

Agenda Item 82.

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 26 November 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:

- 1) note the budget monitoring position for the month ending 30 September 2015;
- 2) note the operational update for the period to 31 October 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 October 2015.

Operational Update

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

Financial Report

A budget monitoring report is provided for each of the companies for September 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 Ltd. The position for each of the companies is explained in paragraph 3 below.

REPORT

1. Directorship Report

- There has been one change in the directorship of Optalis Limited since the appointment of Sanjay Gandhi as finance director and company director in September 2015.

2. Operational Update to 31 October 2015

2.1 WBC (Holdings) Ltd

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

2.2 Optalis Ltd

- Suffolk Lodge has now launched its dementia service and is progressing towards full occupancy.
- The HealthWatch report on Westmead is now available on the HealthWatch website.
- The company is working with the Care Quality Commission to achieve full compliance in relation to registration of managers. It is anticipated that this will have been achieved by the end of the year.
- Three residential care homes for people with learning disabilities are set to 'de-register' during November, meaning that they cease to operate as residential care homes, but become tenanted accommodation with support, affording greater security of tenure for residents and a more modern approach to care provision.
- Focus on training and competence assessment for front line care workers is a key priority
- Recruitment remains very challenging at all levels of the organisation and there is an ongoing impact on the use of agency staff which is undesirable for reasons of quality and cost. All possible efforts are being made to address these areas. Notwithstanding this difficulty, Optalis has so far recruited 102 people to the organisation this year.
- Optalis continues to support the integration of health and social care through the provision of Step Up Step Down at Alexandra Place and we are pleased to have been asked to provide night time home care in order to contribute to hospital admission avoidance.

Business Development:

Oxfordshire County Council

- Optalis has submitted a tender to run three extra-care schemes, two already being operated by another provider and one new build scheme coming on stream shortly. We were shortlisted for interview and this took place on Monday 26 October. We await the final response.
- A further tender has been submitted for an extra-care framework agreement, which would enable Optalis to bid for new schemes in future. The outcome is not yet known.

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' launched on 1 October 2015. Phase 3 support is currently being scheduled.

Bracknell Borough Forest Council

- The Council has signalled its intention for Optalis to increase its homecare delivery for the borough, in particular through the extra-care scheme, Clement House, where Optalis provides both the background support and spot purchased home care.
- The authority has also asked Optalis to quote for work to review a sample of their domiciliary care packages for size and appropriateness. Negotiations are ongoing.

Better Care Fund projects (BCF)

The BCF is a programme consists of a number of projects aimed at admission avoidance, support for self-care, and better integration of services to improve customer pathways:

- Step Up Step Down – the pilot project is going well, with 9 referrals to the middle of October and rates of referral and occupancy increasing. Ambition is to increase to six beds in the next phase which will increase Optalis' contribution.
- Domiciliary care plus – this programme has a number of facets and Optalis is engaged in two ways: 1) Project support provided through B&PS (see operational report), and 2) Homecare overnight response service – this is currently in negotiation and Optalis has been asked to mobilise in the next month.

Learning Disability Supported Living

- Optalis has been approached to take on bespoke WBC funded support packages for individuals with complex needs. Negotiations and assessments are underway.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

Managing our developments at Hillside and Vauxhall Drive is now 'business as usual' with regular Key Performance Indicators (KPI) provided to the Loddon Homes Board on Tenant Services housing management performance.

The remaining defects on Vauxhall Drive will be finally costed and reports due at the end of November. This will provide a final figure for defects existing in the building when it was taken over by WHL allowing payment to be requested. Loddon Homes has agreed to take over responsibility for the lease from WHL for Vauxhall Drive because the savings in VAT within the two housing companies will be greater than any maintenance liabilities that might arise and that have not yet been agreed with WBC.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue: Hill Partnership are now on site (November 2015), with completion expected in March 2017, and initial handovers starting in January 2017.

Of particular note is that since last reported, it has been discovered that further works are necessary to prepare the site for construction as a result of the demolition. We had confirmation from our Employers Agent that the additional costs would be in the region of £80-150k. The higher end of this estimate will be incurred if there are contaminants found in the debris left on site. The latest reports are that only a very small amount of asbestos fibre was found in one location of four test areas. At present the contractor is advocating the removal for one load only, but will keep a close eye out during removal of debris for any other contaminants. On this basis our estimates are that costs will be at the lower end of the range – between £80-110k.

We do not expect this issue to affect completion dates.

Fosters Extra Care Home: There are no major issues to report and progress for finalising designs and tendering the contract to six potential contractors is progressing well. In light of the demolition issues raised at Phoenix Avenue, we have instructed further surveys to check that no similar issues will be found at Fosters.

Pipe-line sites: As part of the Small Contractor Framework process we will be tendering the three sites with planning permission – Grovelands, Barrett Crescent and Anson Walk – as part of the Framework arrangements.

Norton Road was put before the Planning Committee on 11th November and for planning permission was achieved for 9 homes – 3 houses for social rent and a block of 6 shared ownership apartments.

Therefore with Phoenix and Fosters projects as well as our smaller sites, WHLs pipeline programme now has a total of 123 homes to develop.

Loddon Homes: The Homes and Communities Agency (HCA) provided a response to the Loddon Homes application to register as a For-Profit Registered Provider on 15th October 2015. Their assessment and a suggested initial action plan to provide the additional assurance requested was presented to the Loddon Homes Board on 3rd November. A meeting with the HCA and our consultants took place on 11th November to discuss what is required to achieve registration. The meeting was positive and the quality of our submission was acknowledged. Assurance is primarily sought around Loddon Homes' independence and funding – especially around cash flow.

In broad terms it appears that assurance can be achieved without the need for any changes to documentation already submitted, such as the Inter-Group Agreement (IGA) and merely through further explanation of our arrangements within our narrative.

Staffing Update: Interviews to replace the part-time Development Manager with a permanent Development Officer took place on 20th October, with the appointment of Holly Morris. She will join WHL on 23rd November and there will be a three week handover period with Derek Thurgood. Derek's contract is effectively a zero hours contract until 17th February 2016 and we have advised him that we will see what, if any, our business needs are in the New Year.

Arrangements around WHL and LHLs finance support arrangements have developed, with John McNiece able to stay on a part-time 2.5 day per week basis. John will be splitting his time between WHL and Crown Simmonds as interim Finance Director, a small RP. These arrangements suit us well as the work to register Loddon Homes with the HCA and improve our financial systems and reporting, is largely now in hand and can be progressed on a more part-time basis. We anticipate that longer term arrangements around our financial resource requirement will be decided in the New Year with John continuing with us into the Spring/ early Summer. The work to create the job description for a part-time permanent finance person is still underway, but with less urgency and any advertising now on hold.

WHL Business Plan: A well developed and revised WHL Business Plan 2015 has been approved by WHL and was put to WBC (Holdings) Ltd for sign-off at their November meeting. This provides clarity of mission and a solid basis for further developing and growing the business, with profitability achieved within 2017-18.

3. Financial Report **Budget Monitoring for 2015-16 financial year (To 30 September 2015)**

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

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 £33k.

3.2 WBC (Holdings) Ltd

A loss of £92k is reported compared to a budgeted loss of £165k. 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 pre-tax result for September is a profit of £12k - favourable to budget by £8k (budget £4k profit)
- The key favourable variances to budget relate to new business from Independent Living Services (Orchard and Shipman) plus backdated Suffolk Lodge Dementia unit income, and cost savings from the deferral of appointments to the Chairperson, external NED, and Managing Director roles respectively.
- These were mitigated by unfavourable variances in agency spend, and lack of private homecare growth. September included recruitment fee for Finance Director.
- The September 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 (YTD £40k).
- The YTD post-tax result is a profit of £24k - favourable to budget by £4k (budget £20k)
- The full year pre-tax result is forecast at £50k as budgeted (which is after a return of £250k to the Commissioner as budgeted).
- Net assets at 30 September are £177k (budget £182k).
- Cash at 30 September was £376k (budget £732k).
- The YTD September results are summarised in the table below

Total Company Sep YTD	Actual	Budget	Budget Variance
	(£000)	(£000)	(£000)
Turnover	5,798	5,441	357
Costs	(5,725)	(5,371)	(354)
Operating Profit	73	70	3
Non trading costs	0	-	0
Depreciation	(43)	(45)	2
Profit before tax	30	25	5
Corporation tax	(6)	(5)	(1)
Net profit	24	20	4

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

Total Sub Group	Sep	Sep	Budget	Prior Mth	
September	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	7	Note (a)	Note (a)	7	Note (a)
Costs	(41)	Note (a)	Note (a)	(50)	Note (a)
Operating Loss	(34)	-	-	(43)	-
Non Trading costs	-	Note (a)	Note (a)	-	Note (a)
Depreciation	(2)	Note (a)	Note (a)	(2)	Note (a)
Loss before Tax	(35)	-	-	(45)	-
Taxation	-	Note (a)	Note (a)	-	Note (a)
Net Loss	(35)	-	-	(45)	-

Wokingham Housing Limited (Consolidated)

	Sept Year To Date		
Profit and Loss Account for the period to 30 th September 2015	Actual	Budget	Variance
	£	£	£
Income	45,319	Note (a)	
Operating Expenditure	(294,419)	Note (a)	
Operating Loss	(249,100)	Note (a)	

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

Income for September 2015 is £7k (Year to date £45k). 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 excluding depreciation is for the month was £41k and year to date is £282k

Balance Sheet

Net assets total £760k at 30th September 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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