

TITLE	Shareholders' Report
FOR CONSIDERATION BY	The Executive on Thursday, 26 September 2019
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Transparency in respect of Council Owned Companies

RECOMMENDATION

The Executive is asked to note:

- 1) the budget monitoring position for the month ending 31st July 2019;
- 2) the operational update for the period to 31st July 2019.

EXECUTIVE SUMMARY

WBC Holdings Limited (WBCHL)

Housing. The Council has established a group of wholly-owned housing subsidiaries in order to provide much needed affordable housing across the Borough whilst generating a financial return for the Council; this return contributes to the Council's aspiration of becoming increasingly independent of central government support.

The housing group has now become well established and to date Wokingham Housing Limited (WHL) has built 145 new homes; these were then sold within the group to Loddon Homes Limited (LHL) and Berry Brook Homes Limited (BBHL). In 2017/18, WHL were able to pay off £1 million of its operational loan back to the Council.

WHL is working hard on its future development pipeline, planning to deliver a further 360 new homes over the coming years. Projections are for WHL to construct and deliver between 50 and 75 homes every year, with an annual profit target of at least £1 million.

Adult Care Services. Optalis Group (Optalis) was established to be the Council's provider of choice for Adult Care Services. Its key objectives were to provide safe and good quality Adult Social Care Services commissioned by the Council at a reduced cost and to provide a financial return to the Council. To date a reduction of costs amounting to over £1m per annum costs have been realised and following a recent merger with RBWM, the business has expanded from an annual turnover of £11 million to £40 million. This will enable Optalis to grow and create further financial returns through economies of scale and allow the company 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 any of the Council's subsidiary companies since the last report to Executive in July 2019

Operational Update

An operational update is provided in section 1 for each of the companies as at 31st July 2019. Any changes to the Directorships of the companies is provided at the end of the relevant company's operational update.

Wokingham Housing Limited (WHL):

There are currently 72 units on site or about to start on site across five separate projects. Phase 1 of the Gorse Ride Arnett Avenue is the largest of these with the construction of 46 units, which will create decanting opportunities for then developing the rest of Gorse Ride South.

WHL is working on a further 254 units on previously identified sites, of which the major regeneration project of Gorse Ride South is the most important.

Work is ongoing to review and look at the development potential of other Council-owned land sites, but many will fall away through not being able to meet planning requirements. However, a handful of these potential projects will come through and add to the existing pipeline.

WHL continues to meet with land agents and developers who may have joint venture opportunities where we may be able to deliver some additional affordable housing or some private sale developments. WHL are also working closely with WBC to see how it might be able to best support the emerging WBC Housing Strategy currently under development.

Around development activity, the main issue of note is around Resource Building Services, who were building two shared ownership units at Middlefield, going into administration. The site has been secured and we are in conversation with a framework contractor to get the units completed with as little delay as possible.

Changes to Directors:

WHL company directors have changed. Fred Wright (Vice-Chair and independent non-executive director (NED)) and Bill Flood (Executive Director) remain on the Board, with John Kaiser (Councillor NED) stepping in to the role of Chair, Daniel Sargeant (Councillor NED) and Robin Roberts (independent NED) all joining the Board. Alistair Auty, the previous Chair and a Councillor until May 2019, leaves the Board and we thank him for his service to WHL over many years.

Berry Brook Homes Limited (BBHL):

The Board need to discuss what the future looks like for BBHL and how the company can best meet the shareholders aspirations and objectives. The company was set up to manage external policy drivers from central Government, but this landscape has now changed and therefore the rationale for retaining BBHL as a second delivery vehicle for affordable housing is no longer relevant. The Board will be exploring the transfer of its

stock of 78 homes, with its associated liabilities, to Loddon Homes over the coming months.

BBHL is progressing the work around the 22 Peach Place key worker housing units that we now expect to be handed over in November. In preparation of the units becoming available BBHL has marketed the units and rebuilding up a list of applicants interested in renting one of the key worker units. Once complete, this will take BBHLs stock to 100 units.

Changes to Directors:

BBHL company directors have changed. Robin Roberts (independent NED) and Bill Flood (Executive Director) remain on the Board, with John Kaiser (Councillor NED) stepping in to the role of Chair, Daniel Sargeant (Councillor NED) and Fred Wright (independent NED) all joining the Board. David Chopping, the previous Chair and a Councillor until May 2019, leaves the Board and we thank him for his service to all the Local Housing Companies over many years. Derek Cash (independent NED), is also stepping down from the Board to join the Loddon Homes Board which has a vacancy. We thank him to his service to BBHL and are glad to retaining his skills and experience on the Board of Loddon Homes.

Loddon Homes Limited:

The shared ownership sales of the six Norton Road units are going well. Four of the six units have sold, and we are progressing with the sales for the final two units. The three general needs homes for affordable rent were let shortly after completion in early May.

Day to day operational housing management is provided by WBC Housing Services with the Housing Officer assigned to the Local Housing Companies stock providing a more effective point of contact for residents.

The policy work being undertaken by a consultant working with both Loddon Homes and WBC on policies and procedures, is picking up the areas of weakness we know need to be improved and streamlined. This will deal with the remaining issues which still need to be addressed to provide an even better service to residents.

Changes to Directors:

There is one change to the Loddon Homes' Board of Directors. Lionel Haynes, an independent NED, who had been on the Board since its registration with the Regulator of Social Housing in summer 2016, stepped down in July 2019. Holdco have approved the proposal to replace him with Derek Cash, who was previously on the BBHL Board. This would mean the Board remained at full strength with the seven members it currently has.

2. Financial Report

WBC (Holdings) Group (comprising WBC (H)L, WHL, LHL and BBHL)

P04: Ju-19	WBC Holdings - Profit & Loss								
	Month			YTD			Full Year		
	Jul-19	Jul-19		Jul-19	Jul-19		Jul-19	Jul-19	
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	44	44	0	176	176	0	528	528	0
Expenditure	(63)	(63)	0	(252)	(252)	0	(751)	(751)	0
Operating Profit/(Loss)	(19)	(19)	0	(76)	(76)	0	(223)	(223)	0

There were no major variances to budget for WBC (Holdings) Ltd during July 2019.

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

Wokingham Housing Limited (WHL)

P04: Jul-19	Wokingham Housing Limited - Profit & Loss								
	Month			YTD			Full Year		
	Jul-19	Jul-19		Jul-19	Jul-19		Jul-19	Jul-19	
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	512	13	(499)	1,571	1,693	122	9,028	3,990	(5,038)
Expenditure	(478)	(26)	452	(1,589)	(1,763)	(173)	(9,204)	(4,214)	4,990
Operating Profit/(Loss)	34	(13)	(47)	(18)	(70)	(51)	(176)	(224)	(48)

Income for July 2019 at WHL was £13k, which reflected a £499k negative variance due to lower development activity than expected at this point in the year with several projects due to start on site imminently. Year-to-date revenues reached £1.7m, which reflected a £122k positive variance due to the Gorse Ride Phase 1 contract transfer price agreement being in place between WHL and LHL, allowing WHL to claim costs to date as revenues. Full year income is expected to reach just under £4m as progressing development activity has proven more difficult than anticipated.

The lower monthly income was countered by lower monthly costs of £27k, which were £452k better than budgeted. Year-to-date costs were £1.8m which reflected a £173k negative variance, reflecting the costs of Gorse Ride Phase 1 to be booked as explained above. Full year costs are expected to reach £4.2m which reflects a £5m positive variance, also mirroring the position of forecasted income.

The operating loss in July 2019 was £13k, which reflected a £47k negative variance against budget, and the year-to-date loss was £70k, reflecting a £51k negative variance. The full year operating loss is expected to be £224k, reflecting a £48k negative variance against budget. This variance is largely due to how the companies are funded where overheads and profit are taken at the end of a project rather than during the build. Therefore, in years with few project completions, WHL will incur losses.

Loddon Homes Limited (LHL)

Loddon Homes Limited- Profit & Loss									
P4: Jul -19	Month			YTD			Full Year		
	Jul-19	Jul-19		Jul-19	Jul-19		Jul-19	Jul-19	
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	279	151	(128)	1,082	526	(556)	1,773	1,740	(33)
Expenditure	(239)	(118)	121	(850)	(384)	466	(1,359)	(1,265)	95
Operating Profit/(Loss)	40	33	(7)	232	142	(90)	413	475	62

Income and Expenditure:

Income for July 2019 at LHL reached £151k, which reflected a £128k negative variance due to fewer shared ownership sales completing than budgeted. However, all shared ownership units at Norton Road have been sold and good demand is being seen on units yet to complete at Finch Road and Middlefields. On a year-to-date basis, income reached £1.1m at LHL, reflecting a £556k negative variance, primarily due to delays with Middlefields finishing. Full year income is expected to reach £1.7m, reflecting a £33k negative variance.

Expenditure reached £118k in the month, which was £121k better than budget due to lower cost of shared ownership sales and overheads. Year-to-date costs of £384k reflected a £466k positive variance against budget. Full year expenditure is expected to reach £1.2m, reflecting a £95k positive variance against budget.

The operating profit of £33k in July 2019 reflected a £7k negative variance against budget due to the variances explained above. The year-to-date operating profit of £142k is £90k below budget, due to shared ownership sales variances explained above. Full year operating profit is expected to reach £475k, reflecting a £62k positive variance.

Berry Brook Homes Limited (BBHL)

Berry Brook Homes Limited- Profit & Loss									
P4: Jul 19	Month			YTD			Full Year		
	Jul-19	Jul-19		Jul-19	Jul-19		Jul-19	Jul-19	
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	50	50	0	210	211	1	644	646	2
Expenditure	(23)	(14)	9	(93)	(61)	32	(281)	(182)	99
Operating Profit/(Loss)	27	36	9	117	150	33	363	464	101

Income and Expenditure:

Income in July 2019 at BBHL reached £50k, which was roughly in line with budget. Year-to-date income of £211k was also roughly in line with budget. Full year income is expected to reach £646k, which reflects a £2k positive variance.

Expenditure reached £14k in the month, which reflected an £9k positive variance against budget. Year-to-date expenditure reached £61k, which was £32k better than budget. These variances were due to lower direct property costs and tight control of overheads. Full year expenditure is expected to reach £182k, a £99k positive variance due to tight control of direct property costs and overheads.

Operating profit in the month of £36k was £9k higher than budget, and the year-to-date operating profit of £150k reflects a £33k positive variance against budget. Full year operating profit is expected to reach £464k, reflecting a £101k positive variance against budget.

Adult Care Services Group

Optalis Limited

1. Operational Report

This month I have enclosed the key outcomes we wanted to achieve as part of our 2020 strategy and progress against each of these outcomes:

Staff

100% of new starters have clear goals and structure – 100% of our new starters receive company and corporate induction, all are subject to a probation period and ongoing supervision;

10% staff turnover – Our turnover rate is currently 18.4% which has dropped from last month, the care sector national average is 25%, our rate is much better than the national average, and however we continue to work towards reducing our stats;

80% staff survey response rate – This year's staff survey is planned to go out on 30th September, last year's response rate was 42.5 % which is higher than the year before, we are hopeful this year's response will be higher again.

Quality

100% equivalent good or above rating non-registered services – A programme to roll out iAuditor is in place, not all services that are non-regulated have currently had a temperature test to assess whether they are in a healthy position, however there are no immediate signs to suggest that there are any non-compliant issues;

100% CQC compliance good or above – We have currently achieved 90% compliance, all services bar 1 have achieved a good rating so far and we envisage this will be 100% by 2020;

One aligned IT/HR finance system as part of an overall technology solution – We have yet to decide on an IT system that resolves our IT issues. An IT strategy was presented to shareholders earlier this year, no further progress has been made. There have been some significant IT issues that require the IT solution to be re-tabled for an ultimate decision to be made.

Customers

80% of our customers are satisfied with the service they directly receive from Optalis – A recent B&S survey received a fantastic feedback response, results ranged from 83% customers were happy with their involvement, 87% felt staff had the right skill set, 87% said they would refer Optalis to friends and family, 88% customers aid the waiting time was acceptable, 94% customers were happy with our involvement;

Deliver 1 mechanism to measure our customer's quality of life – We have developed our 'enhancing lives' which is a self-assessment tool, this has been trialed with several customers in different services and a plan to roll it out to all customers' needs to be planned;

Deliver 1 system to make sure our customers have a voice that is heard up down and across the organisation – We have started to hold customer forums, the logistics for customers to attend has proved challenging. All Provider services hold regular customer meetings.

Growth

Deliver a profitable £140m organisation – We are currently not predicted to reach this target due to B&S transferring back to WBC, the 2020 year end is likely to be 45m due to the transfer of the Affinity services on 2 September;

Deliver 15% of provider services income from non-local authority sources – Our current % of private business is currently 14% of our overall WBC turnover.

2. Financial Report

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

Optalis Limited- Profit & Loss									
P04: July 19	Month			YTD			Full Year		
	Jul-19 Budget	Jul-19 Actual	Variance	Jul-19 Budget	Jul-19 Actual	Variance	Jul-19 Budget	Jul-19 Actual	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	3,743	3,875	(132)	15,107	15,152	(45)	44,143	44,143	0
Expenditure	(3,737)	(3,866)	129	(15,083)	(15,131)	48	(44,072)	(44,072)	0
Operating Profit/(Loss)	6	9	(3)	24	21	3	71	71	0

July 2019 results:

Optalis YTD results up to July 19 are below budget but still expected to meet budget expectations for the FY19/20. Optalis out-turn have been re-forecast following the decision of Brokerage Services moving back to WBC from 31/10/19. An additional Service on the RBWM Contract will negate some of this change.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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	Yes	Revenue

Other Financial Information

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.

Public Sector Equality Duty

An equalities impact assessment is not required for this report.

List of Background Papers

None

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