

TITLE	Shareholders' Report
FOR CONSIDERATION BY	The Executive on Thursday, 30 January 2020
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 December 2019;
- 2) the operational update for the period to 31st December 2019;
- 3) the Optalis budget and operational position update for November 2019.

EXECUTIVE SUMMARY

WBC Holdings Limited (WBCHL)

Housing. The Council recognised that the provision of good quality affordable housing was a priority for Wokingham and established a group of wholly-owned housing subsidiaries to develop and manage those much needed homes.

The housing group consists of Wokingham Housing Limited (WHL) who, to date, have led on the development of around 150 new affordable homes, Loddon Homes Limited (LHL) and Berry Brook Homes Limited (BBHL). Once developed by WHL the homes are sold within the group to Loddon Homes or Berry Brook Homes who act as landlords for the properties.

More recently the Deputy Leader of the Council and Executive Member for Finance and Housing has set an ambitious target for the Council to deliver 1,000 homes over 4 years producing a 5% return – known as the Housing 1-4-5 project.

To achieve this it was agreed to move to a more efficient and effective ‘One Team,’ approach between the Council and its housing companies. This approach is already producing results with a combined pipeline of over 1,200 potential new homes now identified and being investigated or actively progressed. It has also allowed us to be more pro-active and agile in identifying additional affordable housing opportunities from private developers.

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 December 2019. Any changes to the Directorships of the companies is provided at the end of the relevant company's operational update.

Wokingham Housing:

There are currently 61 new homes on site across five separate projects. Phase 1 of the Gorse Ride Arnett Avenue is the largest of these with the construction of 46 new affordable houses and flats, which will in turn create decanting opportunities for the wider regeneration of the Gorse Ride estate (Phase 2).

The two projects that have recently started on site are 10 houses on the site previously occupied by Woodley Age Concern and a 3 bedroom bespoke bungalow at Gorrick Square to meet the specialist housing needs of 3 individuals with learning/physical difficulties.

There are a further 498 potential new homes being actively progressed through design and/or planning under the 'One Team' approach including 249 new homes as part of the Gorse Ride regeneration project.

Working as 'One Team' with colleagues in Commercial Property, and through recent contacts with private developers interested in selling some of their new homes to us, Wokingham Housing has continued to raise its profile externally and also been more effective in helping progress some of the Council's own development opportunities..

As part of the Housing 1-4-5 project colleagues in Adult Social Care have identified a number of priority housing projects that are also being progressed through the 'One Team' approach.

Following the departure of the housing companies' Finance Director the strategic finance function is now being carried out by the Council providing a more streamlined and integrated service.

Changes to Directors & Company Secretary (for all housing companies):

Following the departure of the housing companies' previous Executive Director (Bill Flood) and Company Secretary (Rachel Harrison), Nigel Bailey (Assistant Director Housing and Place Commissioning) has been appointed as interim Executive Director

and Emma Jane Brewerton (Legal Solutions) has been appointed as Company Secretary.

Berry Brook Homes Limited (BBHL):

Since the last report to Executive, BBHL have purchased the first 17 key worker homes at Peach Place from the Town Centre Regeneration Team. The remaining 5 properties are expected to be handed over in the next few weeks. The flats have proved very popular with the majority now occupied or allocated, in particular to local NHS staff, BBHL is also investigating potential opportunities to trial a small number of private rented accommodation units alongside key worker and other affordable rented options. Whilst addressing a shortfall of provision it also could potentially help cross fund other affordable homes.

Loddon Homes Limited:

In August 2019 two new shared ownership homes were completed by Wokingham Housing and purchased by Loddon Homes for shared ownership. In addition there all 61 homes currently on site through Wokingham Housing will eventually come across to Loddon Homes.

As a regulated Registered Provider the focus for LHL Board has been to strengthen its governance and compliance – working with WBC Housing Services as its service provider. LHL (and BBHL) have also recently completed a full review of all key policies to ensure they are fit for purpose and meet current regulatory requirements. This review was done in tandem with WBC Housing to make sure they are aligned and new customers can expect the same high standard of service irrespective of their landlord.

2. Financial Report

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

P09: Dec-19	WBC Holdings - Profit & Loss								
	Month			YTD			Full Year		
	Dec-19	Dec-19		Dec-19	Dec-19		Budget	Forecast	Variance
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	44	44	0	396	396	0	528	528	0
Expenditure	(56)	(56)	0	(511)	(511)	0	(751)	(751)	0
Operating Profit/(Loss)	(12)	(12)	0	(115)	(115)	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)

Following the departure of WHL management team, WHL is in the process of transitioning its function to WBC and as such the accounts will be finalised at year end and the details of the financial status is currently unavailable.

Loddon Homes Limited (LHL)

Loddon Homes Limited- Profit & Loss									
P9: Dec -19	Month			YTD			Full Year		
	Dec-19	Dec-19		Dec-19	Dec-19		Budget	Forecast	Variance
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	52	52	0	1,618	1,121	(497)	1,773	1,533	(239)
Expenditure	(25)	(25)	0	(1,396)	(925)	471	(1,359)	(1,253)	107
Operating Profit/(Loss)	27	27	0	222	195	(27)	413	281	(133)

Income and Expenditure:

On a year-to-date basis, income reached £1.1m at LHL, reflecting a £497k negative variance, primarily due to delays with completion of Middlefields & Finch Road. Full year income is expected to reach £1.5m, reflecting a £239k negative variance due to this delay.

Full year expenditure is expected to reach £1.2m, reflecting a £107k positive variance against budget.

Berry Brook Homes Limited (BBHL)

Berry Brook Homes Limited- Profit & Loss									
P9: Dec19	Month			YTD			Full Year		
	Dec-19	Dec-19		Dec-19	Dec-19		Budget	FCAST	Variance
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	FCAST	Variance
	£K	£K	£K	£K	£K	£K	£K	£K	£K
Income	49	49	0	483	483	0	729	639	(90)
Expenditure	(48)	(48)	0	(533)	(502)	31	(906)	(655)	252
Operating Profit/(Loss)	1	1	0	(51)	(19)	32	(177)	(15)	162

Income and Expenditure:

Income in December 2019 at BBHL reached £49k, which was in line with Budget. Year-to-date income of £493k was also in line with the Budget.

Full Year Budget doesn't currently reflect income and costings for acquiring the first 17 new keyworker flats at Peach Place.

Full Year Forecast figures have been updated by the new finance team but Income and Expenditure for Peach Place has been excluded and remains work in progress.

Adult Care Services Group

Optalis Limited

1. Operational Report

Staff

The staff from Nicholson House successfully TUPED to 1st Homecare on 15 December.

The Comms team produced a short video wishing everyone a merry Christmas, this demonstrates the strong bonds our teams and customers have - it was fun and clear to see.

Quality

The quality within services remains high, notably with the recent CQC inspection for Homeside which resulted in the service receiving a 'GOOD' rating after 6 years of 'POOR' ratings, it has taken Optalis 2 years of managing this service to turn it around.

Non-Regulated services are producing very good audit scores which follow the same/similar format of the regulated services.

There is work needed on the statutory services audit framework which is led by Dan Simms, some of the early results there is poor recording by social workers and further work is needed to improve practice.

Customers

Our services have been very busy enjoying the Christmas season. Activities have included pantomimes, Christmas parties, raffles, quizzes and coffee mornings to bring people together to celebrate the season.

There were no major incidents to report over the festive period, staff delivered all services that were required over the holiday period.

Growth

The YTD profit as of November has exceeded expectation. This is in addition to the money accrued which will be paid back to WBC as a reserve. If this continues, a discussion around re-investing some of the funds should be held at Board level. The overspend on the RBWM contract continues and changes dependent on when in the month we ask for and are given financial information. The end of year prediction is currently £698k.

We have been asked to look at new contracts for both RBWM and WBC. The appetite for growth remains strong.

2. Financial Report

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

Optalis Limited - Total YTD November 19

Service	Actual			Budget			Variance		
	Income £000	Expenditure £000	Profit / (Loss) £000	Income £000	Expenditure £000	Profit / (Loss) £000	Income £000	Expenditure £000	Profit / (Loss) £000
Statutory Services	5,177	(5,080)	97	5,438	(5,434)	5	(261)	354	92
Provider Services	10,378	(10,269)	109	10,586	(10,520)	66	(208)	251	43
Central Management	79	(174)	(95)	28	(52)	(24)	51	(122)	(71)
Total Excluding Commissioned Services	15,634	(15,523)	111	16,052	(16,006)	47	(418)	482	65
Commissioned Services	14,105	(14,105)	(0)	13,837	(13,837)	0	268	(268)	(0)
Grand Total	29,739	(29,628)	111	29,889	(29,842)	47	(150)	214	64

November 2019 results:

The two main contracts with WBC and RBWM are set to break-even with year-end entries put through to balance the books. Profit is generated from the Private business coming on the back of the WBC contract. Currently on the WBC contract a YTD reserve provision of £180k has been provided. The Brokerage Service was taken back into WBC on the 01/11/19 and currently WBC has agreed to fund the current Central Management Costs up until the year-end.

The budget process for FY20-21 is underway and various meetings are taking place to co-ordinate this process so it ties in with the councils' own budgeting process.

Agreement is currently being sought for the split of funding to meet Optalis's central management costs for FY20-21

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 below	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 Equality Impact Assessment is not required for this report

List of Background Papers
None

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