

<b>TITLE</b>	<b>Shareholder's Report</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 28 June 2018
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director of Corporate Services
<b>LEAD MEMBER</b>	Julian McGhee-Sumner, Executive Member for Finance

**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 April 2018;
- 2) the operational update for the period to 30 April 2018.

**SUMMARY OF REPORT**

The Council have established a group of housing subsidiaries to provide much needed affordable housing across the Borough and generate a financial return for the Council. This return will help towards its aspiration of becoming increasingly self-sufficient. At a high level the housing group has now become well established and saw Wokingham Housing (WHL) hand over 123 new homes in 2017/18 to its sister housing companies Loddon Homes and Berry Brook Homes and generate a profit of just over £600k. 2017/18 also saw WHL pay off £1m of its operational loan. WHL is working hard on creating the future development pipeline which looks to deliver a further 360 new homes over the coming years. Year on year WHL is looking to deliver 50-75 homes per year generating an ongoing profit of at least £1m per annum.

Optalis was established to be the provider of choice for Adult Care Services. Its key objectives were to reduce the cost of services commissioned by the Council and provide a financial return to the Council, whilst providing safe and good quality Adult Social Care Services. To date over £1m per annum costs have been reduced in the cost to the Council and the business has expanded from approximately £11m p.a. to £40m p.a. following a recent merger with RBWM. This will enable Optalis to create further financial returns through its economies of scale and place the company in a stronger position to generate additional streams of income.

**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 May 2018.

**Financial Report**

A budget monitoring report is provided in section 1 for each of the companies for April 2018.

## Operational Update

An operational update is provided in section 2 for each of the companies as at 30th April 2018. Any changes to the Directorships of the companies is provided at the end of the relevant company's operational update.

## BACKGROUND

### 1. Financial Report

#### WBC (Holdings) Group (comprising WBC (Holdings))

Officers and Holding Board are working together to finalise the budget for full year 2018/19, which will be presented at the next opportunity.

#### Wokingham Housing Limited (WHL)

Wokingham Housing Limited- Profit & Loss									
P:1 Apr-18	Month			YTD			Full Year		
	Apr-18	Apr-18		Apr-18	Apr-18		Apr-18	Apr-18	
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	527	363	164	527	5,908	(5,381)	20,750	20,750	0
Expenditure	(346)	(209)	(136)	(346)	(5,595)	5,250	(19,591)	(19,591)	0
Operating Profit/(Loss)	181	154	27	181	313	(132)	1,159	1,159	0

Income & Expense: Income for April 2018 was £527k, which was £164k higher than budget due to the booking of profits from schemes that completed in the last days of FY17/18: Reading Road, Elizabeth Road and Barrett Crescent. This higher income was almost matched by higher accruals for the completed projects. However, the monthly operating profit of £181k was £27k higher than budget.

At this point in the year, the full year results are expected to be in line with budget assuming completed schemes finish within budget and estimated timeframes.

#### Loddon Homes Limited (LHL)

Loddon Homes Limited- Profit & Loss									
P:1 Apr-18	Month			YTD			Full Year		
	Apr-18	Apr-18		Apr-18	Apr-18		Apr-18	Apr-18	
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	23	496	(473)	23	496	(473)	2,851	2,851	0
Expenditure	(22)	(438)	416	(22)	(438)	416	(2,108)	(2,108)	0
Operating Profit/(Loss)	1	59	(58)	1	59	(58)	743	743	0

Income & Expense: Income for April 2018 at LHL reached £23k, which reflects a £473k negative variance. This is a result of the budget including profits from shared ownership sales for Elizabeth Road and Barrett Crescent in the month, which was an aggressive assumption. Demand for the completed properties has been strong, and LHL expects to receive this level of profits, at a minimum, later in the first half of FY18/19.

Expenditure reached £22k in April 2018, which reflected a positive variance of £416k against budget. This was a result of the costs of sales for the above shared ownership properties not flowing through the profit & loss statement until sales are completed.

The operating profit of £1k in the month was £58k off budget as explained above.

At this point in the year, the full year results are expected to be in line with budget assuming completed schemes finish within budget and estimated timeframes.

### **Berry Brook Homes Limited (BBHL)**

<b>Berry Brook Homes Limited- Profit &amp; Loss</b>									
P:1 Apr-18	Month			YTD			Full Year		
	Apr-18	Apr-18		Apr-18	Apr-18		Apr-18	Apr-18	
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	N/A	53	N/A	N/A	53	N/A	N/A	589	N/A
Expenditure	N/A	(22)	N/A	N/A	(22)	N/A	N/A	(265)	N/A
Operating Profit/(Loss)	0	31	0	0	31	0	0	324	0

Income & Expense: Income & Expense: At this early stage in the financial year, figures are not yet available. No significant variations to budget are expected at this early stage, with more comprehensive monitoring forthcoming in future months.

### **Optalis Group** (comprising Optalis Ltd, Optalis Wokingham Ltd and Optalis Holdings Ltd.)

P:1 Apr -18	Month			Full Year		
	Apr-18	Apr-18		Apr-18	Apr-18	
	Actual	Budget	Variance	Forecast	Budget	Variance
	£K	£K	£K	£K	£K	£K
Income	3,826	3,826	0	66,766	66,766	0
Expenditure	(3,826)	(3,826)	0	(66,718)	(66,718)	0
Operating Profit/(Loss)	0	0	0	48	48	0

April 2018 results:

The Optalis full year forecasted out turn is £48k which is in line with budget expectations.

## **1. Operational Report**

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

#### **Summary:**

WHL delivered 123 new homes in 2017/18, having delivered 138 homes in total since 2011. Another 28 units are currently, or about to be, on site over 6 sites, including 11 units for WBCs HRA.

The decision by the Executive for WHL to deliver for Loddon Homes the Gorse Ride South regeneration scheme, means that along with other opportunities, WHL now has around 360 units in the identified development pipeline. This would provide a net gain of units of around 150 additional homes.

WHL is working closely with WBC to look at what other opportunities might be available to increase the future development pipeline further using Council-owned land and any possible surplus assets.

<b>SITE:</b>	<b>PROGRESS:</b>
<b>Grovelands (6 units)</b>	<ul style="list-style-type: none"> <li>Francis Construction have given us their 8 weeks' notice of completion of the final 3 units to hand over, so the project is now close to being finally completed.</li> </ul>
<b>Norton Road (9 units)</b>	<ul style="list-style-type: none"> <li>Ground works are continuing, with the superstructure brick /block work to the houses now commenced.</li> <li>The net valuation is £430.8k against the contract sum of £1.631m – c. 26%.</li> </ul>

### **Pipeline site with planning permission:**

<b>SITE:</b>	<b>PROGRESS:</b>
Finch Road (2 units)	<ul style="list-style-type: none"> <li>We await a definitive start on site date from our Joint Venture partner, Burrwood Developments, which is currently delayed as a result of Housing Services entering in to discussions with Burrwood to purchase the four private units as affordable housing within the HRA. This is looking unlikely and discussions should conclude shortly and will enable a definitive start on site date to be agreed.</li> </ul>
Middlefields (2 units)	<ul style="list-style-type: none"> <li>All the necessary approvals for appointing the contractor, RBS, from WHL and Holdco have now been given and we are working with RBS to clear all the planning conditions as they gear up to get on site.</li> </ul>
Tape Lane (11 units for the HRA)	<ul style="list-style-type: none"> <li>Housing Service have approved the appointment of LifeBuild.</li> </ul>

	<ul style="list-style-type: none"> <li>Housing Services have been decanting the original residents from the six properties due to be demolished. The final resident holding up proceedings has now agreed to move.</li> </ul>
Gorrick Square (1 units)	<ul style="list-style-type: none"> <li>The Thames Water drainage pipe that needs to be moved has now been determined and costed, which allows us to be able to produce the tender documents for sending out to bidders through our small contractors framework. As it is just one unit, our Employers Agent is calling each contractor to check they will be submitting a tender return.</li> </ul>

Changes to Directors:

There have been no changes to WHL company directors since the last report.

**Loddon Homes Limited (LHL)**

The vacancy at Vauxhall Drive has been nominated to and details around the new resident moving in are being worked through with the family of the resident for them to move in and start to be liable for the rent.

Reading Road is progressing well, with 6 of the 9 vacancies now filled. This leaves one room remaining in the main building and the two studio flats to be filled. The studio flats are being held for a short time until residents from the rooms are ready to move into more independent living. A fantastic ribbon cutting event to officially mark the opening of the scheme was held on 23<sup>rd</sup> May with Peter Jones, Head of Affordable Housing and Supply, from Homes England doing the honours. Homes England provided over £300k of grant funding to help build the scheme.

Fosters voids have started to reduce with two-thirds of apartments now let. The Mayor officially opened Fosters on the 14<sup>th</sup> June at an event that pulled together both the team that delivered such a great scheme as well as the partners now managing the scheme, including Optalis as the care provider and Sophie's Catering as the restaurant operator. Homes England who provided £1.5m of grant funding towards the project were also in attendance to help us celebrate.

Work is progressing well around the sale of the four shared ownership homes at Elizabeth Road and Barrett Crescent with all four units reserved and moving through the sales process.

Changes to Directors:

There have been no changes to Loddon Homes' company directors since the last report.

**Berry Brook Homes Limited (BBHL)**

All vacancies within Berry Brook Homes stock are now filled except one property at Phoenix Avenue which has become recently vacant. This house was being lived in temporarily by one of the Council's school caretakers family whose own property was being renovated.

A meeting with Phoenix Avenue Berry Brook residents is due to take place in late June and we are looking forward to sharing with them all our latest news and hearing about any issues they would like us to help them address.

#### Changes to Directors:

There have been no changes to Berry Brook Homes' company directors since the last report.

### **Optalis Limited**

#### General:

Work has taken place with regard to the implementation of GDPR across Optalis. Training has taken place and our quality and governance team is leading on this project.

As at our year end position, we have seen an impactful improvement in terms of recruitment and retention with the number of people joining Optalis increasing by c30% whilst the number of people leaving Optalis has reduced across the year. Vacancy rates have reduced substantially over the year.

We have carried out a full review of our quality systems and have introduced a new quality framework which is now in place.

Our work with Wexham Park Hospital to reduce delayed transfers of care is proving to be an ongoing success.

FY17/18 saw a positive end to the year from a financial perspective.

A learning disability provider forum has been set up by Optalis, with Berkshire Fire and Rescue Service attending our last meeting.

Our work in assistive technology continues with our last open day being attended by 50 people to share information and advice. The next open day has already been planned

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

There have been no changes since the last report.

### **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

<b>Other financial information relevant to the Recommendation/Decision</b>
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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.
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<b>Cross-Council Implications</b>
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No Cross-Council Implications
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<b>List of Background Papers</b>
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None
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