



Reigate & Banstead
BOROUGH COUNCIL
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REPORT OF:	HEAD OF CORPORATE POLICY & PERFORMANCE
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TO:	HEALTH & WELLBEING EXECUTIVE SUB COMMITTEE
DATE:	15 June 2017
EXECUTIVE MEMBER:	COUNCILLOR V.W. BROAD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	PATHWAY FOR CARE: REVISED BUSINESS PLAN
<p>RECOMMENDATIONS:</p> <p>That the</p> <ul style="list-style-type: none"> (i) revised Pathway for Care Business Plan be noted (as set out in the Exempt part 2 section of the agenda) and any comments provided to the Leader of the Council; and (ii) Leader of the Council, as the Council's shareholder representative, be authorised to approve the revised Business Plan at the next Shareholders Meeting. 	
<p>REASONS FOR RECOMMENDATIONS:</p> <p>A strong business plan is critical for the success of Pathway for Care, of which the Council is the majority shareholder.</p>	
<p>EXECUTIVE SUMMARY:</p> <p>In July 2016, the Executive agreed to form a Health and Social Care company known as Pathway for Care Limited. The company was officially incorporated on 22 August 2016.</p> <p>The Shareholder Agreements outlines the requirements for preparing a Business Plan and a revised business plan has been prepared by the Directors, building on the learning and experience of the first nine months of operation.</p> <p>The revised Business Plan sets out the objectives for customer growth in 2017/18. Based on the financial projectuions, Pathway for Care is expected to generate a financial surplus in 2018/19.</p>	

The Executive Sub Committee has authority to approve the above recommendations.

STATUTORY POWERS

1. A local Authority is able to establish a Local Authority Trading Company ('LATC') through the powers in section 95 of the Local Government Act 2003. A Local Authority is permitted to trade in anything that it is authorised to do under its ordinary functions.
2. Under section 1 of the Localism Act 2011 local authorities now have a general power that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for a purely commercial purpose should be done through a company. As the company operates for purely commercial purposes and may operate outside borough boundaries, this is the relevant power.
3. The Company would be a controlled company as defined in the Local Government and Housing Act 1989 as it is a subsidiary company of a local authority and as such the majority shareholder (the Council) has ultimate control over the activities and operational matters of the Company.
4. A requirement of the Local Authorities Companies Order is that councils considering the establishment of a company should consider a business plan for the company. In addition, councils entering a joint venture will often wish to agree a Shareholder Agreement to articulate how the company will be run in order to deliver that Business Plan.

BACKGROUND

5. On 14 July 2016, the Executive agreed to form a Health and Social Care company known as Pathway for Care Limited. The company was officially incorporated on 22 August 2016.
6. A significant amount of work has been undertaken to move from incorporation to becoming an operational company, including significant policy and procedural work relating to the regulated environment of the health and social care sector essential to achieve CQC (Care Quality Commission) registration.

COMPANY GOVERNANCE

7. The Council as majority shareholder has ultimate control over the Company. It controls the company in a variety of ways; the appointment of directors, provision of funding and the Articles of Association.
8. The Board of Directors are responsible for delivery of the expected outcomes within the Business Plan. They have oversight of the performance, financial and operational management of the Company within the parameters agreed with the Shareholder.
9. The Shareholder function of the Council is primarily executed through the Health & Wellbeing Executive Sub Committee.

Health & Wellbeing Executive Sub Committee

10. The terms of reference for the Health & Wellbeing Sub Committee were approved by the Executive on 14 July 2016, as part of the decisions to establish Pathway for Care.
11. The Sub Committee remit is to undertake all functions of the Council as majority shareholder under the Companies Act 2006, including approval of a range of documents required to support the company. This includes the approval of a Business Plan.

BUSINESS PLAN 2017/18

12. The Executive Sub Committee adopted a shareholder agreement at its meeting on 13 February 2017, which included arrangements relating to the Business Plan.
13. The Shareholder Agreements states that the Business Plan shall:
 - cover a period of three Financial Years
 - contain such information as the Board shall from time to time require.
 - be a detailed plan in respect of the first Financial Year to which it relates and more high level in respect of the following two Financial Years.
 - be updated annually to cover the three Financial Years starting with the next full Financial Year.
14. An initial business plan was developed and supported by the Executive when establishing Pathway for Care in 2016. The Directors have prepared a revised business plan, building on the learning and experience of the first 9 months of operation. This is attached in the exempt Part 2 section of the agenda.
15. The Business Plan sets out:
 - Health and social care context and Pathway for Care solution
 - Business model for Pathway for Care, which covers
 - Professional assessments, integrated with digital assessments
 - Direct support
 - Smarter, timely and preventative technologies
 - Concierge style support and follow up
 - Financial projections
 - Outlook for the year

16. The plan also sets out the business objectives for 2017/18:
 - Support a further 300 older people with assessments and / or direct care and support hours
 - Extend reach to working-age adults needing direct support
 - Attract 1,100 further digital monitoring subscribers
17. In order to achieve these objectives, Pathway for Care will not only target the primary market (self funding direct consumers) but also commissioners across the health and social care sector. Marketing activity will be expanded in 2017/18 to support this.
18. Further details of the Business Plan, including the longer 3 year plan, will be presented to the next Shareholders meeting.
19. It is a shareholder function to agree the business plan. As such, the Executive Sub Committee is asked to note the plan and to authorise the Leader of the Council, as the shareholder representative, to approve the plan at the next shareholders meeting.

OPTIONS

20. The Executive Sub Committee has the option of supporting the revised business plan or asking Officers to work with Pathway for Care to review them further and present them to a future meeting taking on board any comments at the meeting.
21. It is recommended that the Executive Sub Committee agree the recommendations. Any delay in agreeing a Business Plan will create risk for Pathway for Care and it is critical that the focus is on income generation in accordance with the Business Plan forecasts.

LEGAL IMPLICATIONS

22. A business plan is not a legal requirement, but it is considered good practice for any organisation to operate with a clear plan.

FINANCIAL IMPLICATIONS

23. There are financial projections within the Business Plan that will need to be achieved. The projections suggest that Pathway for Care will begin generating a financial surplus in 2018/19. After this time the company will be in a position to repay lending and / or pay dividends to shareholders. This would be determined by the shareholder meeting when considering future business plans as reinvestment in the business will also be critical.
24. Performance to date has been roughly in accordance with the initial business plan, demonstrating robust financial forecasting within Pathway for Care.

EQUALITIES IMPLICATIONS

25. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

26. There are no equalities implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

27. The Council has strong risk management arrangements in place, including a strategic risk in relation to our financial planning and commercial operations.

CONSULTATION

28. Consultation has been undertaken with the Directors of Pathway for Care to ensure the revised business plan is fit for purpose.

POLICY FRAMEWORK

29. There are no policy framework implications arising from this report.

Background Papers:

1. Report to Executive: 14 July 2016