletion of limited reserves.
- There appears to be little meeting in the middle between RBWM (frustrated that costs are higher than expected) and AfC (who contend that RBWM are unrealistic about the cost of service.
- In May 2018 and May 2019, AfC reported projected substantial budget overspends (£3m and £1.5m) only 2 months into the start of the financial year.
- This indicates a major concern around the setting of the budget in each of those years and how AfC is projecting future costs.
- There is equal concern about how RBWM is supporting AfC to deliver savings that it has agreed with AfC as part of the budget process.
- Central costs of £13.6m (Business Support £5.2m, Bought in support £7.3m, Commissioning £0.5m, Central Support £0.6m) account for 15% of the AfC budget
- While AfC have a clear focus on the delivery of good and excellent Children Services there appears to be less of a focus on the cost of delivering those services.
- RBWM through Peopletoo had to request AfC to review the appropriateness of placements – AfC did not have a process to do this.
- Overall, there is little evidence that AfC is proactive in identifying savings but only reacts to savings targets set for it by RBWM.

3.10 Pension Transfer Costs.

- RBWM staff working within Children Services were transferred to Kingston and Wandsworth pension funds when AfC was established.
- This is a complex arrangement and the financial consequences of this transfer are yet to be resolved.
- The key area of dispute is the transfer value for staff transferring from the Berkshire Pension fund into these two funds.
- At present the actuaries representing the funds are in dispute with the receiving funds demanding an additional £2m over and above the assessment carried out by the Berkshire Fund.
- One option to resolve this could be for AfC to seek admitted body status to the Berkshire Pension fund.

- Because these liabilities have not been resolved whatever delivery model chosen including the current one is likely to have some complex pension issues to unravel.

3.11 Local Authority Controls

- Local Authority Companies have greater freedom to trade with other local bodies, to set terms and conditions for staff and to let contracts.
- These freedoms can enable these companies to make cost savings that would not be available to local authorities (e.g. terms & conditions)
- These companies can also achieve greater economies of scale by delivering services to other bodies without the same restrictions imposed on local authorities.
- There is little evidence that AfC is making the most of these freedoms to achieve significant economies around social care placements.
- Elsewhere staff within AfC remain within the local government pension scheme. New staff also are admitted to the scheme although they are on specific AfC terms and conditions.

3.12 Children Social Care Placements

- AfC could be more proactive in achieving value for money in placements and negotiating discounts on placements.
- Although AfC has a process to review placement. This does not appear to have a sufficient focus on cost, although it is recognised the priority with any placement must be the safety of the child.
- RBWM has commissioned work by Peopletoo to look at placement in more detail and project future costs. This would not be necessary if AfC processes were effective.
- AfC has recognised that it needs to improve commissioning and has recently appointed a Director of Commissioning.

4. KEY CRITERIA FOR ANY DELIVERY MODEL

4.1 Given the above context, there are a number of key tests for any delivery model for Childrens Services.

a) Deliver Good Quality Statutory Services

Any model should not demonstrably weaken the quality of Children services.

b) Control costs effectively

Any model should give RBWM the reassurance it needs that costs are effectively controlled.

c) Have the control it needs over the future direction of Children Services

Any model should give RBWM sufficient control over how it delivers Children Services without undue influence from another partner.

d) Take advantage of new ways of working and freedoms in delivering services.

Any model should enable RBWM to access greater freedoms in the delivery of Childrens Services.

e) Repay the costs of transition within 2 years.

Any transition costs of moving to a new model should be able to be recovered by greater savings under the new model with a payback period of no more than 2 years.

f) Attract and retain high quality staff

Any change needs to set out clearly how it will retain high quality social care staff during a period of national emergency

g) Operate as efficiently as possible

Any delivery model should minimise the level of central overhead costs and duplication between RBWM and AfC.

4.2 In terms of any delivery model going forward the most important issues are:-

(a) Maintaining a good service and keeping children safe
(b) Effectively controlling costs
(c) To have effective working relationships with the organisation and partners/owners within the delivery model.

4.3 The current arrangements for AfC meet the first of these criteria but do not currently address the remaining two criteria. This means that there is an urgent need to look at either improving the current delivery model or other delivery models.

5. ALTERNATIVE DELIVERY MODELS

5.1 This section considers the range of delivery models for Children Services as follows:-

Option 1 No change to current arrangements
Option 2 Improved current arrangements e.g. with a revised owners agreement
Option 3 AfC delivers services to RBWM under contract/SLA
Option 4 Standalone RBWM wholly owned company
Option 5 Transfer service back to RBWM.

Option 1 – Status Quo

5.2 Option 1 below assesses the advantages and disadvantages of keeping the existing arrangements for AfC together with the opportunities and threats associated with this option.

Status Quo • Continue with existing arrangements • Continue with same shareholder agreement	
Advantages 1. Has enabled RBWM to deliver considerable service improvement – a good Ofsted rating. 2. Not bound by EU regulations (limited) – should provide better opportunities for commissioning at lower cost. 3. Potential for economies of scale to share central costs 4. Retain existing staff – AfC has a good reputation, which will make it easier to attract scarce staff. 5. Retains experienced managers 6. Maintains Service quality	Disadvantages 1. AfC has not delivered benefits in terms of sharing or economies of scale. 2. RBWM a minority shareholder (20%) and so does not have an equal level of control 3. Big imbalance between Operational Area 1 and Operational Area 2 leaves most of benefits with Operational Area 1 4. Consistent level of over-spending – focus on cost control and delivering value for money could be improved. 5. AfC not pro-active in delivering transformation and value for money 6. AfC does not appear to have a clear understanding of future demand or consider how they impacts on future plans 7. Future plans lack financial rigor.
Opportunities 1. Potential for greater sharing with between Operational Area 1 and Operational Area 2 2. Potential to attract other local authorities to join AfC which would potential give RBWM the benefit of greater sharing 3.	Threats 1. Kingston and Richmond focus on deepening their own integration. 2. AfC has stated that it does not have a focus to expand, which would be of benefit to RBWM. 3. Pay levels are higher in Operational Area 1 which creates the risk that staff are more likely to move from Operational Area 2 to Operational area 1 than vice versa.

	4. Kingston and Richmond do not share the same goals as RBWM 5. There is little central (AfC) oversight over Operational Areas 1 or 2, which creates the risk that there could be insufficient intervention at an early stage if services began to deteriorate.
Conclusion • This is the lowest risk option in terms of service delivery. • The key risk with this option is the ability of AfC to control costs • There also appears to be little prospect for AfC to offer additional value or any of the further benefits in terms of sharing • The central core of AfC provides little intervention or oversight over operational areas 1 or 2, which in turn creates a risk that they would not intervene if services in those areas deteriorated.	

Financial Implications

5.3 The table below shows the main areas where there are potentially extra costs in being part of AfC

	£'000
1. Pension Liability – following the transfer of staff from the Berkshire Pension fund to Kingston & Wandsworth Schemes	2,000
2. Additional Support Costs	500

5.4 The Pension Liability risk, while highlighted is one that is common to all of the options. RBWM would meet a considerable share of the support costs if it were not part of AfC.

5.5 In addition to the above there are also some key financial risks of staying with AfC in its current form. These risks will not necessarily be eliminated but could be reduced with other options.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	1,500
2. Savings delivery – non-delivery of in year savings	1,000
3. Commissioning cost – failure to achieve value for money in commissioning services.	1,000

5.6 There is a considerable level of overlap between these risks. Nevertheless, the level of overspend in recent years shows that this option carries genuine financial risks that needs to be managed more effectively.

Key Considerations

5.7 This is the lowest risk option in terms of maintaining service delivery for what is one of the most important and sensitive services delivered by the Council.

5.8 AfC has engendered a considerable level of loyalty and commitment from staff, who work for it and there is risk that a transfer could result in the loss of key staff. It may also result in a loss of confidence within Ofsted.

5.9 This means that any decision to move away from AfC should not be taken lightly, given that RBWM has recently achieved a good rating for its Children Services with the support of AfC.

5.10 On a less positive note, there are genuine concerns about the ability of AfC to deliver the benefits that it RBWM originally hoped that it would deliver around economies of scale and resilience.

5.11 The focus on AfC is naturally on Operational Area 1 and its majority shareholders. RBWM is on the periphery of this and it is unclear how AfC will ensure that RBWM is not marginalised as a result. AfC no longer has an objective to expand to gain additional partners, which means there is little prospect of greater economies of scale for RBWM.

5.12 There is little evidence that AfC is sufficiently focused on cost control and value for money.

5.13 The role of the centre of AfC is unclear, which makes it hard to determine how AfC adds value over and above Operational Area 2. AfC appears to adopt a very "hands off" approach to intervention. This may reflect that Operational Areas 1 and 2 are performing well but it creates a concern about whether there would be the necessary level of intervention if services in those areas were to deteriorate.

5.14 The owners of AfC are in the process of commissioning a review of how it operates following the resignation of the former Managing Director to become Director of Children Services for Kingston and Richmond. This is considered in more detail as part of Option 2 below.

5.15 Due to the significant costs of pension transfer, RBWM may be forced to consider the option of transferring staff back to the RBWM pension scheme. This does not necessarily mean that it cannot remain within AfC as this would reflect similar arrangements in Kingston and Richmond. It does mean that there would be a need to fundamentally review its relationship with AfC. This links closely to the above review.

5.16 It is important that RBWM consider what it wants this review to deliver as it has the prospect to refocus AfC and address the issues outlined above.

Option 2 – Improved Status Quo

5.17 The Second Option therefore considers how the existing arrangements with AfC could be improved to the benefit of all owners.

5.18 The current position for AfC is very different than was envisaged in the original shareholder agreement and business case. In particular there is little sharing between the two operational areas.

5.19 RBWM has already requested that its shareholding within AfC is reviewed to put it on a more equal standing with Kingston and Richmond.

<table>
<tr><td colspan="2">AfC continues with a revised shareholder agreement
• AfC acts as Local Authority Company
• RBWM agrees the level of central support it requires from AfC
• AfC reviews the level of commissioning support to RBWM
• SLA agreement established between RBWM and AfC</td></tr>
<tr><td><u>Advantages</u>
1. Retains confidence of Ofsted in RBWM to continue to deliver good Children Services through AfC.
2. Not bound by EU regulations (limited) – should provide better opportunities for commissioning at lower cost.
3. Retain existing staff – AfC has a good reputation, which will make it easier to attract scarce staff.
4. Retains experienced managers
5. Maintains Service quality
6. RBWM has increased influence over the operation of AfC.
7. Greater clarity for AfC in terms of what it is delivering for its owners.
8. Greater clarity around the central cost of AfC
9. Greater clarity around the role of AfC in delivering cost savings and value for money</td><td><u>Disadvantages</u>
1. RBWM still has a minority shareholder (20%) and so does not have an equal level of control
2. Imbalance between Operational Area 1 and Operational Area 2 leaves most of benefits with Operational Area 1
3. AfC does not appear to have a clear understanding of future demand or consider how this impacts on future plans
4. AfC focus on cost control is poor.
5. RWBM still faces significant pension transfer costs for staff that have moved to AfC.</td></tr>
<tr><td><u>Opportunities</u>
1. Potential to transform service within AfC
2. Retains potential to deliver service to other local authorities.
3. Potential to benefit from lesson learned in Operational Area 1 if another partner joins.</td><td><u>Threats</u>
1. Cannot reach agreement on future direction of AfC with Richmond and Kingston.
2. Unable to agree revised shareholder agreement
3. Would a slimmed down AfC be viable
4. Are AfC skills to deliver service improvement transferrable to deliver transformation and cost reduction ?</td></tr>
<tr><td colspan="2"><u>Conclusion</u>
• This option retains the benefits of Option 1 in terms of service delivery
• This option also seeks to address issues around value for money and greater clarity around the role, scale and cost of the centre of AfC.
• There is scope for this option to also address issues around commissioning either through a much clearer strategy and focus from AfC or by returning this to RBWM.</td></tr>
</table>

• The issue of substantial pension costs remains • The other key concern is the ability of AfC to manage and control costs. • This option still does not deliver the remaining benefits of greater sharing and resilience that was originally offered by AfC.

Financial Implications

5.20 The table below shows the main financial implications associated with this option.

	£'000
1. Pension Liability – following the transfer of staff from the Berkshire Pension fund to Kingston	2,000
2. Central and Commissioning Costs – the share of central costs met by RBWM could be less under this option if a slimmed down AfC centre is agreed 2a Enhanced RBWM client role – this may need to be enhanced with a reduced central AfC role	-150 150
3. Alternatively central costs may be higher if an enhanced AfC is agreed	150

5.21 While the key financial risks below may not be eliminated the aim of this option must be to at least halve the level of risk.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	750
2. Saving delivery – non-delivery of in year savings	500
3. Commissioning cost – failure to achieve value for money in commissioning services.	500

Other Considerations

5.22 The owners need to agree what they want the central core of AfC to deliver. There are two extremes to this.

(a) **A slimmed down core** – that essentially leaves the control and operation of Operational Areas 1 and 2 with their constituent councils. The core would then only co-ordinate the relatively minimum support services that each area receives and shares.

(b) **An expanded central core** – this essentially would give the central core a much greater role in developing services across Operational Areas 1 and 2, including responsibility for strategic planning, financial sustainability and intervention, where necessary to maintain service quality.

5.23 The two models would require a vastly different organisational structure at the centre of AfC and it is important that the resourcing and cost of AfC reflects this choice. There is a lack of clarity within RBWM about where AfC sits within these two extremes. It needs to be clear, where it wants AfC to sit and negotiate this with the other owners.

5.24 Ultimately RBWM does not have any control over whether the existing arrangements for AfC can continue in their current form but there is a real benefit for all the owners to clarify what the centre of AfC is there to do.

5.25 There is no guarantee that RBWM will be able to agree a common way forward with all the owners. This also still leaves RBWM in a position where it is at the periphery of AfC plans, which are focused on Operational Area 1.

5.26 An alternative option for RBWM would be to become a client of AfC and receive services through via a contract or SLA.

Option 3 – Contractual Relationship with AfC

5.27 This option could take two main forms

- A formal contract, which provides greater certainty in terms of timescales for AfC and RBWM
- A Service level agreement, which is a looser arrangement and gives more flexibility to both AfC and RBWM.

5.28 The table below assesses the implications of this option.

Local Authority Company • RBWM relinquishes ownership of AfC • AfC agrees a contract with RBWM.	
Advantages 1. Retains some flexibility of a local authority company 2. Easier for AfC to set a consistent direction 3. Gives RBWM a greater say as a key client rather than a minority owner 4. RBWM is better able to hold AfC to account against key deliverables within a contract/SLA 5. Greater certainty around cost – AfC cannot arbitrarily increase costs it has to abide by contractual costs. 6. RBWM can choose what shared services it wishes to receive and what level of central AfC involvement it requires. This may be different to other owners.	Disadvantages 1. Harder to vary services under a contract, which may hamper future transformation. 2. May result in a significant cost increase as AfC price in cost risk 3. Delays delivery of business transformation in the short term with focus on establishing new company and withdrawal from AfC 4. May require an increased level of client support within RBWM 5. AfC and RBWM will need to agree what happens to pension liabilities when the contract terminates – RBWM does not want to assume pension liabilities for other AfC staff.

7. Still retains ability to share knowledge with Operational Area 1. 8. A relatively smooth transition from current arrangements. 9. Retains confidence of Ofsted 10. Retains confidence of staff. 11. Avoids wind up costs. 12. Greater flexibility to deliver business transformation in the longer term. 13. Flexibility around terms & conditions 14. Not bound by EU regulations (limited)	6.
Opportunities 1. Potential to increase client side	Threats 1. AfC and RBWM may struggle to agree terms in particular termination clauses and contract length. 2. AfC may not wish to deliver service in this way or may seek to recover a larger proportion of central costs.
Conclusion • The main benefits of this option for RBWM is that it would give it more certainty around cost control and potentially greater influence within AfC as a significant client. • The benefits for AfC are that it does not have to resolve the issue of conflicting objectives between Operational Areas 1 & 2 but retains the extra economies of scale that Operation Area 2 brings. • The key issue is whether RBWM and AfC can agree a contract price and other terms including contract period and termination.	

Financial Implications

5.29 The table below shows the main financial implications associated with this option.

	£'000
1. Pension Liability – following the transfer of staff from the Berkshire Pension fund to Kingston	2,000
2. Central Costs – the share of central costs met by RBWM could be less under this option if a slimmed down AfC centre is agreed 2a Enhanced RBWM client role – this may need to be enhanced with a reduced central AfC role	-150 150
3. Alternatively central costs may be higher if an enhanced AfC is agreed	150

5.30 While the key financial risks below may not be eliminated they may be considerably reduced further with a contractual arrangement, although the risk around commissioning costs may not be as low as with a more direct relationship with AfC.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	500
2. Saving delivery – non-delivery of in year savings	300
3. Commissioning cost – failure to achieve value for money in commissioning services.	750

Other Considerations

5.31 While a contractual relationship is likely to bring even greater

5.32 This Option has a lot to commend it. In particular it provides the potential for RBWM to retain the benefits of being part of AfC (service improvement, staff relationships, Ofsted support) while addressing some of the concerns around the level of RBWM influence and cost control.

5.33 The Option also means that RBWM can decide exactly what level of support it wants from the centre of AfC and this may well be different to the level of support that Kingston and Richmond may require. The contract will also provide greater clarity around these costs.

5.34 This option also potentially has a lot of benefits for the other owners within AfC. In the current circumstances they will always find it difficult to move forward with an organisation that it is at best on the periphery of their plans to integrate within Operational Area 1.

5.35 At the same time, it offers AfC the ability to retain RBWM and the benefits it brings in terms of sharing central costs and professional knowledge with Operational Area 1.

5.36 While there are considerable benefits, it is by no means certain that RBWM and AfC will be able to agree contract terms. In particular it may be hard to agree contract costs, given there is little agreement between AfC and RBWM around the ongoing cost of the service. AfC may also want to factor in considerable risk into its contract price, given the cost fluctuations in previous years as well as the unresolved issues around pension liabilities.

5.37 This means that it is sensible to look at further options including a wholly owned local authority company.

Option 4 – Wholly Owned Local Authority Company

5.38 If RBWM's future relationship with AfC cannot be resolved within Options 2 or 3, it will need to consider whether it wishes to move to an alternative option. The next option would be to consider setting up its own Local Authority Company.

Local Authority Company • RBWM sets up wholly owned company • Transfers AfC staff to wholly owned company • RBWM withdraws from AfC	
Advantages 1. Retains flexibility of a local authority company 2. RBWM has greater control over central company costs and can better manage duplication. 3. RBWM has significant control over company and future service delivery 4. Greater flexibility to deliver business transformation in the longer term. 5. Flexibility around terms & conditions 6. Not bound by EU regulations (limited) 7. Avoid additional pension costs as staff brough back within Berkshire Pension Fund	Disadvantages 1. No access to shared services e.g. workforce development 2. No sharing of knowledge and experience with Operational Area 1. 3. Delays delivery of business transformation in the short term with focus on establishing new company and withdrawal from AfC 4. Significant transitional costs to new company e.g. wind up costs for AfC 5. Central costs may be greater if AfC support functions are not shared. 6. Would RBWM be able to attract the necessary skills and expertise that it needs to run a local authority company 7. RBWM does not have direct day to day control over AfC as it would with an in-house provision. 8. Complex pension negotiations with AfC to ensure that RBWM does not take on additional Pension liability
Opportunities 1. Potential to expand to deliver wider services to RBWM e.g. adult services 2. Potential to admit other local authorities or to provide services to them	Threats 1. Threat to service and confidence of Oftsted when service has recently achieved a good rating.
Conclusion • The main benefits of this option is that it would give RBWM the control it needs over future transformation with the minimum of disruption to staff and service delivery. • This main issues with this option are the level of potential compensation payable to withdraw from AfC. • This option would also mean that RBWM would lose all the benefits of exchanging experience and knowledge with Operational Area 1.	

Financial Implications

5.39 The table below shows the main financial implications associated with this option.

	£'000
1. Pension Liability – may no longer arise if staff were transferred back to the RBWM pension fund.	
2. Central Costs may be greater if RBWM is not able to share these costs with other owners.	500

2a Enhanced RBWM client role – this may need to be enhanced to take into account the new arrangements	150
3. Higher costs for staff training and development	200
4. Higher costs for managing the relationship with Ofsted	100
5. Costs for Establishing a new local authority company	200
6. Compensation Costs for AFC owners	1,000

5.40 There is no guarantee that pension costs will be removed completely and there is considerable new pension risk in terms of compensation for transferring staff back to RBWM.

5.41 While the key financial risks below may not be eliminated they may be less.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	500
2. Saving delivery – non-delivery of in year savings	500
3. Commissioning cost – failure to achieve value for money in commissioning services.	500

Other Considerations

5.42 This option would probably require RBWM to establish a wholly new company to deliver Children Services. It is unlikely that existing core AfC staff would transfer to it and indeed there is the prospect that the new company could lose some key staff to AfC.

5.43 This means that there is a considerable risk associated with this option in terms of maintaining service delivery.

5.44 There is also considerable initial financial risks associated with this option and the cost of withdraw from AfC and establishing a new company.

5.45 The other cost risk associated with this option would be the cost of winding down the previous operation and any compensation that might be payable to Wokingham, unless AfC is dissolved by mutual agreement.

5.46 These extra costs may be balanced by savings in avoiding additional pension costs if staff are transferred back to the RBWM scheme.

5.47 Overall there appears to be little extra benefit in setting up a wholly new local authority company given:-

a) The scale of central overhead costs
b) the added complexity of delivering a service through a third party
c) staff are still on local authority terms and conditions

Option 5 – In-house Provision

5.48 This option would only be worth further exploration if RBWM wanted to combine AfC and Optalis in one single local authority company. A better standalone option for Children Services could be to bring back the service to RBWM. This is considered below.

Bring back service in house • Wind down AfC • Transfer all AfC relevant AfC Staff back to RBWM.	
Advantages 1. RBWM has the highest level of control over service delivery and future business transformation 2. Greatest flexibility to deliver business transformation in the longer term. 3. Greater control around terms & conditions 4. RBWM greater control over central costs and overheads and rationalise between AfC and RBWM.	Disadvantages 1. Considerable time, effort and cost to wind down/withdraw from AfC. 2. Conflict with AfC around staff transfer. 3. Most management staff could remain with AfC 4. Central Overheads could increase as they are not shared with other partners in AfC. 5. Significant disruption to service 6. Significant transitional costs e.g. wind up costs for AfC 7. Some loss of flexibility of a local authority company. 8. Increased central costs in the short term. 9. Potential to destabilise RBWM pay structure – probably limited due to nature of staff. 10. Terms & Conditions may still need to be reviewed to avoid high levels of agency staff.
Opportunities 1. Potential to rationalise central costs within RBWM 2. Avoids duplication in commissioning – RBWM and AfC 3. Avoids dual performance management process RBWM/AfC	Threats 1. Loss of confidence within Ofsted 2. Reduced resilience for RBWM 3. Loss of key staff, who wish to remain with AfC
Conclusion • The main benefits of this option is that it would give RBWM the most control over future transformation and cost control • This option is probably the most risky option in terms of maintaining service delivery.T	

Financial Implications

5.49 The table below shows the main financial implications associated with this option.

	£'000

1. Pension Liability – may no longer arise if staff were transferred back to the RBWM pension fund.	
2. Central Costs may be greater if RBWM is not able to share these costs with other owners. 2a Enhanced RBWM client role – this may need to be enhanced to take into account the new arrangements	500 150
3. Higher costs for staff training and development	200
4. Higher costs for managing the relationship with Ofsted	100
5. Compensation Costs for AFC owners	200
6. Loss of procurement freedom and flexibility.	300

5.50 While the key financial risks below may not be eliminated they may be considerably less.

	£'000
1. Cost Control – failure to control costs resulting in substantial in year overspending	500
2. Saving delivery – non-delivery of in year savings	250
3. Commissioning cost – failure to achieve value for money in commissioning services.	300

Other Considerations

5.51 This option probably carries the greatest risk of disruption to the current service and therefore needs to be considered very carefully at the current time.

5.52 Nevertheless, this option cannot be discounted totally. If RBWM is unable to work effectively with the joint owners of AfC to refocus what AfC does, then this option may require more serious consideration.

6. Can the existing arrangements be made to work?

6.1 A good starting point for any review is to consider whether the existing arrangements can be made to work. This section considers the key factors that would need to be resolved to make the existing arrangements effective.

Can AfC Deliver the Benefits that it was set up to deliver?

6.2 There is no question that Children Services have improved significantly following the transfer to AfC and this has been recognised by external assessments by Ofsted. In service terms the transfer to AfC has therefore been a success.

6.3 Unfortunately, the other business benefits in terms of economies of scale, cost-saving and resilience have not been delivered.

- There is little sharing between Operational Area 1 (Kingston & Richmond) and Operational Area 2 (RBWM).
- AfC has stated that its focus is on service improvement and achieving outstanding ratings. It is no longer focused on expansion. This leaves little prospect of a partner for RBWM in Operational Area 2.
- Kingston and Richmond focus is on sharing and integrating services within Operational Area 1 and have no plans for any significant integration with Operational Area 2.

6.4 Operation Area 2 (RBWM) staff clearly value the ability to share information with staff in Operational Area 1. They also value the quality of training and the potential development opportunities being part of a larger organisation offers to them.

6.5 On this basis it is reasonable to conclude: -

- There is little prospect that AfC will be able to deliver any economies of scale in service delivery to RBWM through sharing with Kingston and Richmond
- AfC is unlikely to generate substantial external business to offset its central operating costs.

A clear understanding of costs between AfC and RBWM

6.6 There appears to be significant differences between RBWM and AfC around the cost of Children Services.

AfC believes that:

- RBWM has never recognised the true cost of Children Services
- Children Services is therefore under-funded
- AfC has therefore had to overspend each year to deliver a realistic level of Children Services

RBWM believes that:

- It has allocated a sufficient budget for Children Services
- It is frustrated by the consistent level of over-spending within AfC
- It is frustrated by the inability of AfC to project costs
- It believes that AfC has a poor record in delivering savings that it has offered to deliver.

6.7 Effectively this creates tension between AfC and RBWM and makes it difficult to set clear financial plans.

6.8 It is a major concern that AfC informed RBWM in May 2018 and May 2019, that it would overspend its budget allocation by £3m and £1.5m respectively. This was only 3 months after the budget for the service had

been set. In part this was due to subsequent decisions by RBWM, which negated some of the savings proposals within the AfC budget. This creates a big concern around:

- The ability of AfC and RBWM to agree clear budget plans
- The ability of AfC to project accurately future demand e.g. placements
- The level of co-operation between AfC and RBWM to identify and follow through with the delivery of future savings plans.

6.9 While AfC has produced a business plan setting out how its service will develop up to 2020/24 the financial information supporting this plan is very limited.

- The medium-term financial plan does not set out clear projections of AfC costs up to the end of 2024 or the contributions they expect partners will need to make
- The business plan and medium-term financial plan does not project future demand or show how this could impact on service delivery and costs.

6.10 All of this means that RBWM does not have sufficient information to understand the future direction of AfC or how this will impact on the future finances of RBWM.

6.11 Both AfC and RBWM need to work more closely together to develop a clearer joint understanding of the cost of Children Services, to enable them to work effectively together in the future. This means:

- RBWM and AfC need to work more closely together to agree a the annual budget for Children Services in the autumn, prior to its inclusion in the Council budget plans
- RBWM and AfC need to work jointly together to better understand demand and project future costs as part of a medium-term financial plan.
- The medium-term financial plan for AfC needs to set out far more clearly the financial implications of the business plan 2020/24 for RBWM.

An Effective Working Relationship?

6.12 Any Local Authority joint venture of this nature requires a sound working relationship between the local Authority partners.

6.13 In the case of AfC, all the shared benefits are focused on Operational Area 1. The Managing Director for AfC recently became the new Joint Director for Children Services for Kingston and Richmond. At best, the relationship

with RBWM is a subsidiary one, as all the focus for Kingston and Richmond is deeper integration in Operational Area 1.

6.14 RBWM has little influence over the future direction of AfC given that it only has a 20% holding. It has asked for this to be reviewed but even if this shareholding is increased it will still have a minority stake. There is little prospect of any other council joining to dilute the stake of the other owners.

6.15 This makes it difficult to identify a common shared aim for the future direction of AfC. The business plan subdivides the plans for each of its owners.

6.16 This situation leaves the councils at an impasse, where they may want different things from AfC. So far AfC has not demonstrated how it will resolve this situation. The temporary nature of the Managing Director role questions the future direction of AfC.

6.17 It is positive that the Councils have recognised this and have commissioned work to look at the future Managing Director Role for AfC. It is hard to see how this role could be reviewed without looking at how the organisation that it supports will operate going forward.

6.18 RBWM needs to decide where on the spectrum it wants AfC to be between

a) A slimmed down core – that essentially leaves the control and operation of Operational Areas 1 and 2 with their constituent councils. The core would then only co-ordinate the relatively minimum support services that each area receives and shares.

b) An expanded central core – this essentially would give the central core a much greater role in developing services across Operational Areas 1 and 2, including responsibility for strategic planning, financial sustainability and intervention, where necessary to maintain service quality.

6.19 Given the position of the other owners, RBWM is more likely to agree a more slimmed down core with the other owners and it needs to ensure that:

a) This is reflected in lower AfC central costs
b) RBWM reviews the level of its client side to take into account the minimal level of oversight and intervention that AfC provides.

6.20 On this basis it is reasonable to conclude that:

- AfC is unlikely to continue in its existing form
- The owners need to agree the future delivery model for RBWM

- All parties need to be clear about what they want the centre of AfC to deliver and pay for it accordingly.
- AfC will then need to review the cost and size of its central overhead
- RBWM will need to review the size and cost of its client function

Can AfC deliver added value that justifies its overhead costs?

6.21 AfC represents an additional central management overhead over and above the costs of the Management Team for Operational Area 2 and the central commissioning team within Windsor and Maidenhead.

6.22 This is not necessarily a bad thing if AfC can demonstrated that the increased cost reflects considerable additional value to RBWM from the arrangements.

6.23 The clearest example of added value from AfC is the improvement in Childrens Social Care as recognised by the Ofsted.

6.24 The other areas of added value are less clear:

- Performance Management – while AfC has introduced an extensive performance management regime there is little evidence of central intervention from within AfC to manage or oversee the performance of Operational Area 2.
- Cost Control – again while there is oversight and reporting to AfC on the budget and financial position of RBWM, there is little evidence that this translates into AfC instigating any particular action to address areas of overspending or liaise with RBWM over how these can be management. The management and oversight of cost control is predominantly carried out by RBWM and staff within Operational Area 2.
- Savings delivery – there is little evidence that AfC has a focus on identifying and delivering savings and service efficiency. In terms of savings delivery it is reactive rather than proactive. It will engage with savings targets and initiatives set by RBWM but it will not develop its own initiatives to deliver savings.
- Resilience – there is little evidence that central AfC is addressing issues around resilience and use of agency staff across the whole organisation. It is left for this to be addressed within each operational area.
- Strategic Commissioning – again AfC is not proactive at reviewing the cost of placements. It does not appear to have a focus on ensuring costs are competitive and ensuring that clients are moved to more cost-effective placements when the opportunity arises. Even more worrying, demand is changing and becoming more complex and costly. There is little evidence that AfC is actively managing the market and looking at ways to manage these costs more effectively. AfC has recently appointed a Director of Commissioning but their role with RBWM is limited.

6.25 Although AfC has recently produced a business plan for 2020/24 there is a concern that this may not adequately reflect the vision for all its owners. In addition

- There is little evidence that AfC understands its current demand or how this demand will change in the future – an essential element of any business plan.
- The business plan appears to only have a service focus rather than a service and financial focus that you would expect within a business plan.

6.26 RBWM has engaged Peopletoo to review placements and future service demand. It remains a concern that RBWM is effectively paying for this additional level of expertise that it should reasonably expect to receive from AfC.

6.27 AfC still has a lot to do to demonstrate its added value justifies its additional overhead. While it has clear ability in terms of service improvement it will need to demonstrate that it:-

- Has a clear understanding of future demand and how this impacts on the service that it will need to deliver.
- Has clear ideas on how it can both deliver service improvement within tight financial constraints.
- Can control the day to day cost of its services without the current level of intervention from RBWM.
- Has a clear commissioning strategy that will deliver value for money for RBWM.

6.28 Developing a viable way forward for AfC therefore relies on AfC demonstrating how it will add value and address these four key factors:

6.29 None of these are impossible but all of them carry a considerable degree of risk. They are also not completely within the control of the council or its officers. This means that the future viability of AfC is by no means certain. RBWM therefore needs to have a clear Plan B.

7. THE WAY FORWARD

7.1 AfC has brought considerable benefits to RBWM in terms of service improvement, which justifies the original decision to transfer services to them. Overall the cost of Children's Services remain below the national average.

7.2 While the review points to a clear focus within AfC on service delivery the focus on identifying and delivering further savings and cost control is less clear.

7.3 The greatest challenge for RBWM and its relationship with AfC is how it can control costs going forward and manage the additional cost pressures of delivering Childrens Services. The current model does not provide the necessary assurance that RBWM can achieve this and has resulted in substantial cost increases.

(a) The financial plans for AfC are unclear – the medium-term financial plan does not project clearly future service costs over the next three years for RBWM.

(b) RBWM and AfC have a poor record of budget setting and delivery of savings. This is demonstrated by a pattern of overspending in recent years.

7.4 RBWM and AfC need to work more closely together to jointly:

(a) understand the cost of delivering Children Services and what can be delivered for the budget that RBWM is able to allocate
(b) understand the medium-term consequences of the 2020/24 business plan for RBWM in more detail and how this may impact on Council budgets over that period and whether this is affordable
(c) have a clearer joint understand of future demand and the risks associated with it and how they impact on medium-term financial projections
(d) have a shared understanding and commitment to delivering savings proposals included within budget plans.

7.5 Some progress has been made around budget setting as part of the 2020/21 budget-setting process, but a lot more needs to be done.

7.6 It is essential that these issues are addressed as a matter of urgency. Otherwise the risk of significant budget over-spend remains as in previous years.

7.7 There is still a lot more to resolve with RBWM relationship with AfC and its other owners for AfC to remain a viable solution for RBWM.

- There is uncertainty over the central element of AfC and the need for a Managing Director
- The other owners are focused on achieving greater integration in Operational Area 1. RBWM in Operational Area 2 is at the periphery of these plans
- There is little prospect of AfC delivering further benefits in terms of greater sharing with existing partners or indeed new partners.

7.8 Having considered a wide range of options, a refocused AfC still potentially provides the best delivery model, provided that RBWM can agree a revised model with the other owners. RBWM needs to:-

a) understand what role it wants the centre of AfC to perform and fund it accordingly
b) consider whether it needs to strengthen its client/commissioning arrangements to allow it to effectively oversee Children Services.

7.9 At the same time AfC needs to demonstrate clearly to RBWM how it will add value in terms of

a) Improved cost control and an enhanced focus on identifying savings
b) A more focused approach to commissioning that improves value for money
c) A proactive approach to still achieving greater resilience and economies of scale with Operational Area 1.

7.10 As part of these revised arrangements it is essential that RBWM and AfC jointly agree a clear way forward on

a) Future Service costs
b) Future Governance and the flow of information between the two organisations.

7.11 This is not impossible and at the very least all owners within AfC need it to:

(a) Control overall service costs effectively within allocated budgets
(b) Have a better strategic focus to understand demand
(c) Plan more effectively for the future
(d) Ensure that central costs deliver value for money

7.12 Revised arrangements for AfC are achievable but they will require considerable effort and negotiation with AfC and all its owners. There is benefit to everyone in putting in this time and effort.

7.13 If it does not prove possible to negotiate a viable way forward with AfC and its owners, then it would be reasonable for both RBWM and AfC to explore a contractual relationship. This option could be explored alongside discussions around a revised ownership model.

- This would give AfC greater freedom to set it's strategic direction and focus on Operational Area 1
- This would also enable RBWM to potentially have greater influence as a major client rather than a minority owner.
- The key issue is whether there is a way to achieve this under existing Tekal arrangements that impact on how AfC operates.

7.14 Pension issues add complexity to the contractual model but this is already a complex area that needs considerable work to unravel. This probably means that this is a good time to explore this option.

7.15 During these discussions, there may also be some benefit in RBWM considering whether it wants to transfer some of the services within AfC back to RBWM, for example the transfer of the Finance Team may result in a clearer joint understanding of costs.

7.16 If RBWM is unable to agree a satisfactory way forward with AfC and its owners, then there is little benefit in establishing a separate local authority company. A more viable option would be to bring the service back within the control of RBWM.

8 RECOMMENDATIONS

8.1 The review concludes that there is still scope for AfC to provide the best delivery option for Childrens Services within RBWM.

8.2 The review also concludes that the current arrangements are not working as well as they could and that there are areas where these could be improved.

8.3 The recommendations below are designed to achieve this.

Recommendation 1

RBWM should ensure that it has adequate financial resources and expertise within its Finance Team to manage the finances of the AfC contract.

8.4 This could be achieved by:

(i) Recruiting additional specialist finance resources to the central finance team within RBWM.
(ii) Reorganising the Finance Team to release a resource to focus on the financial management of the AfC contract
(iii) Transferring some or all of the existing Finance Resource within AfC to RBWM

Recommendation 2

RBWM should ensure that the commissioning team has sufficient expertise and influence over the delivery of Children Services.

8.5 This could include:

(i) Considering whether it would be more appropriate for the client to represent RBWM on the AfC board

(ii) Reviewing and bolstering the existing skills on the client side to manage the AfC contract.

Recommendation 3

RBWM and AfC should work closely together to achieve a common understanding of current costs for delivering Childrens Services.

Recommendation 4

RBWM and AfC should work closely together to understand future demand for Childrens Services and the financial consequences of that future demand.

8.6 These could be achieved by:

(i) AfC and RBWM senior finance staff and service staff working closely together to develop a common understanding of current and future service costs.
(ii) Jointly engaging more specialist consultants to advise on the reasonableness of current service cost and assist with developing a joint model to project and predict future costs.

Recommendation 5

RBWM and AfC need to develop a clear strategy for 2021/25 to manage the financial consequences of future demand as well as continuing to deliver good quality Childrens Services.

8.7 This stems from Recommendation 4 above. Without a clear understanding of future demand and service pressures, RBWM and AfC cannot plan effectively for the future

Recommendation 6

RBWM should consider carefully whether it wishes to continue to adopt the AfC business plan for 2020/24 before it has a clear understanding of costs and service pressures.

8.8 RBWM needs to understand the impact of future demand much more clearly before it can make a commitment to the achieving an excellent rating and the associated financial consequences.

Recommendation 7

RBWM needs to be clear what it wishes the centre of AfC to deliver to it

8.9 RBWM needs to be clear about the added value that the centre of AfC is delivering, as detailed in paragraph 6.24 above:

(i) Performance Management
(ii) Cost Control and understanding the impact of future demand.
(iii) Savings Delivery
(iv) Resilience
(v) Strategic Commissioning

Recommendation 8

Having considered all of the above, RBWM should agree a clear SLA with AfC

8.10 This should set out

(i) The core cost of Children Services i.e Operational Area 2
(ii) The additional cost and services that will be provided by the central AfC team
(iii) How costs will be managed in the year so that AfC is expected to manage within the budget allocation.
(iv) Any specific circumstances that will enable AfC to exceed the budget allocation provided it has permission from RBWM to do so.

Recommendation 9

RBWM should engage with other partners with the other owners within AfC to agree a clear way forward for the organisation,

8.11 This should clarify:

(i) The extent and scope of any further integration between Operation Area 1 and Operational Area 2
(ii) The scale and scope of the AfC central team and what it needs to deliver to Operational Area 1 and Operational Area 2, which does not necessarily have to be the same.

ANNEX A

SCHEDULE OF INTERVIEWS

Interviewee	Date
Cllr David Hilton Lead Member, Finance	20/4/20
Cllr Stuart Carroll Lead Member, Adult Social Care, Childrens Services, Health & Mental Health	4/5/20
Cllr Lynne Jones Leader, Local Independents	30/4/20
Duncan Sharkey, Managing Director, RBWM	21/4/20
Hilary Hall, Director of Adults, Health & Commissioning, RBWM	16/4/20
Adele Taylor, Director of Resources, RBWM	30/4/20
Kevin McDaniel, Director of Children's Services, RBWM	16/4/20
Lynne Lidster, Commissioning Lead, RBWM	27/4/20
Lin Ferguson, Director of Childrens Social Care, RBWM/AfC	29/4/20
Ruth Watkins, Chief Accountant, RBWM	22/4/20
Sian Wicks, Interim Chair Achieving for Children	18/5/20
James Norris Finance Lead, Achieving for Children	30/4/20
Lucy Kourpas, Chief Operating Officer & Director of Finance , Achieving for Children	29/4/20
Ian Dodds, Director of Children's Services Richmond and Kingston	30/4/20

ANNEX B

AFC CENTRAL COSTS

(information supplied by AfC)

	LBR/RBK £000	RBWM £000	TOTAL £000
Operational Stratgic Management	**436**	**259**	**695**
Director of Childrens services and Deputy Director Health, Early Help, Social Care			
Bought in support services	**6037**	**1276**	**7313**
These budgets pay for services bought back from RBWM - there is an equal and opposite income budget in the RBWM accounts with the exception of ICT where some services are bought back from Kingston as well as RBWM (mixed model)			
HR Services		172	
ICT		608	
Lease of council properties		489	
Customer Services		7	
Business Services	**4274**	**962**	**5236**
All back office budgets - staffing and non staff included. Does not include admin support which is reported with the relevant teams. Highest value areas as follows:			
Finance (general fund, dsg, school bursar, transactions etc)		482	
Data intelligence team		183	
AfC Snr management		33	
Strategy, policy, business systems, programme management, business dvt, comms		53	
Workforce Development		25	
Information Governance (FOI/SAR etc)		15	
Comms		25	
Insurance - contents, public liability, travel etc		115	
other cebtral costs e.g. AFC board		20	
other smaller		11	