

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 28 July 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 31 May 2016;
- 2) note the operational update for the period to 30 June 2016.

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 June 2016.

Operational Update

An operational update is provided from each of the companies as at 30 June 2016 in paragraph 2 below.

Financial Report

A budget monitoring report is provided for each of the companies for May 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.

REPORT

1. Directorship Report

- Optalis has made successful appointments to the roles of Finance Director and Director of Quality and Delivery; in due course, pending successful probationary periods, both individuals will be appointed as directors of Optalis.

- Wokingham Holdings has approved an outline plan to recruit to the role of Non-Executive Director (external) for the Optalis Board; the Job Description (JD) is being prepared and recruitment is likely to commence after the summer.

2. Operational Update to 30 June 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. The restructure and subsequent registration of the Extra Care service has now been confirmed/accepted by the regulator.
- No Care Governance Ratings are currently in place.
- Sickness absence for May was the best on record with an overall rate of 8.57, with an underlying short term sickness rate of 6.36 days per person. Four people were long term absent in the month (over 30 consecutive days) and regular reviews are undertaken with each individual.
- Recruitment to the Head of Service in Brokerage & Professional Support has been successful; Lisa Evans, currently the interim joint Head of Service took up the post on 1 July. Lisa will work 32 hours and to ensure consistent delivery and leadership a deputy post has been devised from within current resources and this will be recruited to shortly; in the short term Linda Robson will fulfil this role.
- Andrew Crammond, Director of Quality & Delivery, is now in post and Simon Thompson has completed a comprehensive handover.
- The Optalis Care Governance Committee met on 9 June to review all aspects of quality and compliance. Three top risks were identified: 1) Training (records of, and completion and verification of Care Certificate completion), 2) Recruitment (volume), 3) Quality of Reporting and Recording by care workers (incidents, accidents, safeguarding). Action is being taken across all identified risks. The key feature sought to identify areas of ‘outstanding’ practice (in CQC ratings terms) in order to support future inspections.
- Recruitment – Optalis managers had a presentation by social care recruitment and retention expert Neil Eastwood to review our recruitment strategy. Overall, Optalis has identified that the organisation is doing really well. However, we were also able to identify with wider evidence additional opportunities going forward.
- Optalis continued to work with WBC on the safe transition of the Woodley Age Concern service. The service has now closed and so this programme of work has concluded.
- The Customer Experience Champion has led specific projects over the past month including the celebration of Optalis’ 5th birthday, celebrations for learning disability week which centred on friendships and ‘acts of kindness’, as well as supporting the Wokingham Learning Disability Day Service (LDDS) members committee to present a bid for Learning Disability Development Fund funding from the Learning Disability Partnership Board for their ‘Hug in a Mug’ project. This was successful and we look forward to their contribution to local communities over the coming months.

Progress on major corporate projects

- Supervision workshops for line managers and supervisors is taking place throughout the month to support good practice and ensuring familiarisation by colleagues with the Optalis policy, as well as learning how to deal with difficult or complex situations.
- Archiving of records to an external location in accordance with the Optalis policy has commenced over the last month, starting with finance records. Next step is review and archiving of care records.

Business Development:

Wokingham

- Optalis has 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. We continue to work with WBC on the redevelopment of the Fosters site, where a new ECH scheme is due to launch in October 2017. Work has started on site and Optalis is working on signage at the site.

Royal Borough of Windsor & Maidenhead

- The council has approached Optalis on the possible handover of a Learning Disability (LD) residential care home. The service is high acuity and there are complexities around the accommodation. Negotiations over this service are nearing completion and the draft transfer date has moved from July to August.

Hampshire County Council

- The tender for Extra Care Housing Schemes was not successful; the feedback is being evaluated.

Buckinghamshire Council

- We were successful in being accepted onto the Framework agreement for learning disability supported living services. A tender has now been launched for services in Aylesbury and on examination this is likely to require the recruitment of a whole new staff team. On balance of risk Optalis has decided to withdraw from the tender.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

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

The outstanding works at Vauxhall Drive have moved forward with the Council having agreed the budget and the options now being discussed with parents of residents and the care provider, including the best arrangements for undertaking the works around vulnerable residents.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue:

Phoenix Avenue continues to progress with the sub-structure now coming out of the

ground. However, we were disappointed to be advised at the June site meeting that the programme is 3-4 weeks behind schedule. Hill have advised us that the lost time will be caught up by September and is down to changing the construction method for the ground floors – which loses time now, but will save time in the future. Therefore there should be no delay in the actual delivery of the first phase of homes in March 2017. Following a frank exchange, Hill have promised to provide a chart to demonstrate how the time will be made up against the existing programme.

Fosters Extra Care Home:

Fosters Extra Care scheme is progressing well with on-site activity now being very obvious. The programme is to time and to budget. The claim for 50% of the HCA grant of £1.49m has been paid to the Council to support the initial start on site costs. The grant received is currently in the Council's bank account, but now that Loddon Homes has been granted For-Profit Registered Provider (FPRP) status with the Homes and Communities Agency (HCA), it is intended to transfer the grant and the relevant grant conditions to Loddon Homes. The work to do this is currently ongoing.

Pipe-line sites:

Our work continues to focus on ensuring that the sites within the current WHL development pipeline progress.

We are in the process of awarding the contract for Anson Walk and Grovelands to the successful bidder, following Executive approval in June and are estimating the start on site for both schemes should be in November 2016.

Barrett Crescent also received Executive approval in July, but is subject to a new planning application that delivers a more cost effective project being achieved. Planning has been submitted and we are working towards a revised scheme to tender and build for affordable housing.

For all other pipeline sites, the WHL Board and Holdco have approved progressing each scheme the Commissioner has requested to the Executive for approval at the September meeting based on the business cases submitted. This is a total of 26 additional affordable homes and one potential private sale home, spread over nine sites.

Should Executive approval be achieved for all or the majority of sites, you will see a steady flow of small sites being delivered. We expect to be able to package pipeline sites in to three phases, with start on sites estimated to be in January, March and April 2017, each with 10-12 month build programmes.

Loddon Homes (LHL):

As you are now no doubt already aware Loddon Homes was granted For-Profit Registered Provider (RP) status by the Homes and Communities Agency (HCA) on 10th June 2016. This is an impressive achievement with Loddon Homes being the first completely council-owned For Profit Housing Association. Only three other housing associations have been set up by councils, with only one other being a For-Profit RP, owned by a council and a Housing Association as a joint venture.

Through achieving For Profit RP status we now have additional flexibility to meet the

housing needs of our borough residents, as well as generating a financial return which can be reinvested into more affordable housing and/or essential Council services. It will also provide us with more options on seeking grant for more costly affordable developments like supported housing projects, as well as enabling us to take advantage of other grant funding for Government priorities like shared ownership.

Loddon Homes worked hard to meet the tougher registration criteria of the HCA and believe the process has helped us build a strong organisation to meet the challenges of delivering affordable housing in the current fast changing housing policy environment.

Loddon's Board continues to focus on developing our policies and procedures for managing our homes and working closely with WHL on Loddon Homes' future stock like the Fosters Extra Care scheme. The Board is not complacent having achieved registration and is looking forward to what can now be achieved to meets its objectives.

3. Financial Report

Budget Monitoring for 2016-17 financial year (To 31 May 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 £43k. The net deficit after interest and tax was £78k.

3.2 WBC (Holdings) Ltd

A year-to-date deficit of £61k after interest and tax is reported for May.

3.3 Optalis

- The result for May is a loss of £6.0k against a budgeted profit of £4.0k. The budget figures set by the previous Finance Director are currently being verified. This gives the company an YTD loss of £12.0k against a budgeted £8.0k profit. None of the proposed adjustments following the audit have been processed into our accounts at the reporting date.
- 2016/17 full year result is expected to be £50k. (This is after a return of £308k to the Commissioner as agreed).
- Revenue in the month was £1,025k and YTD is £2,136 which is about on budget.
- Current year business plan included an additional 100 Short Term Assessment and Reablement (START) hours per week, giving additional income of £114k. It has now been communicated from the commissioner that this is not now to be part of our 16/17 figures.
- Costs for May are £1,024k and YTD £2,133k. A high % is payroll and agency costs.
- Net assets at 31 May are £233k.
- Cash at 31 May was £424k.

2015/16 year end results and Audit update:

- The audit process is now nearly completed and the headline figures from the auditors are still to be verified and backed-up. We are currently proposing to report our original profit figure of £60k. This is due to various adjustments that have been proposed by the auditors plus other adjustments we have picked up ourselves.

Risk/Mitigation

- Agency spend remains high and weekly management reviews chaired by the managing director continue; progress is being made but is slow. Recruitment remains the greatest underlying pressure on agency spend, but trends around a high turnover rate amongst new recruits in the home care service has also been identified so this line of inquiry is being pursued and actions put in place to mitigate.
- Recruitment continues to be challenging, however, we had 19 new starters on induction during June. The pilot with Vetro Recruitment has now concluded and Optalis has decided to disengage from the partnership on account of it not adding value to the company or improving our recruitment rate.
- Legal: Negotiations via the WBC legal team with Expense Reduction Analysts (ERA) are continuing. Optalis' offer has been rejected and it is therefore now possible that the matter may be referred to the courts by ERA. There have been no developments since the last report to the Board.
- 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 are being recruited; this is not yet fully complete. The depth of this review is continuing to cause business continuity issues.

Overview of Results – Year to Date – Optalis

Total Company	Actual May YTD	Budget May YTD
	(£000)	(£000)
Turnover	2,136	2,193
Costs	(2,133)	(2,170)
Operating Profit	3	23
Depreciation	(15)	(15)
YTD loss	(12)	8

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

Income for May 2016 is £5k (with year to date income of £14k). While this represents a £2k deficit in month the year to date target is on budget. Operating expenditure is better than budget by £7k in month and £12k year to date. Savings in month are largely from much lower fees than predicted and necessary equipment cost for tenants. Year to date savings have come from a delay in bonus payment and much lower professional fees

than expected. These are partially offset by development costs in preparing to develop existing property, additional utility costs, marketing costs from prior year and higher interest charges. These variances are expected to recover during the year.

The Net Loss of £40k in month is £5k better than expected while the year to date net loss of £78k is £12k better.

Balance Sheet

Capital expenditure in May was £533k including construction contractor payments for Phoenix of £430k and for Fosters of £95k.

Net Assets for the Wokingham Housing Group were £378k in May. An investment of £1,900,000 of £1 ordinary share capital is invested in Wokingham Housing Limited.

Wokingham Housing Limited (Consolidated)			
P02: May / Year to Date			
Profit and Loss Account for the period to 31st May 2016	Actual	Budget	Variance
	£000	£000	£000
Income	14	14	0
Operating Expenditure	(92)	(104)	12
Operating Loss	<u>(78)</u>	<u>(90)</u>	<u>12</u>

Total Sub Group	May	May	Budget	Prior Month	
MAY	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	5	7	(2)	9	(3)
Costs	<u>(43)</u>	<u>(50)</u>	<u>7</u>	<u>(45)</u>	<u>2</u>
Operating Loss	(38)	(43)	5	(36)	(1)
Non Trading Costs	-	-	-	-	-
Depreciation	<u>(2)</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Loss Before Tax	(40)	(45)	5	(38)	(1)
Taxation	-	-	-	-	-

Net Loss	(40)	(45)	5	(38)	(1)
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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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