

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 26 January 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services
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 note:

- 1) the budget monitoring position for the month ending 30 November 2016;
- 2) the operational update for the period to 31 December 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 November 2016.

Financial Report

A budget monitoring report is provided for each of the companies for November 2016; the position for each of the companies is explained in paragraphs 1.1, 2.1 and 3.1 below.

Operational Update

An operational update is provided from each of the companies as at 31 December 2016 in paragraphs 1.2, 2.2 and 3.2.

REPORT

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

1.1. Financial Report

At the operational level, the net profit for the consolidated Group for November was £5k. The net deficit after interest and tax was £40k.

An overall budget for the Group is not available at this point so it is not possible to comment on the results versus budget.

Optalis has undergone a comprehensive Business Review and is now in a position to forecast a balanced break even outturn for the year. November financials are reported in Section 2.1 of this report.

WBC (Holdings) Ltd: A year-to-date deficit of £160k after interest and tax is reported for November

1.2. Operational Report

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

2. Optalis Ltd (i.e. comprising Optalis Ltd, Optalis Wokingham Ltd and Optalis Holdings Ltd)

2.1. Financial Report

2.1.1. 2015/16 Year End results and Audit update: The Statutory accounts have now been filed.

2.1.2. 2016/17 November results: The Company is reporting a £20k profit for November 2016 and projecting a balanced budget at year end.

2.1.3. Overview of Actual and Forecast Outturn:

<u>Total Optalis</u>	Actual Nov-16 Current Mth (£000)	Forecast Mar-17 YTD Full Year (£000)
Turnover	1,036	12,503
Costs	(1,016)	(12,503)
YTD Profit/(Loss)	20	0

2.1.4. Risk/Mitigation: 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 remains Optalis' greatest corporate risk as previously reported. Regular recruitment events are taking place with the addition of targeted use of social media and there is no let-up

on the effort. A natural slowing down of progress has been found during the holiday season, with four new recruits on induction during November and only two in December. There is evidence of activity picking up again during January.

2.2. Operational Report

2.2.1. General:

- Change in senior management – the consultation to streamline the management team has now concluded.
- CQC compliance – there are no outstanding CQC compliance matters.
- Care Governance: Suffolk Lodge remains on WBC's Care Governance Framework. Very significant progress has been made, which has been acknowledged and to that effect the rating was reduced to 'Amber' during December.
- Sickness absence rose to 11.38 annualised days during November, with a particular increase in short term sickness in the month, at 9.97 annualised days. There were only two people on long term absence during November (over 30 continuous days). Active management of sickness absence continues.
- The Optalis Care Governance Committee met on 8 December 2016. The top three risks were recorded as: 1) Recruitment/Agency use; 2) Training (completion rates and recording) and 3) Organisational Change (impact on morale and capacity). Action is being taken across all identified risks.
- The Customer Experience Champion has led specific projects over the past month, including; Completing the Complaints, Compliments and Comments policy; developing the Enhancing Lives project; supporting the activities co-ordinator; supporting the personalised approach to the cessation of private home care, as well as supporting managers with individuals complaints handling

2.2.2. Progress on Major Corporate Projects:

- The second payroll on our in-house payroll system has been delivered and the transition towards RBWM providing payroll services for the company is underway.
- The transition project toward the RBWM merger is underway with all work streams set up and progressing well. The planned go-live date is 3 April 2016.

2.2.3. 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); We continue to work with WBC and WHL on the redevelopment of the Fosters site, where a new ECH scheme is due to launch in October 2017; WBC has approached Optalis with early inquiries regarding a young person's homeless project which is being recommissioned, set to go live summer 2017. A contract for employment support to young people through the Elevate Programme has been put forward to the Supported Employment Service for evaluation.

Nottingham Rehab Services (NRS)

- The contract for OT assessments of double handed care calls is progressing to plan. The initial contract is for 65 assessments of which 20 have been delivered. Follow up work including reviews are charged on top of the base value, so it is likely that more income will be generated on the back of this contract.

RBWM

- The authority has approached Optalis with a view to exploring the possibility of the company providing their Sensory Needs Services. The approach is in line with the future 'provider of choice policy' which is a positive development by the commissioner. An open book design workshop is to be set up during January to explore how the service can be delivered alongside the SNS provided for WBC which would enable a concentration of specialist skills.

3. Wokingham Housing Group

3.1. Financial Report

3.1.1. Income & Expense: Income for November 2016 is £128.1k (with year to date income of £178.7k). Income was recognised in the month for clearance costs on Phoenix and recharged costs for ongoing planning development for WBC at Tape Lane. Neither was budgeted although the Tape Lane income does replace budget exposure for income taken in 2015/16.

Operating expenditure is overspent from budget by £117.3k in month and £97.3k year to date. These variances relate directly to the income mentioned above and relate to the release of capitalised costs already accounted for. There have also been some savings in month: release of accruals for pay from 2015/16 have saved £10k in month; underspend in general expenses of £2k; however additional costs of development at Vauxhall Drive were unbudgeted but should be recovered with income offset before year end. Additional work on high utility costs has recognised over estimation of bills and will receive some credit before year-end. Overspend on interest costs is likely to remain over-budget due to higher drawdown in early 2016.

The Net Loss of £40k in month is £3.8k better than expected while the year to date net loss of £338.7k is £9.1k better than budget.

3.1.2. Balance Sheet: Capital expenditure in November was £1,517k including construction contractor payments for Phoenix of £983k and for Fosters of £292k.

Net Assets for the Wokingham Housing Group were £117k at the end of November. The investment of £1,900,000 of £1 ordinary share capital invested in Wokingham Housing Limited remains unchanged.

Wokingham Housing Limited (Consolidated)

P08: November / Year To Date

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

	Actual	Budget	Variance
	£	£	£
Income	178,699	72,352	106,347
Operating Expenditure	(517,417)	(420,126)	(97,290)
Operating Loss	(338,718)	(347,775)	9,057

Total Sub Group NOVEMBER	Nov	Nov	Budget	Prior Mth	
	Actual (£000)	Budget (£000)	Variance (£000)	Actual (£000)	Variance (£000)
Income	128.14	7.12	121.03	7.68	120.47
Costs	(166.22)	(48.96)	(117.26)	(40.26)	(125.96)
Operating Loss	(38.08)	(41.84)	3.76	(32.59)	(5.49)
Non Trading costs	-	-	-	-	-
Depreciation	(2.13)	(2.13)	(0.00)	(2.13)	-
Loss before Tax	(40.21)	(43.97)	3.76	(34.72)	(5.49)
Taxation	-	-	-	-	-
Net Loss	(40.21)	(43.97)	3.76	(34.72)	(5.49)

3.2. Operational Report

3.2.1. WHL Completed Schemes:

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

3.2.2. WHL Schemes In Progress/Under Development:

Phoenix Avenue: Hill Partnerships, the contractor working on our Phoenix Avenue scheme, reported at the site meeting on 23rd November that they were delayed by up to nine weeks. We were surprised by the scale of reported delays, having been reported in our November Executive update that the scheme was on track. This announcement mean homes will not start to be handed over until mid-May 2017, so this takes the project completion date beyond the longstop date and therefore opens up the possibilities of Liquidated and Ascertained Damages (LADs).

While our legal position is strong under the contract, we are keen to work closely with Hill to try and deliver homes as early as possible and not rely on a

'stick' approach using the contract penalties. Experience tells us that WHL could lose more time and end up with a much more difficult project to deliver if we just impose the contract terms and talk to Hill through solicitors.

Hill have been working closely with us putting in place a senior Contracts Manager to oversee the site until completion, who will be on site 3-4 days a week.

We are watching the situation very closely and challenging the mitigation measures and critical path to complete the project in detail to ensure there are no further delays to completing the 68 affordable homes at Phoenix Avenue.

Fosters Extra Care Home: Progress at Fosters Independent Living Scheme is on time and to budget. Detailed discussion continues on preparations for taking ownership of the new scheme and ensuring we have effective arrangements in place for the management of the homes for vulnerable older residents.

3.2.3. Pipeline Sites: Other schemes now on site are Grovelands and Norton Road; we expect to be on site at Anson Walk to deliver the four apartments by March 2017.

Planning has been submitted on 52 Reading Road to achieve the tight start on-site timetable of March 2017 so the significant HCA grant of over £300k can be achieved. Tendering of the contract while planning is still being sought has been sent out to firms on WHL's Small Framework Contractors.

The need to progress 52 Reading Road has delayed the tendering of the two small schemes at Elizabeth Road and Barrett Crescent, which is likely to now be on site in the early Summer, rather than Spring. The tendering of the two units at Middlesfield is expected to take place after the Elizabeth and Barrett sites and be on site mid-Summer.

WHL continue to work towards planning permissions on a number of other sites and to explore a number of future potential opportunities to add to our pipeline programme of developments.

Loddon Homes were advised on 4th January that they had been awarded around £1.54m of grant funding from the HCA to deliver 78 homes as part of the HCAs Shared Ownership and Affordable Homes Programme 2016-2021. This is subject to contract. This news means that the Council's Commuted Sums will go even further and be able to develop even more new affordable homes.

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
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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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