

APSE Strategic Forum

2nd March 2012

“Developing a wholly owned company model?”



Presentation will address.....

- Where we started
- Where we are now
- What we learnt along the way
- Understanding roles, responsibilities, and managing conflict



Who are we

Direct Services to Adults and Carers covers:-

- Local Authority Care Home provision
- Reablement services in the community
- Day opportunities
- Domiciliary care
- Shared Lives
- Employment services

.....With over 1300 employees and an annual turnover exceeding £30 million

.....The biggest single provider that the council commissions.



Setting the Context nationally (1)

- Reducing public sector purse
- Growing demographic pressures
- Wider private market, co and self funding
- Personalisation and the use of personal budgets
- Big society and redefining the role of the state
- New powers including freedom to trade.



Setting the context locally (2)

- Considerable service modernisation
- Change within the constraints that operate within a council
- Prices remain higher – cannot compete on price
- Continuing reduction in the size of direct services
- Trusted by the community, commissioners , customers and carers
- Lack of confidence in the market locally.



Reviewed all options

- Review of all options Summer 2010 including
 - Stay as we are
 - Tender
 - Social enterprise
 - Trading company
- Needed political leadership and commitment to gain agreement
- Agreed to produce business case and involve key stakeholders
- Business case agreed by full council May 2011
- Will launch as Olympus Care Services April 1st 2012.



What does the Council want to achieve by doing this?

- Increased choice to better meet community needs through ability to trade;
- To give a stable and committed workforce a future;
- Achieve efficiencies through direct management of the total business;
- Increase the council's profile and create an asset;
- Reduce the council's exposure to change.



The Business Case - Governance

- Limited company
- Council 100% shareholder
- Cabinet or individual Cabinet member with delegated powers represents shareholder
- Makes appointment of Chairman
- Company managed by a Board of Directors endorsed by shareholder
- Liaison group advises shareholder
(councillors, DASS, LGSS, Section 151 Officer)
- Commissioning managers contract



The Business Case - People

- Success is dependent on all the people in the company, therefore must ensure engagement
- Union involved from the start
- Half day workshops for 200 frontline staff
- Be clear on personal impact of change for employees
- Limited early communication with customers as no change for them
- Scrutiny and political briefings.



The Business Case - Back Office

- Contracted to NCC (LGSS) until 31.3.13 (HR&OD, Finance, Property, Legal & IT)
 - Provides stability for both organisations
 - Contract cost sits with company
 - Contract to be in place for service delivery
 - From 1.4.13 free to purchase from any provider; TUPE may apply
- Company has licence to occupy properties
 - Various types of leases at commercial rents;
 - Utilities and day to day maintenance budgets with the company;
 - Strategic maintenance with NCC.



The Business Case – financials

Like for like comparison

- 5% reduction in all areas except Food Utilities, Rent and rates
 - Achieved through closer scrutiny locally
- Improved attendance - national average within 2 years through
 - Improving ownership and pride of employees
 - changing policy and practice
- Additional income through
 - Utilising spare capacity to achieve growth of less than of less than 2%

Forecast to make small profit by year 2.

Be clear why you are doing it.



The Business Case – other factors

- Know your business and critically evaluate it;
- How well do you know your costs;
- What else can you do outside the council;
- How good is it really;
- Know your market;
- Where are the real opportunities.



Implementation phase

- Pre-transfer modernisation, visioning and change management – don't transfer a problem understand your market;
- Governance: stakeholder sign-up, Scrutiny and Executive sign off for the model;
- Balancing the dynamic between Corporate and Directorate agenda's;
- Implementation: dedicated programme, high level sponsorship, quality communication;
- Continual Business Plan Model validation is it still worth doing.



Obstacles/Issues arising in Implementation

- Managing tensions between corporate and directorate
 - What are the true costs of back office services?
 - What is the pricing model?
 - What standards can be met?
 - How flexible are things?
 - Avoiding false savings
- Prioritisation of resources and people



Obstacles/Issues arising in Implementation

- IT complexity and license costs
 - Exemption possible
- Pensions costs
 - Fall in markets have affected pension costs
 - Both council and company need advice to arrive at strategy
- Non claimable VAT
 - Potential two company structure to reduce impact.



Implementation Lessons Learnt

1. Corporate and Directorate sign up and ownership critical
2. Avoid duplication in project management costs
3. Have one lead Project Manager reporting to 'both sides' on a shared plan.
4. Avoid a 'them and us' mentality – we want to make this work.
5. Too many cooks is very expensive as is over complicated contract discussions.
6. Acknowledge the 'elephants in the room' early - for us pensions and back office.
7. Understanding the legal responsibilities of the people acting for the company once company goes into 'shadow form'.
8. Understand roles and responsibilities.
9. Understand competing internal agendas.



Implementation Lessons Learnt

10. Recognise who is on which side of the 'fence' and be aware of changing behaviours and dynamics.
11. Create management forums which bring all the support services together.
12. Establish who is the arbitrator of conflicts (project board with CEO).
13. Allow time for contract delays and system service testing. Best laid plans go wrong – Payroll!
14. A shadow period is critical – problematic for us.
15. Begin to act as a separate company.
16. Communicate, communicate, communicate to all key stakeholders especially customers and your workforce.



Cost of Implementation

- Project budget of £200k plus internal project management;
- Real cost is in existing resources directed to project – the detail.



Olympus House



20 working days to go!

It won't be perfect on day 1!

Talk to us in 6 months to see how it has gone.