

<b>TITLE</b>	<b>Council Owned Companies Business</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 30 March 2017
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director of 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 31 January 2017;
- 2) the operational update for the period to 28 February 2017;
- 3) the recommendation of WBC Holdings Board that the company and reporting structure for the Optalis group will be the same for both Councils with Optalis Holdings reporting directly to the Council Executives;
- 4) approve the operational funding facility for Wokingham Housing Limited of £500k, charged at an interest rate of base 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 February 2017.

**Financial Report**

A budget monitoring report is provided for each of the companies for January 2017; 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 28 February 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 28 February 2017 are reported in paragraphs 1.3, 2.3 and 3.3.

## **Optalis Group Reporting Structure Following Merger**

### **BACKGROUND**

It is the recommendation of the WBC Holdings Board that the company and reporting structure for the Optalis Holdings company will be the same for both WBC and Royal Borough of Windsor and Maidenhead (RBWM) with Optalis Holdings reporting directly to the Council Executives as shareholders and the commissioner in accordance with contract for service. This is as per the governance model in the updated Business Case presented to the Executive in January.

The reasons for this structure are transparency, simplicity and certainty of finance and decision making. There were no tax benefits in Optalis Holdings reporting to WBC Holdings.

### **Wokingham Housing Funding Facility**

#### **BACKGROUND**

To enable WHL to fund their day to day operational costs until the company is generating profits WBC provides a funding facility. This facility is to cover non-capital expenditure including payroll, premises and other overheads for the next financial year. Holding Company support working capital funding up to a maximum of £500,000.

#### **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 January was £122k. 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.

**WBC (Holdings) Ltd:** A year-to-date deficit of £260k after interest and tax is reported for January.

- 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**

### January results

- The Company is reporting a £130k profit for January 2017 and breakeven is projected at year end.

### **Overview of Actual and Forecast Outturn:**

<b><u>Total Optalis</u></b>	<b>Actual Jan-17 Current Mth (£000)</b>	<b>Forecast Mar-17 YTD Full Year (£000)</b>
Turnover	1,136	12,503
Costs	(1,006)	(12,503)
<b>YTD Profit/(Loss)</b>	<b>130</b>	<b>0</b>

### Risk/Mitigation:

- 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.
- 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.

## **2.2. Operational Report**

### General:

- CQC compliance – there are no outstanding CQC compliance matters.
  - The START service is expecting an inspection imminently.
  - The manager for Care at Home Berkshire and Care at Home Oxfordshire has been successful in his application as Registered Manager.
- Care Governance: Suffolk Lodge was reviewed by the commissioner on 22 February and we are pleased to report that the service has been removed from the Care Governance Framework due to the extensive improvements that have been achieved.
- The START service is facing a higher than usual level of staff turnover which is reducing the capacity to meet the contractual obligation.
- Start and Finish working groups have commenced around both START and Suffolk Lodge; the former to examine the care pathway for effectiveness and to address blockages in the integrated system, and the latter to design the planned Step Up Step Down facility.
- Sickness absence continued to be high; absence remains within industry norms but the trend is upwards and is therefore receiving a high level of management focus.
- The Optalis Care Governance Committee was replaced in February by a Business Continuity workshop.

- The Customer Experience Champion has led projects including: supporting the Lifelong Learning tutor offering reminiscence courses in older people's services, and progressing a programme of work for World Autism Awareness Week.

#### Progress on Major Corporate Projects:

- February payroll was provided by RBWM; the process of transition has been complex but ultimately successfully delivered.
- 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.

#### Business Development:

##### Wokingham Borough Council

- Optalis has been engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (The Birches), scheduled to open Jun-17.
- 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 September 2017.

##### 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 which will procure the Work and Health Programme. The next stage is for those providers to make decisions on who they would like their partners to be within their bids.
- In addition the service is exploring opportunities with the National Grid in Wokingham. The organisation works with Addington School providing internships to disabled students; there is a possibility that Optalis could provide specialist employment group work and 1-1 to add value to the programme.

##### Nottingham Rehab Services (NRS)

- The contract for OT assessments of double handed care calls is progressing to plan. The contract is for 65 assessments of which 47 referrals have been received and progressed.

### **2.3. Changes to Directors**

After a successful probationary period the Board resolved to appoint Alan Rawlings to the role of Finance Director and Executive Company Director.

### **3. Wokingham Housing Group** (i.e. comprising Wokingham Housing Ltd (WHL) and Loddon Homes Ltd (LHL))

- 3.1. **Financial Report Income & Expense:** Income for January 2017 is £68.5k (with year to date income of £251.5k). £62k of this income was recognised in the month for planned development work on Vauxhall Drive to improve that property for the current special needs of residents. This was not originally budgeted but as the property is owned by WBC, the cost would be picked up by the owner (hence the recharge).

Operating expenditure is overspent from budget by £46.5k in month and £168.9k year to date. These variances relate directly to the unbudgeted income as above and earlier recharges of clearance costs and additional consulting on Tape Lane. There have also been some savings in month including release of accruals for professional fees and very little of the budgeted expenditure in this area. This is offset by the recognition of bad debts in the month of £5.7k. All other costs have broadly been on budget. Overspend on interest costs is likely to remain over-budget due to higher drawdown in early 2016 (although loan drawdown in recent months has recovered some of this variance).

The Net Loss of £33k in month is £14.9k better than expected while the year to date net loss of £446.0k is £5.8k higher than budgeted loss.

**Balance Sheet:** Capital expenditure in January was £989k including construction contractor payments for Phoenix of £530k, Fosters of £251k and Grovelands of £76k.

Net Assets for the Wokingham Housing Group were £10k at the end of January. The investment of £1,900,000 of £1 ordinary share capital invested in Wokingham Housing Limited remains unchanged.

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

<b>Wokingham Housing Limited (Consolidated)</b>			
P10: January / Year To Date			
Profit and Loss Account for the period to 31st January 2017	Actual	Budget	Variance
	£	£	£
Income	251,478	88,364	163,113
Operating Expenditure	(697,520)	(528,580)	(168,940)
Operating Loss	<u>(446,042)</u>	<u>(440,215)</u>	<u>(5,827)</u>

Overview of January Income & Expenditure compared to Budget:

<b>Total Sub Group</b>	Jan	Jan	Budget	Prior Mth	
JANUARY	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	68.51	7.12	61.39	4.27	64.24
Costs	<u>(99.72)</u>	<u>(53.21)</u>	<u>(46.51)</u>	<u>(76.12)</u>	<u>(23.60)</u>
Operating Loss	(31.21)	(46.09)	14.88	(71.86)	40.64
Non Trading costs	-	-	-	-	-
Depreciation	(2.13)	(2.13)	(0.00)	(2.13)	-

Loss before Tax	(33.34)	(48.22)	14.88	(73.98)	40.64
Taxation	-	-	-	-	-
Net Loss	(33.34)	(48.22)	14.88	(73.98)	40.64

### **3.2. Operational Report**

#### WHL Completed Schemes:

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

#### WHL Schemes In Progress/Under Development:

Phoenix Avenue: While solid progress is being made and the scheme continues to be on budget with the January valuations equating to 64% of the contract sum completed, the project is behind the original, and now revised schedules.

Phases 1 and 2 will be delivered in line with the revised timeframes in May. However, on phases 3, 4 and 5, which are yet to be made weather-tight, we have arrived at the final expected delay period as a result of the poor January weather, anticipating that these phases will be completed by the end of August, and that no further delays should be required. We are currently in negotiations with the contractor in relation to their Extension of Time (EOT) claim.

Fosters Extra Care Home: Progress at Fosters independent living scheme continues to be on time and to budget.

Pipeline Sites: Progress at 52 Reading Road to build a replacement facility for young care leavers is on track. The build contract has been awarded following a competitive tendering exercise; to secure the Government grant a build contract needs to be in place and demolition work commenced by the end of March 2017.

The joint venture on Finch Road with Burwood Developments has been submitted for planning with the application expecting to be heard in May 2017. London Road is currently in pre-app discussions with Planning.

The business cases for Wellington Road (private rented scheme) and Woodley Age Concern were presented to the Asset Review Programme Board (ARPB) who has asked WHL to continue to progress both schemes, working up the detail of the two schemes to enable an Executive report to be written by the Commissioner.

Future Housing Company arrangements: As well as Loddon Homes, the Council's For-Profit Housing Association, a second wholly-owned Council housing company is being set up to own and manage affordable homes that are funded purely from Commuted Sums and Council loans. This provides the Council with maximum flexibility in how it owns and manages the new housing it is building through WHL. Getting the arrangements in place for the new housing company is now a priority with the first Phoenix homes due to be handed over in May.

### **3.3. Changes to Directors**

Phone interviews have been undertaken for the recruitment of two new Loddon Homes independent Non-Executive Directors (NED) having received a very good response to our adverts through Altair. Final interviews are being held at the end of April before seeking WBC Holdco approval for the two new NEDs.

### **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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<b>Date</b> 20 March 2017	

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