

<b>TITLE</b>	<b>Council Owned Companies Business</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 24 November 2016
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director Corporate Services
<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 30 September 2016;
- 2) the operational update for the period to 31 October 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 October 2016.

### **Operational Update**

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

### **Financial Report**

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

## **REPORT**

- **Directorship Report**
- Optalis' Director of Quality and Delivery has left the organisation during their probationary period. The post has subsequently been deleted from the company structure and so the post holder will now not be appointed as Executive Director as previously planned.
- In view of the planned merger with the Royal Borough of Windsor and Maidenhead (RBWM) the plan to appoint a Non-Executive Director has been postponed to take

account of the needs of the new organisation.

## **2. Operational Update to 31 October 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 anticipated inspection of the Home Care service took place during the week of 7 November, lasting three days. The draft report is expected in the next two weeks.
  - A Contact Request has been received and submitted for our Short Term Assessment and Reablement (START) service. This is used by CQC to contact staff, customers and other professionals ahead of an inspection, and normally precedes the Provider Information Return (PIR).
  - It is expected that the inspection for Independent Living Services (ILS) will take place in the next month.
  - The post of Registered Manager of START is now vacant. The Registered Manager of the Home Care service has returned from extended leave and has accepted operational oversight of the START service alongside her responsibility for Home Care whilst we continue to recruit to the post. The Regulator has been informed.
  - The departure of the Director of Quality and Delivery has meant the reallocation of the role of Nominated Individual (NI) for Optalis. This role has been allocated to the Managing Director and the CQC has been informed.
  - 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.
- Care Governance: Suffolk Lodge remains on WBC’s Care Governance Framework on a ‘Red’ status. The manager of the service has been removed and a task force has been convened to escalate the improvement programme. Additional staffing has been agreed and is to be funded by WBC, which is having a significant positive impact. Very good progress has been made over the past few weeks and visitors and families have commented on the improved condition of the home. The next Care Governance meeting is to take place mid-October, followed by a visit by commissioners on 23 October.
- Sickness absence for September was 12.42 annualised days, a slight decrease from the previous month. The underlying short term sickness rate rose to 9.36 from 6.59 in the previous month. The number of people on long term sickness reduced.
- The Optalis Care Governance Committee met on 13 September to review all aspects of quality and compliance. The main theme for the meeting was the company’s approach to care training and induction in the context of regulatory compliance, as well as consulting managers on a new appraisal methodology based on the organisational Core Values. Three top risks identified were: 1) Recruitment/Agency use; 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: developing a project with Wokingham HealthWatch to review customer

experience in our three Extra Care Housing (ECH) schemes; bringing on board a customer experience champion, an expert by experience who will support the customer experience work programme; a survey of ECH customer satisfaction and developing a story board approach to developing customer narratives to inform quality improvements and internal and external communication.

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

- The move away from our external payroll provider is in train; October payroll will be the last with the current provider, after which the service will be provided in house, linking to our accounting system.

### **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 Wokingham Housing Ltd (WHL) 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 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 and is meeting with WBC to review during the first week of November.
- 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.
- A contract for employment support to young people through the Elevate Programme has been put forward to the Supported Employment Service for evaluation; commencement date 1 December 2016. Value: £100k over two years.

#### Royal Borough of Windsor & Maidenhead

- The local authority has expressed an interest in support for their statutory occupational therapy (OT) assessments, starting with 60 assessments. Negotiations took place but RBWM chose not to proceed. Feedback is being sought.

#### Nottingham Rehab Services (NRS)

- Following the successful delivery of a care home equipment assessment programme last year, the Brokerage & Professional Support Service (B&PRS) have concluded 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. Value: TBC.

## **2.3 Wokingham Housing Ltd (WHL)**

### **2.3.1 WHL Completed schemes:**

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

At Vauxhall Drive we are currently undertaking the remedial works required to deal with the historical outstanding issues. Weekly meetings are taking place to closely monitor progress and ensure that the works are delivered in the four week timeframe set aside, to minimise the disruption to residents that are currently living elsewhere.

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

#### Phoenix Avenue:

Progress at Phoenix is now at week 42 and is in line with the revised programme and the original budget. Loddon Homes and WHL Board members recently visited the site following a Board meeting and progress is clearly going well across the whole site. Currently of the £11.45m programme, our Employers Agent has provided a Net Valuation to October of £5.09m – around 45% of the total build cost.

The previously reported blocked offsite sewer issue has been further discussed with Thames Water who have reiterated that they are not proposing to carry out replacement works at this stage. There is little we can now do about this issue, but can evidence in the event that it does fail in the future that we have raised it with them as a risk and that they chose to take no action. Thames Water will of course be fully responsible for any replacement and repair should the drain fail.

#### Fosters Extra Care Home:

We are pleased with the progress at Fosters which is now in week 29 and is in line with programme timescales and the original budget. Loddon Homes and WHL Board members also visited this site following their last Board meeting and were able to see the progress to date. Currently of the £5.09m programme, our Employers Agent has provided a Net Valuation to October of £1.36m – around 27% of the Total Build cost. We have additionally to this fit out costs of £118k to expend at the end of the build programme.

#### Pipe-line sites:

Pipeline schemes in development are generally progressing well. We have now started on the Grovelands site, with Anson Walk expected to be commenced not too far behind.

Middlesfield (2 units) now has planning permission to add to the Norton, Elizabeth and Barrett sites. On Norton we will be tendering the demolition of the print works and Knotweed removal separately to the main build contract and looking to progress this shortly. We have appointed Employers Agents from our framework on our sites with planning permission and some of the sites without planning, where we are confident of achieving planning, in order to draw up the documentation for tendering projects through our small contractors framework.

Planning progress on Orchard is now progressing well and things are well in hand for Finch Road and Gorrick Square schemes, although re-designs might be needed for a

revised client group for Gorrick. The planning applications for London Road is being finalised for submission and being worked up for 52 Reading Road in readiness for Executive approval in January 2017, following WHL and Holdco Boards approval and therefore their recommendation to the Executive. It is hoped a significant Government grant of £250k can be secured.

Tape Lane – which WHL were commissioned to achieve a planning permission for by the Council to build 11 homes to replace the existing 6 units – was successful in early November.

A development on the Emmbrook Road garage site is no longer to be progressed as the compromises were considered too great in developing a scheme of housing and parking that could be supported by planning and highways. Previously the Executive approved the site for affordable housing development, supported by commuted sums, subject to achieving a planning permission. Therefore the £522k of Commuted Sums set aside for Emmbrook will now be available for other affordable projects.

Progress on Wellington Road continues to be made with emphasis currently on the highways access arrangements for deliveries to any commercial units and also resident parking.

#### Loddon Homes (LHL):

The placement of assets within the housing group continues to be discussed and considered. The view of the Loddon Homes Board was that it was important to keep things simple in terms of structure and they have requested additional financial information which we are in the process of collating. WHL's Board will be discussing final recommendations in early December, with Holdco having provided their comments about what they feel would be the best arrangements.

### **3. Financial Report**

#### **Budget Monitoring for 2016-17 financial year (To 30 September 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 £115k after interest and tax is reported for September.

#### **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 WBC 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 and a joint WBC/Optalis working group is addressing this.
- 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; 9 people were scheduled for induction in October. Regular recruitment events are taking place with the addition of targeted use of social media.
- The change in finance resources continues to place pressure on the organisation. An interim accountant is currently in place and recruitment to a permanent member of the team has been successful. The candidate has a public service background and is likely to commence at the end of the year (two month notice period).
- The departure of the Director of Quality and Delivery is placing some short term pressure on capacity but the management team has responded positively and backfill is being put in place.

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

Income for September 2016 is £4k (with year to date income of £43k). While this represents a £5k deficit in month the year to date target is behind target by £15k. This is due to a budget assumption realised in the prior year. This will however be recovered by a new income billing in November.

Operating expenditure is better than budget by £4k in month and £12k year to date. Savings in month are largely from costs spent in advance of budget and lower spend in professional services. Much lower expenditure in the early part of the year explains the positive year to date variance. In summary higher utility costs, salary and interest costs in addition to Vauxhall drive development costs are offset by lower professional fees and general underspending in overheads.

The Net Loss of £43k in month is £0.3k higher than expected while the year to date net loss of £264k is £3k worse than budget.

## Balance Sheet

Capital expenditure in September was £692k including construction contractor payments for Phoenix of £252k and for Fosters of £184k.

Net Assets for the Wokingham Housing Group were £192k at the end of September. The investment of £1,900,000 of £1 ordinary share capital is invested in Wokingham Housing Limited remains unchanged.

<b>Wokingham Housing Limited (Consolidated)</b>					
P06: September / Year To Date					
Profit and Loss Account for the period to 30th September 2016	Actual	Budget	Variance		
	£	£	£		
Income	42,882	58,118	(15,237)		
Operating Expenditure	(306,673)	(318,700)	12,028		
Operating Loss	<u>(263,791)</u>	<u>(260,582)</u>	<u>(3,209)</u>		
<b>Total Sub Group</b>	Sep	Sep	Budget	Prior Mth	
SEPTEMBER	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	4.07	8.90	(4.82)	10.53	(6.46)
Costs	<u>(45.03)</u>	<u>(49.49)</u>	<u>4.46</u>	<u>(56.67)</u>	<u>11.64</u>
Operating Loss	(40.96)	(40.59)	(0.37)	(46.14)	5.18
Non Trading costs	-	-	-	-	-
Depreciation	<u>(2.13)</u>	<u>(2.13)</u>	<u>(0.00)</u>	<u>(2.13)</u>	-
Loss before Tax	(43.09)	(42.72)	(0.37)	(48.27)	5.18
Taxation	-	-	-	-	-
Net Loss	<u>(43.09)</u>	<u>(42.72)</u>	<u>(0.37)</u>	<u>(48.27)</u>	<u>5.18</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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