

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 30 June 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Keith Baker, Leader of The Council

OUTCOME / BENEFITS TO THE COMMUNITY

Transparency in respect of Council Owned Companies

RECOMMENDATION

The Executive is asked to:

- 1) note the budget monitoring position for the month ending 30 April 2016;
- 2) note the operational update for the period to 31 May 2016;
- 3) note the report by the Independent Remuneration Panel on Non-Executive Director Performance and Remuneration Policy and it's key recommendations.

SUMMARY OF REPORT

Strategy and Objectives of the Council's Subsidiary Companies

There has been no change to the Strategy and Objectives of the Council's Subsidiary Companies since the last report to Executive in May 2016.

Operational Update

An operational update is provided from each of the companies as at 31 May 2016 in paragraph 2 below.

Financial Report

A budget monitoring report is provided for each of the companies for April 2016, which confirms that overall the group has incurred a deficit as forecast. This again reflects the high level of WHL capital works being undertaken which has previously been reported, and which will be followed in later years by income flows from the investments. The position for each of the companies is explained in paragraph 3 below.

Wokingham Companies – Director Selection, Performance & Remuneration Policy

Below is the Executive Summary and Recommendations of the report by the Independent Remuneration Panel, for consideration by the Executive.

The full report and appendices will be available on the Council's website or on request from Democratic Services.

1. Executive Summary

1.1. In September 2015, the Terms of Reference of the Independent Remuneration Panel were extended by Council to include consideration of the level of remuneration payable to Members who are Non-Executive Directors (NEDs) of Council-owned companies. This is the Panel's first report on that matter.

1.2. Since 2012, when the Council first established positions of Member Non-Executive Directors, remuneration has been set at £6,095 per annum. This was determined following an analysis which benchmarked the positions against similar roles on NHS bodies and judged the responsibilities and demands to be somewhere between that of Planning Committee Chairman and Executive Member, who receive Special Responsibility Allowances of £5,000 and £10,000 per annum respectively.

1.3. The Panel researched the approach taken by other Councils that have Member NEDs, sent a questionnaire to WBC's Member NEDs and examined documents that outlined the roles as well as legislation on Council-owned Companies.

1.4. Having identified the main issues, the Panel then met with most of the Members who responded to the questionnaire and also the Leader of the Council and the Leader of the Opposition.

1.5. Following those meetings the Panel decided on the following recommendations.

2. Recommendations

2.1. The Panel recommends to the Executive that:

2.1.1. it be noted that the current payment of £6,095 per annum to Members who are Non-Executive Directors (NEDs) is reasonable;

2.1.2. a Non-Executive Director who receives a Special Responsibility Allowance as an Executive Member should not receive a payment for the NED position in order to comply with the Council's Constitution and the legislation on Local Authority Companies;

2.1.3. the NED payments should not be strictly linked to the Special Responsibility Allowances although legislation puts a maximum limit on the payments.

2.1.4. job descriptions for the NED positions should be agreed by the Council's Companies and published so that the Panel can recommend appropriate payments that will be transparent.

2.1.5. the Independent Remuneration Panel should review the payments to Member NEDs as part of its annual review of Member Allowances.

2.1.6. the Independent Remuneration Panel be requested by the relevant Council Company to recommend a level of payment for any new Member NED position that is created with a different job description from any existing positions.

2.1.7. the Panel will review the Constitutional provision that "Members of the Executive can only receive one Special Responsibility Allowance" in its next annual review.

REPORT

1. Directorship Report

- There are no changes to the directorships of the companies to report this month.

2. Operational Update to 31 May 2016

2.1 WBC (Holdings) Ltd

WBC (Holdings) Ltd does not undertake any operations as it is a holding company.

2.2 Optalis Ltd

- CQC compliance – there are no outstanding CQC compliance matters.
- No Care Governance Ratings are currently in place.
- Sickness absence for April was the best on record with an overall rate of 8.82, with an underlying short term sickness rate of 6.18 days per person. Optalis' target is 5 days on average. There were five people on long terms sickness absence (over 30 continuous days); one of those individuals has now been dismissed on capability grounds. The remaining four are subject to regular review.
- Recruitment to the Head of Service in Brokerage & Professional Support has not yet been successful; however discussions are underway with an internal candidate.
- An appointment has been made to the post of Director of Quality & Delivery. Andrew Crammond took up the post on 6 June; he joins us from Mencap where he was a regional director. Simon Thompson will stay with Optalis until the end of June to ensure a thorough handover.
- The Optalis Care Governance Committee met on 12 April to review all aspects of quality and compliance. The three top risks identified were 1) Recruitment, 2) Training (records of, and completion and verification of Care Certificate training), 3) Quality of Reporting and Recording. Action is being taken across all identified risks. The meeting also started a programme of work around identifying areas of 'outstanding' practice (in CQC ratings terms) in order to support future inspections. This work will culminate in the key feature item in next month's meeting.
- The Customer Experience Champion has instigated work programmes including supporting a bid for Learning Disability Development Funding (LDDF) (from the LD Partnership Board); celebrating Optalis' 5th birthday; customer engagement about designing the future of activities in Extra Care Housing (ECH) and Suffolk Lodge.
- Optalis continues to work with WBC on the safe transition of the Woodley Age Concern service. The service is now planned for closure and Optalis' rate of intervention has reduced.

Progress on major corporate projects

- The STAR Awards event took place at Easthampstead Park on Wednesday 25 May. This was a first in Optalis' history and provided an excellent opportunity to celebrate the achievements of individuals and teams who have demonstrated good

practice against Optalis Core Values. The event was received positively by colleagues who have said they felt valued.

Business Development:

Wokingham

- Optalis has now been engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (Bulmershe) originally set to open in October 2016. Optalis has been notified that the timeframe has slipped to May 2017. Value: To be confirmed, but estimated at £400k (annual turnover).
- Optalis continue to work with WBC on the redevelopment of the Fosters site, where a new ECH scheme is due to launch in September 2017. Value: Not yet available.

West Berkshire

- The tender for the home care framework was suspended by the authority; we await news.

Reading Borough Council

- The Council has announced its intention to retender/outsource a number of ECH services and has engaged providers in initial discussions about price ranges. Optalis has responded and we await the formal tender which is due out in late June.

Royal Borough of Windsor & Maidenhead

- The Council has approached Optalis on the possible handover of an LD residential care home. The service is high acuity and there are complexities around the accommodation. Engagement in continuing and a meeting is due shortly with the current provider. Value: Not yet known, but estimated at £550k (annual turnover).

Hampshire County Council

- A tender has been submitted for two 'lots' of ECH schemes in north Hampshire. We await their response following shortlisting. Total value: £1.2m (annual turnover).

Buckinghamshire Council

- Optalis have submitted an application for a framework for learning disability supported living. Value: Unknown as it is a framework agreement; the framework closes in January 2017 for four years hence the need to apply now.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

There are no operational changes at Hillside since our last report.

WHL continue to work closely with WBC colleagues, the care provider (LinkNursing) and the parents of residents to resolve the outstanding original specification issues. These have now been priced and WBC as the Commissioner is making final decisions on what works to instruct WHL to undertake.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue:

Progress remains on target and to budget. A difficulty in acquiring one of the approved brick types was resolved promptly between the build contractor Hill Partnership, WHL and the Council's planners to ensure no delay to the programme. We also successfully dealt with a potential health and safety matter relating to the boundary wall and local play park, working closely with Council colleagues in the Cleaner and Greener team who responded promptly to Hill's concerns. WHL continue to publish photographs to show the progress of the development on WHL's website at - www.wokinghamhousing.co.uk. There is also new WHL and WBC branding on the site hoardings to promote the work of the Council's Local Housing Company in delivering affordable homes.

Fosters Extra Care Home:

Work continues to progress well with on-site activity now obvious to local residents. Hoardings to promote the work of the Council's Local Housing Companies, WHL and Loddon Homes, is now in place. A time-lapse video is being set up shortly to record the activity and will be available on WHL and Loddon Homes websites - www.loddonhomes.co.uk.

Pipe-line sites:

Should Anson and Grovelands be granted Executive approval, WHL will be awarding the build contract to the winning tenderer under the Small Contractors Framework in mid-July, let as a package of 10 homes. Tenderers have indicated that they will honour their original prices given in March as part of the Framework Agreement tender, with no additional costs as a result of not including Barrett Crescent as part of the original package.

Should Barrett Crescent also be granted Executive approval (subject to a new planning application being secured for a more cost effective affordable housing project) it will be tendered later in the year.

WHL are intending to package two other sites with planning permission – Norton Road and Elizabeth Avenue (11 homes) – for tender post all approval processes being complete in late September, again through the Small Contractors Framework. This will then be followed by a package of four further sites (9 homes), including Barrett Crescent, should all the necessary approvals in September be given and also planning permission achieved for all four projects.

Loddon Homes (LHL):

The Homes and Communities Agency (HCA) discussed Loddon Homes' application to be a For-Profit Registered Provider (FPRP) at a meeting on 2nd June and Wokingham Housing Group are very pleased to be able to announce that Loddon Homes Limited achieved official FPRP status on 10th June 2016 – registered as number 4827.

This is a great achievement for the Council in what commentators in the sector thought would be a very difficult thing to convince the HCA to do. Having our own FPRP provides the Council with useful flexibility in the way it can deliver its strategic affordable housing

objectives, in an uncertain period where Government housing policy is in a state of flux as the Housing and Planning Act 2016 is implemented.

3. Financial Report

Budget Monitoring for 2016-17 financial year (To 30 April 2016)

3.1 WBC Group Consolidated, (i.e. comprising WBC (Holdings) Ltd, Wokingham Housing Group (including Loddon Homes Ltd), and Optalis Group).

The figures shown below represent the overall expenditure and income of the Council's subsidiary companies. A consolidated budget for the group is not yet available for 2016/17 therefore an overall comparison of spend against budget is not possible for the Group at present:

At the operational level, the net deficit was £58k. The net deficit after interest and tax was £74k.

3.2 WBC (Holdings) Ltd

A deficit of £29k is reported for April.

3.3 Optalis

- The result for April is a loss of £6.0k against a budgeted profit of £4.0k.
- 2016/17 full year result is expected to be a profit of £50k. (This is after an efficiency saving return of £308k to the Commissioner as agreed). Current month's loss reflects the increase in this efficiency saving from 15/16 to 16/17.
- Revenue in the month was £1,110k. This is consistent with the full year budget.
- Current year business plan included an increase in the Short Term Assessment and Reablement (START) contract of 100 hours per week giving additional annual income of £114k. It has now been communicated from the commissioner that this has been delayed and is not now to be part of our 16/17 figures.
- Costs for April are £1,116k. Nearly £900k is made up of payroll and agency costs.
- Net assets at 30 April are £239k.
- Cash at 30 April was £320k.

2015/16 year end results and Audit update:

- The auditors have completed their fieldwork and they have proposed some journal adjustments to our year-end figures. These adjustments are favourable for Optalis and our year end profit for 2015/16 has increased from £60k up to £72k. We are currently waiting for their reports to be sent with their findings and the close meeting needs to be arranged.

Risk/Mitigation

- Agency spend remains unacceptably high and weekly management reviews chaired by the managing director continue. Recruitment remains the greatest underlying pressures on agency spend. Progress has been made in ILS and

Clement House in particular and these service areas are likely to be able to stand down from the meeting at the end of May when they should be fully recruited.

- Recruitment continues to be challenging, however, we have 17 starters on induction during May, and a further induction scheduled for early June. A successful recruitment open day was held at Wokingham Library on 20 May generating six possible applications. The trial with Vetro recruitment has not delivered as expected; a new approach is being trialled including a focused assessment day in Wokingham.
- The work with WBC on the Woodley Age Concern service continues.
- The change in finance resources continues to place pressure on the organisation. The finance team has been restructured for better governance and new, skilled finance staff have been recruited. The depth of this review is continuing to cause business continuity issues.

Overview of Results – Year to Date

Total Company April 16	Apr Actual (£000)	Mar Actual (£000)	Prior Month Variance (£'000)
Turnover	1110	1051	59
Costs	(1109)	(1030)	(79)
Operating Profit	1	21	(20)
Depreciation	(7)	(17)	10
Profit before tax	(6)	4	(10)
Taxation	0	(0)	0
Net Profit	(6)	4	(10)

3.4 Wokingham Housing (Including Wokingham Housing Ltd & Loddon Homes Ltd)

Total Sub Group APRIL	Apr Actual	Apr Budget	Budget Variance	Prior Mth Actual	Prior Mth Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	9	7	2	26	(17)
Costs	(45)	(51)	6	(98)	53
Operating Loss	(36)	(44)	7	(72)	36
Non Trading costs	-	-	-	-	-
Depreciation	(2)	(2)	-	(2)	-

Loss before Tax	(38)	(46)	7	(74)	36
Taxation	-	-	-	-	-
Net Loss	(38)	(46)	7	(74)	36

Wokingham Housing Limited (Consolidated)

P01: April / Year To Date

Profit and Loss Account for
the period to 30th April 2016

	Actual	Budget	Variance
	£	£	£
Income	8,808	7,046	1,762
Operating Expenditure	(47,271)	(52,939)	5,669
Operating Loss	(38,463)	(45,893)	7,430

Income for April 2016 is £9k (Equivalent to Year to Date). Against budget this represents a surplus in month of £1.8k and is due to timing of income accounting compared to budget. Operating expenditure is underspent in the month by £5.7k due mostly to lower cost levels after significant catch up of cost recognition in March 2016. As the first reported month of 2016/17, YTD expenditure is equal to the results for the month.

The Net Loss position of £38k in the month and YTD is £7k ahead of budget.

Balance Sheet

Capital Expenditure in April was £560k as contractor payments for the build of Phoenix Avenue. Fosters Lane has also commenced and contractor payments will also be due on this contract from May. Net assets total £417k at 30th April 2016. In total there are 1,900,000 issued and fully paid Ordinary £1 shares held by WBC (Holdings) Ltd. The share capital remains at £1.9m.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See other financial implications below	Yes	Revenue
Next Financial Year (Year 2)	See other financial implications below	Yes	Revenue
Following Financial Year (Year 3)	See other financial implications below	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

The Council will benefit from reduced costs in commissioning services, the interest and management charges to WBC (Holdings) Ltd and future profits paid out as dividend. These will be factored into the Medium Term Financial Plan under the appropriate service.

Cross-Council Implications

No Cross-Council Implications

List of Background Papers

None

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