

# Agenda Item 6.

<b>TITLE</b>	<b>Shareholder's Report</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 30 July 2020
<b>WARD</b>	None Specific;
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Leader of the Council - John Halsall

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

Transparency in respect of Council Owned Companies

## **RECOMMENDATION**

The Executive is asked to note the budget monitoring position for the financial year up to 30<sup>th</sup> June 2020 (Quarter 1).

## **EXECUTIVE SUMMARY**

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), Loddon Homes Limited (LHL) and Berry Brook Homes Limited (BBHL).

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 has included bringing the development function of the housing companies back in-house as part of the successful commercial property team – significantly reducing costs and streamlining the process. This approach is already producing results with a combined pipeline of over 1,300 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.

There has been no change to the strategy and objectives of either Loddon Homes or Berry Brook Homes since the last report to Executive in July 2019.

This report sets out the budget position of all three housing companies at the end of June 2020 (Quarter 1) – showing all are currently estimated to be on budget with no significant issues or concerns.

The 2020/21 budgets for all three Companies are anticipated to be formally approved by their respective Boards later this month.

## **1. Operational Overview**

### **Wokingham Housing:**

There remain 57 properties under development through Wokingham Housing Limited. 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 Gorse Ride.

In addition there are 10 new affordable 3 bed homes being built 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 325 potential new affordable homes being actively progressed through the new 'One Team' approach – either as development opportunities or for off the shelf purchase direct from developers. These include 249 new homes as part of the Gorse Ride regeneration project. The completed or purchased affordable units will be transferred to either Loddon or Berry Brook Homes.

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

Since the last report to Executive, BBHL have let all remaining key worker properties at Peach Place including 3 to a care agency to be used to provide accommodation for additional care workers in the Borough during the current pandemic.

BBHL continues to investigate a number of 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:**

No additional homes have been added to Loddon Homes' stock since the last Executive report although all 57 currently under construction through Wokingham Housing are for Loddon Homes.

Much of the focus for Loddon Homes over recent months, working with colleagues in WBC Housing and Optalis, has been ensuring the health and safety of its residents at Fosters.

In addition as a regulated Registered Provider the LHL Board has continued to strengthen its governance and compliance – working with WBC Housing Services as its service provider to agree a new suite of key performance indicators.

## 2. Financial Report

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

QTR 1	WBC Holdings - Profit & Loss					
	YTD			Full Year		
	Jun-20	Jun-20		Mar-21	Mar-21	
	Budget	Est.Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K
Income	132	132	0	528	528	0
Expenditure	(170)	(170)	0	(681)	(681)	0
Operating Profit/(Loss)	(38)	(38)	0	(153)	(153)	0

There were no major variances to budget for WBC (Holdings) Ltd during Quarter 1.

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)**

As highlighted previously all new housing development and/or acquisitions are being taken forward through the in-house 'One Team' approach.

During the current financial year it is anticipated that the remaining WHL on-site developments will be completed and subsequently all remaining WHL functions transitioned back to WBC with the accounts will be finalised at year end.

### **Loddon Homes Limited (LHL)**

QTR1	Loddon Homes Limited- Profit & Loss					
	YTD			Full Year		
	Jun-20	Jun-20		Mar-20	Mar-20	
	Budget	Est.Actual	Variance	Budget	Forecast	Variance
	£K	£K	£K	£K	£K	£K
Income	243	243	0	974	974	0
Expenditure	(176)	(176)	0	(705)	(705)	0
Operating Profit/(Loss)	67	67	0	269	269	0

There were no major variances to budget for Loddon Homes during Quarter 1.

Taking into account a number of contingencies it is forecast that Loddon Homes will report an operation profit of £269,000 at year end.

**Berry Brook Homes Limited (BBHL)**

Berry Brook Homes Limited- Profit & Loss						
QTR 1	YTD			Full Year		
	Jun-20	Jun-20		Mar-21	Mar-21	
	Budget	Est.Actual	Variance	Budget	FCAST	Variance
	£K	£K	£K	£K	£K	£K
Income	233	233	0	933	933	0
Expenditure	(173)	(173)	0	(690)	(690)	0
Operating Profit/(Loss)	61	61	0	243	243	0

There were no major variances to budget for Berry Brook Homes during Quarter 1.

Please note that the full year budget does not currently reflect income and costings for acquiring 12 of the flats at Peach Place.

**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 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

**Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030***

All new homes being considered under the 'One Team' approach will be designed with the Council's climate emergency declaration in mind and with the aim of making them as close to carbon neutral as possible.

**List of Background Papers**

None

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