

<b>TITLE</b>	<b>Council Owned Companies Business</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 30 July 2015
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director of Finance and Resources
<b>LEAD MEMBER</b>	Keith Baker, Leader of The Council

## **OUTCOME / BENEFITS TO THE COMMUNITY**

Transparency in respect of Council Owned Companies

## **RECOMMENDATION**

The Executive is asked to:

- 1) note the budget monitoring position for the month ending 30 April 2015;
- 2) note the operational update for the period to mid June 2015.

## **SUMMARY OF REPORT**

### **Directorship Report**

There have been no changes to WBC (Holdings) Ltd directorships since the last report to Executive in June 2015.

There have been changes in directors and responsibilities in Wokingham Housing Limited, Loddon Homes Limited and Optalis Limited.

### **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 June 2015.

### **Operational Update**

An operational update is provided from each of the companies as at mid June 2015 in paragraph 1 below.

### **Financial Report**

A budget monitoring report is provided for each of the companies for April 2015, which confirms that overall the group has incurred a deficit as forecast. This reflects the high level of WHL capital works being undertaken which has previously been reported, and which will be followed in later years by income flows from the investments. This together with the management costs of WBC (Holdings) Ltd, offset the profit earned by Optalis. The position for each of the companies is explained in paragraph 2 below.

## **REPORT**

### **1. Directorship Report**

Directors are appointed to the companies on a 3 year rolling basis and are subject to possible re-election at the end of the fixed period. Contracts for services are likewise fixed for the same period.

The 3 year term of directorship for Gary Cowan, Simon Weeks and David Chopping has now expired. WBC (Holdings) Limited as shareholder has elected to :

- Re-appoint David Chopping as director of both WHL and Loddon Homes and chairman of WHL. WHL will renew his WHL contract for services
- Re-appoint Simon Weeks as a director of Optalis group of companies and renew his Optalis contract for services.
- Re-appoint Gary Cowan as a director and chairman of Loddon Homes Limited and enter into Loddon Homes contract for services
- Appoint John Jarvis as a director of WHL and enter into a WHL contract for services
- Re-appoint Robin Fielder as a director of Loddon Homes Limited and enter in a Loddon Homes contract for services

All new appointments are on a 3 year basis.

### **2. Operational Update to June 2015**

#### **2.1 WBC (Holdings) Ltd**

WBC (Holdings) Ltd does not undertake any operations as it is a holding company.

#### **2.2 Optalis**

- Recruitment continues to be the main priority and the main challenge. The primary challenge remains with front line home care staff, but Optalis still has a number of vacancies to fill in its residential/extra care schemes, which is impacting on high levels of agency spend. Recruitment into the residential/extra care schemes is relatively easier than home care, and they have a pipeline of new recruit offers that will start to fill the vacancies during June and into July. After a slow start, Optalis has had some traction to home care appointments made during May and June. The Optalis business plan requires they increase homecare headcount by a net 5 per month but they are not yet meeting that target. Feedback from applicants has indicated that the a hurdle to successful recruitment is the lack of affordable accommodation available in the area for potential applicants. Optalis and the Council are working together to identify ways of overcoming this.
- Agency spend decreased in April but has increased again in May, the main reason being rota gaps (i.e. vacancies and staff leave), so entirely linked to recruitment.
- Sickness absence improved in April to 8.8 days, and has improved further in May (approx 7 days against a target of 5 days).

#### **2.3 Wokingham Housing Ltd (WHL)**

##### **2.3.1 WHL Completed schemes:**

The business of managing the first developments at Hillside and Vauxhall Drive is

becoming 'business as usual' for WHL. In moving to this position there are still matters to resolve around defects management at Hillside and some outstanding matters with Property Services on maintenance issues that have arisen at Vauxhall Drive (Beverly House) that arguably WHL should not be liable to repair under the terms of the lease. WHL are also working closely with Tenant Services on rent collection and ensuring the income stream from Hillside is managed effectively.

### **2.3.2 WHL Schemes in Progress and/or Development:**

Phoenix Avenue (formally Eustace Crescent): The design and build contract for Phoenix has been tendered via the Homes and Communities Agency's (HCA) Development Partner Framework and were returned on Monday 15<sup>th</sup> June 2015. At the time of writing, WHL's Employers Agent partners Ridge and WHL are undertaking due diligence on the submitted bids. It is hoped to be able to appoint the successful contractor at the end of June. The first handovers are scheduled for mid-February 2017.

Fosters Extra Care Home: The detailed design process is continuing with specialist architects and with input from WBC's Adult Social Care Team, who sign off the final decisions on the specification. This scheme will also be procured via the HCA's Development Framework, with a contractor due to be appointed in October for a start on site in November. Handover is expected in April 2017. As previously mentioned this project has confirmed HCA grant funding of £1.4m allocated towards it.

Pipe-line sites: A pipe-line of around 9 smaller sites (41 properties) is at various stages of development and will go before the Planning Committee during the summer and autumn period. A further 18 sites are being considered for future development. WHL is also working with WBC on bringing forward proposals for the regeneration of Gorse Ride and a number of other significant opportunities on WBC sites and other locations.

Loddon Homes: The Registered Provider (RP) work is nearing completion and is due to be finished by end of July 2015 for submission to the HCA. The registration application will be considered by the LHL and WHL Boards, followed by WBC (Holdings) Ltd in mid-July. This is understood to be the first registration of a local authority housing company sponsored registered provider. A total of £1.75m of grant funding has been secured to date for WHL's Hillside and Fosters schemes.

Staffing Update: A Business Support Manager is being recruited to further strengthen the team and succession arrangements for replacing with current temporary Finance Director in the autumn are well advanced. Work is on-going in updating WHL business plan to be circulated to clarify WHL's key objectives and targets in supporting the Council's agenda's.

## **3. Financial Report**

### **Budget Monitoring for 2015-16 financial year (To 30<sup>th</sup> April 2015)**

**3.1 WBC Group Consolidated**, (i.e. comprising WBC (Holdings) Ltd, Wokingham Housing Ltd, and Optalis Ltd).

The figures shown below represent the overall expenditure and income of the Council's subsidiary companies. Budget figures are being reviewed by WHL and therefore an

overall comparison of spend against budget is not possible for WHL at present:

At the operational level, the net deficit was £34k.

### 3.2 WBC (Holdings) Ltd

A loss of £14k is reported compared to a budgeted loss of £27k. This is largely due to a saving of £13k on interest as anticipated works on Eustace Crescent did not take place, and as a result forecast loans from the Council to WBC (Holdings) Ltd were significantly lower than the forecast, resulting in lower interest charges. The budget will be reviewed once the WHL budget for capital works is approved.

### 3.3 Optalis

- The pre-tax result for April is a profit of £10k - favourable to budget by £5k (budget £5k)
- The key favourable variances to budget relate to the recognition of phase 1 income from work undertaken in Bury, and cost savings from the deferral of appointments to both the Chairperson and Managing Director roles respectively.
- These were mitigated by unfavourable variances in agency spend, investment in additional staffing in the reablement team, and lack of private homecare growth.
- The April result assumes a drawdown of £8k against the budgeted underwriting of £100k made by WBC against the impact of implementing the National Pay Agreement in January 2015.
- The full year pre-tax result is forecast at £50k as budgeted.
- Net assets at 30 April are £163k (budget £157k).
- Cash at 30 April was £543k (budget £459k).
- The April results are summarised in the table below

Total Company April	Apr Actual	Apr Budget	Budget Variance	Mar Actual	Prior Month Variance
	(£000)	(£000)	(£000)	(£000)	(£'000)
Turnover	935	889	46	939	(4)
Costs	(918)	(877)	(41)	(915)	(3)
Operating Profit	17	12	5	24	(7)
Non trading costs	-	-	-	(10)	10
Depreciation	(7)	(7)	-	(7)	-
Profit before tax	10	5	5	7	3
Taxation	(1)	(1)	-	(6)	5
Net Profit	9	4	4	1	8

### 3.4 Wokingham Housing (Including Wokingham Housing Ltd & Loddon Homes Ltd)

#### Wokingham Housing Limited (Consolidated)

Profit and Loss Account for the month to 30th April 2015	April YTD Actual £	April YTD Budget £	April YTD Variance £
Income	8,461	Note (a)	
Operating Expenditure	45,128	Note (a)	
Operating Loss	(36,667)	Note (a)	

**Note (a) - Budget for the Group is under review, approval is being sought to reflect the current operational plan.**

Income for April 2015 is £8k. Detailed work is on-going by the FD and new MD to review budget costs and forecasts to update the WHL budget and set out an accurate profit and loss profile for the business moving forward, which will provide an appropriate budget for approval by all appropriate boards.

Operating expenditure for the month and year to date is £45k. The current month activity was viewed against the closing run-rate of costs from the year to 31<sup>st</sup> March 2015. The following variances were noted:

Payroll +5k due to new MD contract being effective from March 2015. Professional fees include £5k for costs to support the work to develop the HCA Registered Provider submission.

#### Balance Sheet

Net assets total £969k at 30 April 2015. In total there are 1,900,000 issued and fully paid Ordinary £1 shares held by WBC (Holdings) Ltd. The share capital remains at £1.9m.

#### 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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<b>Date</b> 21 July 2015	<b>Version No.</b> 1