

Agenda Item 70.

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 29 October 2015
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Keith Baker, Leader of The Council

OUTCOME / BENEFITS TO THE COMMUNITY

Transparency in respect of Council Owned Companies

RECOMMENDATION

The Executive is asked to note the:

- 1) budget monitoring position for the month ending 31 August 2015
- 2) operational update for the period to 31 September 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 September 2015.

Operational Update

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

Financial Report

A budget monitoring report is provided for each of the companies for 31 August 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 has been one change to the directorship of Loddon Homes Limited since the report to Executive Committee in September. Lionel Haynes, an independent non-executive

director, has been appointed to the Board to provide additional financial expertise to the Loddon Homes Board. Lionel is the retiring Finance Director of Sentinel Housing Association, where he has been for the last 11 years, prior to which he worked as a Managing Director and Finance Director within the manufacturing sector.

2. Operational Update to 31 September 2015

2.1 WBC (Holdings) Ltd

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

2.2 Optalis

- Suffolk Lodge residential care home had an inspection by the Care Quality Commission (CQC) at the beginning of September, and we are pleased to report that the outcome is an overall rating of 'Good'. The report recognises the safety of the service, the compassion and kindness of its support workers and the quality and effectiveness of its leadership. The full report is available on the CQC website.
- During August, Westmead received a review visit by Wokingham HealthWatch. The report is positive and Optalis has drafted a response. The full report should be published by the end of September on the HealthWatch website.
- The post of Managing Director was successfully recruited to on 20 August. Mette Le Jakobsen took up post with immediate effect.
- The post of Finance Director was successfully recruited to at the beginning of August. Sanjay Gandhi joins the company on 28 September.
- Traction is being achieved with regards recruitment; 25 offers of employment were made during the month of August (Optalis employs approx. 440 people), and during the month we have held a number of recruitment fairs, including for the first time the Reading University Freshers Fair, which we hope will be a rich source of casual care staff. Staff turnover remains low compared to industry averages.
- Business Development update:
 - **Ace@Optalis**; we have received confirmation that the course will be funded by Reading College for another year commencing September 15; this is an excellent achievement by the supported employment team.
 - **NRS Ltd Healthcare Equipment service** - The Brokerage & Professional Support Occupational Therapy team has been successful in a bid to work with the NRS equipment service. This is initially a six month engagement but may continue if the team is able to deliver successfully. The initial focus will be on assessment and recovery of daily living equipment back to the NRS Healthcare.
 - **Out & About** – this service, which was developed as an internally driven growth initiative, supports adults with learning disabilities during evenings and weekends, and continues to exceed growth expectations.
 - **LATCo consultancy** – Optalis continues to provide expert consultancy to Bury, Manchester, Metropolitan Borough Council in support of the development of their own LATCo. 'Persona Care & Support' is set to launch on 1 October 2015.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

WHL have now finalised the 12 months defects at Hillside and are settling the final account (including retention) with the developer. Agreement has been reached on the

majority of the maintenance requirements and responsibility for costs in relation to Vauxhall Drive, which has been an ongoing issue in recent months. This leaves just some newly noted latent defects to agree with costs being determined for further review.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue: The Phoenix design and build contract has now been agreed, and WHL are working with the successful contractor, Hill Partnership to finalise contract terms. A letter of intent has been sent to Hills and they have provided us with their programme and the timetable. This includes value engineering exercises to see where costs savings can be made on the initial budget. Hill will be on site in November 2015, with completion in March 2017, and initial handovers starting in January 2017.

Fosters Extra Care Home: Detailed design and specifications are nearing completion, with pre-commencement planning conditions continuing to be collated and discharged. The pre-qualification questionnaire (PQQ) stage of the revised tender process has gone out and has been returned. We have received 9 returns from interested parties and are just about to go out to the contractors that meet the PQQ criteria. The extended procurement process means the anticipated revised timescales remain; Contract award – January 2016, Start on site – March 2016 with a very conservative completion date of July 2017.

Pipe-line sites: A pipe-line of around 9 smaller sites (38 properties) are at various stages of development. Planning permissions on three sites have received planning consent which secured 13 more homes in total. Planning for two sites of 12 more units will be presented over the Autumn, with further sites due to be put before planning early in the New Year to secure the pipeline of homes for WHL and LHL to develop. Much closer working with WBC colleagues on WHLs development pipeline is already bearing fruit with better targeting of resources on the easiest sites to develop.

Loddon Homes: The boards of LHL and WHL met and approved the documents for submission to the HCA on 3 September 2015, with a representative from Holdco being present at the meeting and providing Holdco's sign off. The registration submission to HCA as a For-Profit Registered Provider was sent over the week-end of 5/ 6 September and is now being considered by the HCA. The HCA have already contacted us to clarify a couple of points on our application, which included 25 appendices (34 documents in total) in support of our application. Once fully considered, the HCA will submit our application to the Regulation Committee for approval, a process which is expected to take between 3 and 6 months.

Staffing Update: The Business Support Manager is settling in well and adding much needed capacity to the team. Adverts have been placed to recruit a replacement to the Development Manager, whose contract finishes in February 2016. The next piece of recruitment will be dealing with the succession arrangements to replace the current temporary Finance Director, which is a key role in the small WHL team.

WHL Business Plan: A draft WHL Business Plan has been circulated to update the previous plan and clarify WHLs key objectives and the funding mechanisms supporting WHL and Loddon Homes. This includes predicted profitability dates and payment expectations of the working capital loans to WHL. A final version of the Business Plan will be available once approved by the WHL Board and signed off by Holdco.

3. Financial Report

Budget Monitoring for 2015-16 financial year (To 31st August 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 £65k.

3.2 WBC (Holdings) Ltd

A loss of £77k is reported compared to a budgeted loss of £138k. This is largely due to a saving on interest as anticipated works on Phoenix Avenue are being rephased, and the budget is currently being reviewed.

3.3 Optalis

- The YTD pre-tax result is a profit of £17k - unfavourable to budget by £4k (budget £21k)
- The key favourable variances to budget relate to income from work undertaken in Bury and additional unbudgeted income from Clement House and Orchard & Shipman, plus 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 August 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 August are £166k (budget £176k).
- Cash at 31 August was £479k (budget £633k).
- The August results are summarised in the table below:

Total Company Aug	Aug Actual (£'000)	Aug Budget (£'000)	Budget Variance (£'000)	Jul Actual (£'000)	Prior Month Variance (£'000)
Turnover	970	917	53	974	(4)
Costs	<u>(968)</u>	<u>(905)</u>	<u>(63)</u>	<u>(959)</u>	<u>(9)</u>
Operating Profit	2	12	(10)	15	(13)
Non trading costs	-	-	(0)	(20)	20
Depreciation	<u>(7)</u>	<u>(8)</u>	<u>1</u>	<u>(7)</u>	<u>0</u>
Profit before tax	(5)	4	(9)	(12)	7
Taxation	(1)	(1)	0	(1)	-
Net Profit	<u>(6)</u>	<u>3</u>	<u>(9)</u>	<u>(13)</u>	<u>7</u>

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

Total Sub Group August	Aug Actual (£'000)	Aug Budget (£'000)	Budget Variance (£'000)	Prior Mth Actual (£'000)	Variance (£'000)
Income Costs	7 <u>(50)</u>	Note (a) Note (a)	Note (a) Note (a)	9 <u>(37)</u>	Note (a) Note (a)
Operating Loss	(43)	-	-	(28)	-
Non Trading costs	-	Note (a)	Note (a)	-	Note (a)
Depreciation	<u>(2)</u>	<u>Note (a)</u>	<u>Note (a)</u>	<u>(2)</u>	<u>Note (a)</u>
Loss before Tax	(45)	-	-	(30)	-
Taxation	-	<u>Note (a)</u>	<u>Note (a)</u>	-	<u>Note (a)</u>
Net Loss	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>-</u>

Wokingham Housing Limited (Consolidated)

	August Year To Date		
	Actual £	Budget £	Variance £
Profit and Loss Account for the period to 31st August 2015			
Income	38,273	Note (a)	
Operating Expenditure	(241,267)	Note (a)	
Operating Loss	(202,994)	Note (a)	

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

Income for August 2015 is £7k (Year to date £38k). A draft budget for 2015/16 has been prepared and is currently being finalised 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 £49k and year to date is £241k

Balance Sheet

Net assets total £802k at 31st August 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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