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| TITLE | Council Owned Companies Business |
| FOR CONSIDERATION BY | The Executive on 25 May 2017 |
| WARD | None specific |
| DIRECTOR | Graham Ebers, Director of Corporate Services |
| LEAD MEMBER | To be confirmed |

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 March 2017;
- 2) the operational update for the period to 30 April 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 March 2017.

Financial Report

A budget monitoring report is provided for each of the companies for March 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 30 April 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 30 April 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 (until 31 March 2017.))

1.1 Financial Report

The full year outturn for the Group is a deficit before tax and interest of £285k. The deficit after tax, interest and exceptional items is £816k which is £58k adverse to 2015/16; this is the result of a year on year increase in interest charges of £384k and exceptional costs relating to the Optalis merger of £60k, offset by an improvement to the trading deficit of £386k year on year.

On 31 March WBC (Holdings) transferred 100% of its shareholding in Optalis Group to the Council who subsequently sold 45% to the Royal Borough of Windsor and Maidenhead (RBWM).

WBC (Holdings) Ltd (Holdco): A full year deficit of £305k after interest, tax and exceptional items is reported for 2016/17.

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

March results

The Company is reporting a £14k profit for March 2017 which makes the company break even for the year.

Overview of Actual and Forecast Outturn:

| <u>Total Optalis</u> | Actual Mar-17 Month (£000) | Mar-17 YTD Full Year (£000) |
|-----------------------------|---|--|
| Turnover | 1,024 | 12,419 |
| Costs | (1,010) | (12,419) |
| YTD Profit/(Loss) | 14 | 0 |

Risk/Mitigation:

Agency spend remains high and weekly management reviews continue, focusing on those elements which affect the use of agency including recruitment, retention and sickness absence.

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 had an inspection w/b 13 March; the report is exceptionally positive and the service is rated 'Good'. The report was published on 5 April: <https://www.cqc.org.uk/location/1-2501122849>. The management team is particularly pleased to see references to good organisational governance, person centred care and safety.

Inspections are pending for Care at Home Berkshire, Care at Home Oxfordshire and for Mokattam.

The START service has been facing a higher than usual level of staff turnover which is reducing the capacity to meet the contractual obligation. This area of performance is subject to considerable management attention.

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. Optalis has supported customers during information events by Wokingham Borough Council in relation to the proposed closure of Cockayne Court. This partnership work will continue until the service is eventually wound down and customers are supported to move safely to one of the new schemes.

A Business Process Review is currently being set up for the Brokerage & Professional Support Service (B&PS). The review will look at improving the efficiency of processes and examine whether there are obstacles to better service delivery.

A review of safeguarding practice in the B&PS has taken place following escalation of concerns by the commissioner. An action plan has been put forward and actions are being delivered. The service is operating safely.

Progress on Major Corporate Projects:

The merger between RBWM and WBC went live on schedule on 3 April 2017 following an extensive transition project.

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 October 2017.

Supported Employment: 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

Angela Morris (Director of Operations RBWM) and David Cook (Chair) were appointed to the Board of Optalis Ltd.

Anthony Pollock (Chair) and Simon Weeks (Non-Executive Directors) resigned from the Board of Optalis Ltd.

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

3.1 Financial Report

Income & Expense: Income for March 2017 is £7.96k (with year to date income of £268.1k). 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; however, this impact is negated over the full year. The Group remains ahead of budget in year to date terms by £163.7k.

Operating expenditure is underspent from budget by £15.5k in March, although it remains overspent by £144.8k year to date. These variances relate directly to the unbudgeted income in prior months and earlier recharges of clearance costs and additional consulting income. There have also been some savings in month including year-end release of unused accruals for professional fees, payroll costs and marketing expenses. This is offset by the write-off for Embrook in the month of £6.3k. All other costs have broadly been on budget. Interest costs continue to be higher than budgeted due to a higher drawdown in early 2016.

The Net Loss of £34.0k in the month is £14.6k better than expected while the year to date net loss of £517.6k is £18.9k lower than budgeted loss.

Balance Sheet: Capital expenditure in March was £1,407k including construction contractor payments for Phoenix of £1,020k (includes late receipt of February valuation), Fosters of £195k and Grovelands of £105k.

Net Assets for the Wokingham Housing Group were (£56k) at the end of March, due to the company lifecycle and debt funding of projects. 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:

Wokingham Housing Limited (Consolidated)

P12: March / Year To Date

| Profit and Loss Account for the period to 31st March 2017 | Actual | Budget | Variance |
|---|------------------|------------------|---------------|
| | £ | £ | £ |
| Income | 268,096 | 104,377 | 163,718 |
| Operating Expenditure | (785,739) | (640,933) | (144,860) |
| Operating Loss | <u>(517,643)</u> | <u>(536,555)</u> | <u>18,912</u> |

Overview of March Income and Expenditure compared to Budget:

| Total Sub Group | Mar | Mar | Budget | Prior Mth | |
|-------------------|-----------------------|-----------------------|---------------------|-----------------------|--------------------|
| MARCH | Actual | Budget | Variance | Actual | Variance |
| | (£000) | (£000) | (£000) | (£000) | (£000) |
| Income | 7.96 | 8.9 | (0.94) | 8.66 | (0.71) |
| Costs | <u>(39.85)</u> | <u>(55.39)</u> | <u>(15.54)</u> | <u>(44.12)</u> | <u>4.27</u> |
| Operating Loss | (31.89) | (46.49) | 14.60 | (35.45) | 3.56 |
| Non Trading costs | - | - | - | - | - |
| Depreciation | <u>(2.13)</u> | <u>(2.13)</u> | <u>(0.00)</u> | <u>(2.13)</u> | - |
| Loss before Tax | (34.02) | (48.62) | 14.60 | (37.58) | 3.56 |
| Taxation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Loss | <u><u>(34.02)</u></u> | <u><u>(48.62)</u></u> | <u><u>14.60</u></u> | <u><u>(37.58)</u></u> | <u><u>3.56</u></u> |

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 (68 units): The first 22 houses at Phoenix Avenue have been handed over constituting phases 1 and 2. Work to let the first 22 homes is well advanced and it is expected all should be let by the date of the Executive meeting.

WHL have been supporting the work to get all the arrangements and relevant paperwork in place for the first tenants to move in through WBC Housing Services, who act as the agent for housing management. The homes will go in to Berry Brook Homes (a dormant company previously named Wokingham Enterprises Limited and owned by the Council has been renamed and its shareholding transferred to Holdco).

Good progress is being made on delivering the remaining units and this continues to be on track to be completed by end of August.

The Extension of Time (EOT) claim has now been agreed. WHL, through its Employers Agent, will give Hill an EOT until the end of August – 12.4 weeks – and in return neither side will make any claim for additional Prelim or Liquidated and Ascertained Damages costs, which have been assessed as broadly cost neutral to both sides. Hill will provide a reduction in the final account of £20k in recognition of the impact of the delays on Berry Brook Homes lost rental income.

Fosters Extra Care scheme (34 units): Progress at Fosters independent living scheme with care continues to be on time and to budget.

The work to progress management and care arrangements is gathering momentum again having been parked due to a lack of clarity around the care arrangements between WBC as the Commissioner of services and Optalis as the care provider. An interim Adult Social Care Commissioner has taken over responsibility for pulling together all the necessary service planning arrangements and has brought a healthy degree of urgency to progressing arrangements.

Grovelands (6 units): We continue to wait for a date for when the electrical cable diversion works will commence to enable us to progress the two stalled units on plots 1 and 2. The existing cabling has been surveyed by SSE and wayleave agreements signed. We continue to chase SSE. The other four units are on time and to budget, although the delayed units will make the scheme over budget overall, which is at WHLs risk, not Berry Brook Homes.

52 Reading Road (9 units): Although early days the project is on time and to budget with the piling works completed and ground beams installed. The site hoardings have been branded with the relevant logos and provide a good advertisement for the Council and the work of its housing companies.

Pipeline Sites:

Contractors for Anson Walk (4 units) are due to start on site imminently and contracts have now been let for Elizabeth Road (2 units) and Barrett Crescent (2 units) to enable them to progress to being on-site shortly.

Tenders for Middlesfield (2 units), Norton Road (9 units) and Tape lane (11 units for WBCs Housing Services) are going out shortly.

The joint venture scheme at Finch Road (2 units) achieved planning permission on 10th May and can now move towards being on-site.

Seven other projects (c.120 units) continue to be progressed through planning or appraisal stage pre any planning submission.

3.3 Changes to Directors

Loddon Homes: The Board added two new independent Non-Executive Directors (NEDs) to the Board in April following approval from Holdco; Rob Webber and David Hunter. Robin Fielder resigned as a director of Loddon Homes.

Berry Brook Homes (previously Wokingham Enterprises Limited): Holdco appointed two independent NEDs to the Board of Berry Brook Homes, Robin Roberts and Derek Cash, along with Bill Flood as an Executive Director. The Chair of the Board, who will be a Council member, had not been appointed at the time of writing this report. Previous Board members of Wokingham Enterprises Limited, Keith McKenzie and Andrew Moulton, have resigned as directors of the Board.

Holdco appointed Rachel Harrison – Business Finance Manager for the Housing Companies – as the Company Secretary for WHL, Loddon Homes Ltd and Berry Brook Homes Ltd. John McNiece as the previous Finance Director of WHL resigned as Company Secretary from WHL and Loddon Homes. The Company Secretary is not a Board Member, although is registered at Companies House.

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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