

<b>TITLE</b>	<b>Council Owned Companies Business</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 27 October 2016
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director of Finance and Resources
<b>LEAD MEMBER</b>	Keith Baker, Leader of The Council

## **OUTCOME / BENEFITS TO THE COMMUNITY**

Transparency in respect of Council Owned Companies

## **RECOMMENDATION**

The Executive is asked to note:

- 1) the budget monitoring position for the month ending 31 August 2016;
- 2) the operational update for the period to 30 September 2016;
- 3) approve the short term loan facility for Optalis Limited of £350k, charged at base rate plus 5.5%.

## **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 September 2016.

### **Operational Update**

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

### **Financial Report**

A budget monitoring report is provided for each of the companies for August 2016, the position for each of the companies is explained in paragraph 3 below.

### **Short-Term Loan Facility for Optalis Ltd**

To assist Optalis in managing cash flow requirements WBC (Holdings) Ltd have agreed to provide a short-term loan facility of £350,000. The facility can be drawn down as required by Optalis; interest will be charged at base rate plus 5.5%.

## REPORT

### Directorship Report

- There have been no changes to the directorships of the companies since the last report to Executive in September.

### 2. Operational Update to 30 September 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 further news has been received in relation to the expected inspections for ILS and Home Care.
  - The Registered Manager of Short Term Assessment and Reablement (START) has now left and the Home Care manager is on extended leave due to an operation. The Regulator has been informed of our cover arrangements. The arrangements for START have now been clarified, meaning that the service is staying with Optalis for the foreseeable future, with the prospect of an increased contract, and we have therefore been able to restart recruitment to the Registered Manager post.
  - The regulator is fully informed about the care governance issues at Suffolk Lodge and the inspector has been attending the ‘concerns about a provider’ meetings convened by WBC.
  - In response to our internal assurance process an extensive personnel file audit is taking place to ensure compliance with Care Standards.
- Care Governance: Suffolk Lodge remains on WBC’s Care Governance Framework on a ‘Red’ status. The action plan has been provided to the Council setting out how Optalis will respond to the improvements required, and this is updated regularly. A further care governance review visit was scheduled for 7 October but has had to be postponed due to concerns about infection control.
- Sickness absence for August was 13.10, an increase from the previous month. The underlying short term sickness rate of 6.59 remains a good performance, albeit a slight increase from the previous month. The trend of a slightly increased number of people on long term absence (over 30 consecutive days) has continued; however there is significant churn in this area and during the month we have seen several of those who have been on long term absence return to work.
- The Optalis Care Governance Committee met on 8 September to review all aspects of quality and compliance. The main theme for the meeting was improving and developing Optalis’ complaints, compliments and comments policy/procedures, which is now being updated for relaunch. Three top risks identified were unchanged from the previous month: 1) Quality and compliance of personnel files (identified through audit), 2) Quality of reporting and recording, 3) Training (completion rates and recording). Action is being taken across all identified risks.
- The Customer Experience Champion has led specific projects over the past month, including: revision of the company’s complaints and compliments policy to enhance the company’s person centred approach to customer feedback; securing grant

funding for and on-boarding a tutor who will provide structured life story sessions to customers at Suffolk Lodge and in our Extra Care services; on-boarding a drama student who will provide sensory sessions to our customers in the same services who have the most complex disabilities and communication impairments related to dementia; welcoming our customer experience assistant, an expert by experience who will support the Customer Experience Champion in customer engagement activities.

### **Progress on major corporate projects**

- Revision of the company's staff appraisal methodology is underway. This will be consulted on over the next month or so, and will be launched at the end of November. The new format is based on the company's Core Values.
- The Colleague Satisfaction Survey has been underway for the past few weeks and closed on 5 October. Analysis will follow as well as engagement with managers and the Staff Consultative Forum to interpret the feedback and to develop the company's response.
- The Head of Quality and Performance is currently examining options for the extension of StaffPlan to additional services and to extend the functionality. SMT have considered a first proposal, and agreed further investigation and assurance is required to agree to the investment.

### **Business Development:**

#### Wokingham

- Optalis has been engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (Birches, Cala Homes) originally set to open in October 2016. Optalis has been notified that the timeframe has slipped to June 2017. Value: To be confirmed, but estimated at £400k.
- We continue to work with WBC and WHL on the redevelopment of the Fosters site, where a new Extra Care Housing (ECH) scheme is due to launch in October 2017. Work has started on site and Optalis signage is now in place at the site. A public information event is due to take place on 3 November. Value: Not yet available.
- Loddon Court, a residential respite and outreach service, currently provided by another provider, has been put forward to Optalis for review under the Provider of Choice protocol. Optalis has submitted its proposal to WBC for this service and is currently awaiting feedback from the commissioners.
- WBC has approached Optalis with early inquiries regarding a young person's homeless project which is being recommissioned, set to go live summer 2017. Optalis is engaging positively with the inquiries.

#### Royal Borough of Windsor & Maidenhead (RBWM)

- Mokattam residential care home transferred to Optalis on 1 September 2016. Value: £440k. The transition has gone smoothly and commissioners appear content with Optalis' management of the service to date.
- The local authority has expressed an interest in support for their statutory occupational therapy assessments, starting with 60 assessments. Negotiations are underway.

#### Wokingham Housing Limited/Loddon Homes

- Optalis' Communications and Marketing Manager bid to provide communications

support for WHL/LHL and was successful in her bid.

- Optalis will provide ½ day per week support, initially for a six month period, subject to review.
- There are a number of synergies between the two organisations as well as a number of shared projects, and it is hoped that this will enable alignment of approach.
- Value: £3,640 over six months.

#### Nottingham Rehab Services (NRS)

- Following the successful delivery of a care home equipment assessment programme last year, the Brokerage & Professional Support Service (B&PRS) are currently in negotiations with the NRS in relation to subcontracting for OT assessments for a contract they have taken on with another local authority, focussed on assessments of double handed care calls with a view to reducing those to single handed calls through the safe use of moving and handling equipment. The initial requirement was for 400 assessments, although this may be reduced during negotiations.

#### Provider Events

- These have been attended over the last month and forthcoming events are in Richmond, Bracknell, RBWM and Oxfordshire.

### **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 are due to start on 31<sup>st</sup> October 2016 and programmed to take four weeks. This work will address the outstanding historical works that need to be undertaken and enable the residents to return from the temporary accommodation they are moving to with all outstanding issues resolved.

#### **2.3.2 WHL Schemes in Progress and/or Development:**

##### Phoenix Avenue:

Our main development of 68 homes at Phoenix Avenue is progressing well and to budget with no issues or items to raise as part of this month's update.

##### Fosters Extra Care Home:

At Fosters the development is progressing well, being on time and to budget. The first 50% of the Government grant funding of £1.49m from the Homes and Communities Agency (HCA) given to the Council, has now been received by WHL to help fund the development.

The video-cam for the construction of Fosters has now been made available at <http://wokinghamhousing.co.uk/news/fosters-extra-care-time-lapse-film/> and shows in time-lapse the progress of the site to date and has received a large amount of interest on WHL's website.

### Pipe-line sites:

The Executive approved the remaining small sites in our pipeline programme at the end of September. We are progressing planning applications on sites where we do not currently have planning permission. On sites where we have planning permission we are tendering the Employers Agents and Clerk of Works roles in advance of tendering the build contracts through the Small Contractors Framework.

The majority of our pipeline sites without planning permission look positive. However, the achieving of Executive approval to continue to progress sites does not mean all sites will successfully achieve a planning permission and be developed for housing. We work closely with the Council's planning and highways teams to ensure that as far as possible WHL's schemes enhance local areas and are not overly detrimental to existing local residents. As a housing development company wholly-owned by the Council, WHL looks to ensure that it balances the need for more affordable housing in the Borough with suitable development next to existing communities.

### Loddon Homes (LHL):

Work is on-going around the most sensible placement of assets in the Council's housing companies set against the current Government policy environment. An updated report and recommendations has been received from our consultants, Campbell Tickell, and is under consideration.

The bid for grant for shared ownership homes to the Homes and Communities Agency's (HCA) Shared Ownership and Affordable Homes Programme, 2016-21, for a total of just over £1.5m up until 2021 is looking positive with all the HCAs clarifications and questions having been answered. We will hear if we have been successful in December 2016.

## **3. Financial Report**

### **Budget Monitoring for 2016-17 financial year (To 31 August 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 expenditure and income of the Council's subsidiary companies. A consolidated position for the Group is not currently available, Optalis' financial position is undergoing review and an update will follow.

### **3.2 WBC (Holdings) Ltd**

A year-to-date deficit of £202k after interest and tax is reported for August.

### **3.3 Optalis**

- Like many care providers operating in a challenging financial climate, Optalis is facing significant financial challenges at the present time.
- A deep examination is taking place in relation to the company's governance and the viability of individual services, particularly in view of the difficulties related to recruitment of care workers in the area.

- Optalis' cash flow position is challenged, in part due to recent changes in payment terms, and an intercompany loan has been agreed by Wokingham Holdings Ltd to ensure a viable trading position and a continued positive relationship with suppliers.
- Optalis is working closely and transparently with Wokingham Borough Council on the current review.

#### 2015/16 year end results and Audit update:

- Following a number of appropriate adjustments, the 2015/16 outturn has been revised to £28k.
- Draft statutory accounts have been received from the auditors and are currently subject to review and final completion.

#### **Risk/Mitigation**

- Optalis financial outlook is currently causing significant concern. A joint action plan with WBC is currently in place.
- Agency spend remains high and weekly management reviews chaired by the managing director continue; progress is being made but is slow.
- Recruitment continues to be challenging and has slowed considerably over the summer with 8 new starters completing induction during September, and 9 scheduled for October to date (although this changes daily). A series of recruitment events are taking place through September/October (incl. at libraries and at Shute End) and all relevant print and social media are in play.
- Legal: Negotiations via the WBC legal team with Expense Reduction Analysts (ERA) have now been inactive for several months. There have been no developments since the last report to the Executive. Note: This matter will now cease to be reported until/unless there is any change to report.
- The change in finance resources continues to place pressure on the organisation. Recruitment to the finance team having reached completion, our recently appointed credit controller felt she wasn't coping and so further recruitment has taken place. Some reorganisation of the team has taken place; an interim accountant was appointed at the beginning of October whilst recruitment to a permanent position is underway.

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

Income in August 2016 is £10.5k (with year to date income of £38.8k). This represents a £3.4k surplus in month but the year to date target is £10.4k behind budget. This is due to budgeted income recognised in prior year although some billing in Quarter 3 will reduce the impact of this. Operating expenditure is higher than budget by £10.0k in month but remains £7.5k underspent in the year to date. Even with savings in month, the catch up of cost from previous months has caused the group to be £10k overspent. Year to date savings in not recording the costs equivalent to income recognised in the prior year together with lower professional fees expenditure than expected gave savings. 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 from advanced funding drawdowns. These variances are being managed to recover these variances later in the year.

The Net Loss of £48k in month is £6.5k higher than expected while the year to date net loss of £221k is £2.8k higher than budget.

## Balance Sheet

Capital expenditure in August was £481k including construction contractor payments for Phoenix of £259k and for Fosters of £222k

Net Assets for the Wokingham Housing Group were £236k in August. Borrowings for Wokingham Housing Group to support capital activity are £5,535k and to support operational activity is £1,143k.

An investment of £1,900,000 of £1 ordinary share capital is invested in Wokingham Housing Limited.

## Wokingham Housing Limited (Consolidated)

Profit and Loss Account for the period to 31st August 2016	P05: August / Year To Date		
	Actual	Budget	Variance
	£	£	£
Income	38,811	49,222	(10,412)
Operating Expenditure	(259,517)	(267,085)	7,569
Operating Loss	<u>(220,706)</u>	<u>(217,863)</u>	<u>(2,843)</u>

## Profit and Loss Account for the month – August 2016

<b>Total Sub Group</b> AUGUST	Aug Actual	Aug Budget	Budget Variance	Prior Mth Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	10.53	7.12	3.41	7.31	3.21
Costs	<u>(56.67)</u>	<u>(46.71)</u>	<u>(9.96)</u>	<u>(46.22)</u>	<u>(10.44)</u>
Operating Loss	(46.14)	(39.59)	(6.55)	(38.91)	(7.23)
Non Trading costs	-	-	-	-	-
Depreciation	<u>(2.13)</u>	<u>(2.13)</u>	<u>(0.00)</u>	<u>(2.13)</u>	-
Loss before Tax	(48.27)	(41.72)	(6.55)	(41.04)	(7.23)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	<u>(48.27)</u>	<u>(41.72)</u>	<u>(6.55)</u>	<u>(41.04)</u>	<u>(7.23)</u>

## 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

<b>Contact</b> Emma Lyons	<b>Service Resources</b>
<b>Telephone No</b> 07769957900	<b>Email</b> Emma.Lyons@wokingham.gov.uk
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