

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 23 February 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 31 December 2016;
- 2) the operational update for the period to 31 January 2017.

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 January 2017.

Financial Report

A budget monitoring report is provided for each of the companies for December 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 January 2017 in paragraphs 1.2, 2.2 and 3.2.

Changes to Directors

Directors' resignations, appointments and other changes to the Companies' Boards as at 31st January 2017 are reported in paragraphs 1.3, 2.3 and 3.3.

BACKGROUND

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 December was £26k. The net deficit after interest and tax was £25k.

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

WBC (Holdings) Ltd: A year-to-date deficit of £227k after interest and tax is reported for December.

1.2. Operational Report

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

1.3. Changes to Directors

There have been no changes to the Directorship of WBC (Holdings) Ltd since the last report to Executive.

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

2.1. Financial Report

2016/17 December results: The Company is reporting a £115k profit for December and projecting a balanced budget at year end.

Overview of Actual and Forecast Outturn:

<u>Total Optalis</u>	Actual Dec-16 Current Mth (£000)	Forecast Mar-17 YTD Full Year (£000)
Turnover	1,136	12,503
Costs	(1,021)	(12,503)
YTD Profit/(Loss)	115	0

Risk/Mitigation:

- There has been a resignation in the finance team (credit controller) and the person is due to leave at the end of February. This presents an element of risk during the RBWM transition which we will seek to manage. Recruitment is underway.
- Agency spend remains high and weekly management reviews chaired by the managing director continue; progress is being made and the four weekly average continues to reduce. Some success in recruitment lately will start to flow through in the next couple of months in certain services.
- 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. Several recruitment events have been taking place in January and February.

2.2. Operational Report

2.2.1. General:

- CQC compliance – there are no outstanding CQC compliance matters. An inspection of the START service is expected imminently.
- Care Governance: Suffolk Lodge remains on WBC's Care Governance Framework on an 'Amber' rating. The next quality assurance visit is to take place on 22 February and the action plan is being updated weekly. Optalis expects the review to remove the Care Governance rating.
- The cessation of the private home care function has successfully completed.
- Due to recent staff turnover, the START service is facing a number of challenges at present which the new manager is beginning to address. The service presents a risk against contractual performance requirements which is being addressed by targeted intervention.
- The Elevate contract has now commenced and is progressing to plan.
- The Optalis Care Governance Committee met on 26 January focusing specifically on policy around falls and addressing risk around medication errors. The top three risks recorded were: 1) Recruitment//Retention; 2) Medication Practice, and 3) Training Compliance. Action is being taken across all identified risks.
- The Customer Experience Champion has led specific projects over the past month, including: supporting the cessation of private home care providing person centred support to individuals; bringing on board the customer experience assistant, a person with learning disabilities and an expert by experience; working with HealthWatch on a programme to seek customer experience of living in Extra Care; rolling out a customer experience survey in LD accommodation services, as well as working with services on including customers in recruitment.

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 to be completed for the February payroll.

- The transition project toward the RBWM merger is underway with most work streams set up and progressing well. The planned go-live date is 3 April 2016. A separate highlight report is provided which highlights a fundamental issue related to VAT/company structure yet to be resolved.

2.2.3. Business Development:

Wokingham Borough Council

Preparations for two new Extra Care Housing Schemes, Birches and Fosters, are progressing to plan in partnership with the commissioner and housing providers.

Supported Employment

We are currently exploring partnership opportunities with prime providers PLUSS and Prospects who are on an Umbrella Agreement for the provision of Employment and Health Related Services (UAEHRS) through which DWP will procure the Work and Health Programme. The next stage is for those providers to make decisions on whom they would like their partners to be within their bids.

Nottingham Rehab Services (NRS)

The contract for OT assessments of double handed care calls is progressing to plan. A contract review has been held and the NRS are content with the programme of delivery so far.

RBWM

The authority has approached Optalis with a view to exploring the possibility of the company providing their Sensory Needs Services. An open book design workshop is to be set up during March to explore how the service can be delivered alongside the SNS provided for WBC which would enable a concentration of specialist skills.

2.3. Changes to Directors

There have been no changes to the Directorship of the Optalis Group companies since the last report to Executive.

3. Wokingham Housing Group (i.e. comprising Wokingham Housing Ltd and Loddon Homes Ltd)

3.1. Financial Report

Income & Expense: Income for December 2016 is £4.3k (with year to date income at £183.0k). Income in the month is from Rental income in Loddon Homes and is behind budget due to income recognition profile not being in line with budget (This impact is negated over the full year). In January, billing for works at Vauxhall Drive was made against which some direct costs have already been included. The Group remains £101.8k better than budget in year to date terms.

Operating expenditure is overspent from budget by £25.1k in month and £122.4k year to date. The variance in month relates to early recognition of costs equivalent to Vauxhall drive works being billed in January. In Year to date terms the overspend variance is predominantly due to the expenditure related to the billing made in November for clearance costs at Phoenix and transferred costs for Tape Lane. Other areas of overspend are in salary costs (under accrual of pensions for previous quarter) and in professional fees which is a catch up on underspend against budget for the previous 8 months. Interest costs are higher due to the operational loan drawn down being sooner than expected at start of financial year.

The net loss of £73k in month is £29.8k under budget while the year to date net loss of £421.1k is £20.1k under budget.

Overview of Year to Date Income & Expenditure compared to Budget:

Wokingham Housing Limited (Consolidated)			
P09: December / Year To Date			
Profit and Loss Account for the period to 31st December 2016	Actual	Budget	Variance
	£	£	£
Income	182,967	81,248	+101,719
Operating Expenditure	(595,669)	(473,242)	(122,427)
Operating Loss	<u>(412,702)</u>	<u>(391,994)</u>	<u>(20,708)</u>

Overview of December Income & Expenditure compared to Budget:

Total Sub Group DECEMBER	Dec	Dec	Budget	Prior Mth	
	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	4.27	8.90	(4.63)	128.14	(123.87)
Costs	<u>(76.12)</u>	<u>(50.99)</u>	<u>(25.14)</u>	<u>(166.22)</u>	<u>90.10</u>
Operating Loss	(71.86)	(42.09)	(29.76)	(38.08)	(33.77)
Non Trading costs	-	-	-	-	-
Depreciation	<u>(2.13)</u>	<u>(2.13)</u>	<u>(0.00)</u>	<u>(2.13)</u>	<u>-</u>
Loss before Tax	(73.98)	(44.22)	(29.76)	(40.21)	(33.77)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	<u><u>(73.98)</u></u>	<u><u>(44.22)</u></u>	<u><u>(29.76)</u></u>	<u><u>(40.21)</u></u>	<u><u>(33.77)</u></u>

Balance Sheet: Capital expenditure at the end of December was £10,148.8k. During this financial year Capital Expenditure was £7,546k which included construction contractor payments for Phoenix of £5,107k and for Fosters of £1,882k. Payments to these contractors' in December were £nil as the Christmas break meant they were deferred until the first week of January.

Net Assets for the Wokingham Housing Group were + £43k at the end of December. The investment of £1,900,000 of £1 ordinary share capital invested in Wokingham Housing Limited remains unchanged.

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's extension of time (EOT) letter for nine weeks has been responded to by our Employers Agent, Ridge, who have indicated that only 2 to 3 weeks may be an allowable EOT claim under the contract. Ridge have requested more evidence to substantiate the potential allowable claim of 2 to 3 weeks.

While discussion about the nine weeks delay have been ongoing, Hill have put in a further EOT request; this time for poor weather in January 2017 through both rain and frost conditions. There will be some merit to Hills claim, although they will need to evidence the quantum of their request. This will affect phases 3, 4 and 5, but not phases 1 and 2 which are no longer weather dependent for completion. We will provide an update to the delivery programme for the final three phases as soon as we have fully assessed both the earlier and more recent EOT requests with Ridge and Hill, including any contractual financial claim WHL may have associated with the project delays.

Fosters Extra Care Home: Progress at Fosters Independent Living Scheme is on time and to budget.

Other schemes: We continue to quantify issues around an unexpected electrical cable at Grovelands and its impact on the programme and additional costs. We have agreed that the four units still on track can be delivered as planned and let safely to residents.

Norton Road work and testing is progressing as planned, with a view to letting the contract for the building of these nine additional houses and apartments.

3.2.3. Pipeline Sites: Anson Walk is due to be on site during March 2017 with the successful contractor Francis Construction.

Planning was secured on 1st February for 52 Reading Road and the build

contract is currently being tendered to achieve the start on-site deadline of end March 2017 to secure the significant HCA grant funding of over £300k that has been awarded to the project.

Elizabeth Road and Barrett Crescent are being tendered shortly, with an estimated start on site date of June 2017, although this is later than originally planned as a result of the delivery timeframes for Reading Road, which has set back the tendering of contracts for our small sites through the Small Contractors Framework.

WBC have asked WHL to act as development agent for Tape Lane (HRA scheme). We are looking at build approaches and have been specifically asked to look into adopting an off-site construction approach to compare against traditional construction.

We continue to progress Gorrick Square with WBC colleagues to meet the Commissioner's requirements.

The joint venture on Finch Road with Burwood Developments has been submitted for planning approval. London Road has been submitted for pre-app discussions.

The fully worked up business cases for Wellington Road (private rented scheme), Woodley Age Concern site and Area DD, are all due to be presented to the Asset Review Programme Board from February to April for support to move to Executive approval for WHL development.

3.3. Changes to Directors

3.3.1. Loddon Homes is in the process of recruiting two independent Non-Executive Directors (NED) for its Board working with Altair, specialist housing consultants, with expertise in Board recruitment. One will be to replace Robin Fielder who is stepping down and the other is to Loddon Homes commitment to recruit an additional independent NED following successful registration as a For-Profit Registered Provider with the Homes and Communities Agency.

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
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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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