

# Agenda Item 53.

<b>TITLE</b>	<b>Council Owned Companies Business</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 24 September 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 31 July 2015;
- 2) note the operational update for the period to 31 July 2015.

## **SUMMARY OF REPORT**

### **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 July 2015.

### **Operational Update**

An operational update is provided from each of the companies as at 31 July 2015 in paragraph 2 below.

### **Financial Report**

A budget monitoring report is provided for each of the companies for July 2015, which confirms that overall the group has incurred a deficit as forecast. This again 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 3 below.

## **REPORT**

### **1. Directorship Report**

There have been no changes to any directorships since the report to Executive Committee in July.

## **2. Operational Update to 31 July 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, however some success is present across all services. Recruitment open days are being held on average twice a month in community locations close to service delivery sites in order to attract local candidates; this approach is proving moderately successful.
- Agency spend has continued to rise through July, but reductions are expected through August with recruitment to care roles beginning to make an impact.
- The post of MD was successfully recruited to on 20 August. Mette Le Jakobsen took up post with immediate effect

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

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

WHL are in the process of signing off the 12 months defects at Hillside and settling the final account (including retention). WHL has also agreed compensation with WBC over the latent defects WHL inherited in the management of Vauxhall Drive. 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 Phoenix design and build contract has now been agreed, and WHL are working with the successful contractor to formalise the programme and contract, and as part of this process will also undertake value engineering exercises and discuss phased handover contractual arrangements. Anticipated programme completion is March 2017.

Fosters Extra Care Home: Following the lack of expressions of interest through the HCA Procurement Framework, the Holding Company and Executive have agreed with WHL's Recommendation to re-tender the works through an OJEU restricted tender procedure. The extended procurement process means the anticipated revised timescales are; Contract award – January 2016, Start on site – March 2016. Works in terms of the detailed design and specifications are near completion.

Pipe-line sites: A pipe-line of around 9 smaller sites (38 properties) are at various stages of development and will go before the Planning Committee during the summer and autumn period. 3 of these sites have received planning consent (Barrett, Grovelands and Anson). 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 the RP application is due to be finished and submitted to the HCA by end of September 2015. The registration application has been considered by the LHL and WHL Boards, followed

by WBC (Holdings) Ltd and agreement to proceed subject to final elements of the submission being checked and appropriate consent given to submit. The HCA will then consider the application and submit it to their Regulation Committee for approval, a process which is expected to take between 3 and 6 months. 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 the Hillside and Fosters schemes.

Staffing Update: A Business Support Manager has been 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 31<sup>st</sup> July 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 £69k.

#### **3.2 WBC (Holdings) Ltd**

A loss of £62k is reported compared to a budgeted loss of £110k. This is largely due to a saving on interest as anticipated works on Eustace Crescent are being rephased, and the budget is currently being reviewed .

#### **3.3 Optalis**

- The YTD pre-tax result is a loss of £12k - unfavourable to budget by £17k (budget £5k)
- The key favourable variances to budget relate to 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, and a lack of private homecare growth.
- The YTD July result assumes a drawdown of £8k per month 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 31 July are £172k (budget £167k).
- Cash at 31 July was £388k (budget £573k).
- The YTD July results are summarised in the table below

Total Company Jul	Jul Actual (£000)	Jul Budget (£000)	Budget Variance (£000)	Jun Actual (£000)	Prior Month Variance (£'000)
Turnover	974	913	61	980	(6)
Costs	(959)	(901)	(58)	(957)	(2)
Operating Profit	15	12	3	23	(8)
Non trading costs	(20)	-	(20)	-	(20)
Depreciation	(7)	(7)	(0)	(8)	1
Profit before tax	(12)	5	(17)	15	(27)
Taxation	(1)	(1)	-	(1)	-
Net Profit	(13)	4	(17)	14	(27)

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

Total sub group	July Actual (£000)	July Budget (£000)	Budget Variance (£000)
Income	9	Note (a)	Note (a)
Costs	(37)	Note (a)	Note (a)
Operating Loss	(28)	-	-
Non Trading Costs	-	Note (a)	Note (a)
Depreciation	(2)	Note (a)	Note (a)
Loss before Tax	(30)	-	-
Taxation	-	Note (a)	Note (a)
Net Loss	(30)	-	-

### Wokingham Housing Limited (Consolidated)

July Year To Date

Profit and Loss Account for the period to 31st July 2015	Actual £	Budget £	Variance £
Income	31,004	Note (a)	
Operating Expenditure	(191,417)	Note (a)	
Operating Loss	(160,413)	Note (a)	

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

Income for July 2015 is £8k (Year to date £31k). A draft budget for 2015/16 has been prepared and is currently being put under review to determine appropriate financial targets. This budget includes the costs associated with setting up framework agreements for contract tendering (WHL) and professional advice for HCA Registered Provider application (LHL). The financial budget for development of Phoenix (imminent) and Fosters remain as estimate until detailed negotiations with the appointed contractor determine the cost profile for each scheme. This work will provide an appropriate budget for approval by all appropriate boards.

Operating expenditure for the month was £37k and year to date is £191k

### Balance Sheet

Net assets total £847k at 31st July 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

### Other financial information relevant to the Recommendation/Decision

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.

### Cross-Council Implications

No Cross-Council Implications

### List of Background Papers

None

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<b>Date</b> 15 September 2015	<b>Version No.</b> 2

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