

TITLE	Shareholders Report
FOR CONSIDERATION BY	The Executive on 21, March 2023
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER(S)	Leader of the Council – Clive Jones

OUTCOME / BENEFITS TO THE COMMUNITY

To provide transparency in respect of Council Owned Companies

RECOMMENDATION

The Executive is asked to note:

- 1) The Housing companies' budget and operational position for December 2022,
- 2) The Optalis budget and operational position update for December 2022

SUMMARY OF REPORT

The purpose of this report is to ensure awareness and transparency of the financial performance of the Council Owned Companies.

Housing

The Council recognised that the provision of good quality affordable housing as a priority for Wokingham and established a group of wholly-owned housing subsidiaries to develop and manage this need.

The housing group consists of Wokingham Housing Limited (WHL), Loddon Homes Limited (LHL) and Berry Brook Homes Limited (BBHL). Historically, once developed by WHL homes are sold within the group to Loddon Homes or Berry Brook Homes who act as landlords for the properties.

Loddon Homes provides Wokingham Borough Council with the additional flexibility to meet the housing needs of its residents of while generating a financial benefit for the Council which is available to be reinvested to fund essential Council services including new local housing.

Loddon Homes reported an exceptionally high annual turnover of £4.5million at end of the 2021/22 financial year as a result of shared ownership sales and operates at an ongoing turnover of almost £1.5m p.a.

Including homes of multiply occupancy, Loddon Homes have 170 tenanted spaces across all tenures: shared ownership, social rent, affordable rent, specialist supported housing, young person accommodation and independent living for older people.

The objectives of Berry Brook housing limited are similar, however this company is not set up under Register provider status which enables it greater freedoms and the ability to operate in private rented sector if and where appropriate. Berry Brook has an annual turnover of almost £1m p.a.

Adult Care Services.

Optalis was established to be the Council’s provider of choice for Adult Care Services. Its key objectives were to provide safe and good quality Adult Social Care Services commissioned by the Council at a good price providing financial benefits to the Council. To date a considerable reduction of commissioning costs have been achieved and following a merger with RBWM, the business continues to expand. This will enable Optalis to grow and create further financial returns through economies of scale and allow the company to generate additional streams of income.

Operational Update

Housing

An operational update is provided for each of the companies as at 31st December 2022.

Wokingham Housing:

In January 2023 the collective boards made a strategic decision to close Wokingham Housing Ltd by 31st March 2023. This followed a period of small operating loss and reduction in expected future opportunities to develop housing through that approach. This work is progressing.

The governance of the two remaining companies has been better aligned to allow a more joined up understanding and consideration of options and future direction.

Financial position;

Wokingham Housing Limited Profit & Loss						
	YTD			Full Year		
	Dec-22	Dec-22				
	Budget	Actual	Variance	Budget	Forecast	Var
	£K	£K	£K	£K	£K	£K
Income	0	0	0	0	0	0
Expenditure	100	64	(36)	200	200	0
Operating (Profit)/Loss	100	64	(36)	200	200	0

Income/Profit/positive variance - shown in brackets

The Expenditure includes residual costs in relation to; interest, professional support costs and liquidation fees. Once costs are finalised options will be presented to board regarding their treatment.

Berry Brook Housing Limited

Detailed work is currently underway to review the financial viability of all the current schemes which will inform future focus for cost effectiveness.

Financial Position;

Berry Brook Homes Ltd	YTD			Full Year		
	Dec-22 Budget £k	Dec-22 Actuals £k	Variance £k	Budget £k	Forecast £k	Variance £k
Income	(700)	(699)	1	(934)	(933)	1
Expenditure	724	747	23	1062	1,017	(45)
Operating (Profit)/Loss	24	48	24	128	84	(44)

Income/Profit/positive variance - shown in brackets

The latest projection is for a reduced loss against the budgeted position. This slightly improved position is due to the legitimate capitalisation of costs previously budgeted in the revenue account.

Loddon Homes Limited

As with Berry Brook, a detailed financial viability review is underway across the current schemes.

There are currently a number of future development opportunities at the early stage of consideration, with key sites for affordable homes identified and the potential business case and market analysis in progress.

Financial Position;

Loddon Homes Ltd	YTD			Full Year		
	Dec-22 Budget £k	Dec-22 Actuals £k	Variance £k	Budget £k	Forecast £k	Variance £k
Income	(922)	(996)	(74)	(1,261)	(1,335)	(74)
Expenditure	704	799	95	1,050	1,145	95
Operating (Profit)/Loss	(218)	(197)	21	(211)	(190)	21

Income/Profit/positive variance - shown in brackets

The December figures show a performance close to budget, with the slight underachievement projected at year end due to accrued repairs and management fees. Overall turnover and profit is lower than previous years due to shared ownership sales in the previous year.

WBC Holdings Ltd

The board with oversight for the companies overall position

Financial position;

WBC Holdings Limited						
	YTD			Full Year		
	Dec-22	Dec-22	Variance	Budget	Forecast	Variance
	Budget	Actual				
	£K	£K	£K	£K	£K	£K
Income	(630)	(630)	0	(844)	(844)	0
Expenditure	697	697	0	930	930	0
Operating (Profit)/Loss	67	67	0	86	86	0

Income/Profit/positive variance - shown in brackets

Most of the Expenditure and Income is in relation to interest charges from the Council and to the subsidiaries. Expenditure also includes the cost of professional support such as Legal and Finance. Once costs are finalised options regarding the treatment of costs will be proposed to the Board.

ADULT CARE SERVICES GROUP

Optalis Limited

1. Operational Report

Optalis continues to perform well in all operational areas. A new Shareholders' Agreement was signed in March 2022 between WBC and the Royal Borough of Windsor and Maidenhead. The five-year term provides a secure platform for the company. This has enabled operations to expand significantly in 2022, with staff numbers growing by one third to 800 by the year end.

The company also initiated a programme of service improvements and transformation affecting many areas of the business. This has meant that most teams have seen some degree of change during the year. Despite the inherent uncertainty that comes with change, the staff survey results at the end of the year showed improved scores in all key areas. This is a tribute to the quality of the management team and the leadership skills of the main service line directors.

Growth

Optalis now operates more than 50 different services, including 23 for Wokingham Borough Council. Growth has come from brand new operations which started in 2022, as well as the transfer of existing services from other providers. All of these services have settled down well and are operating successfully. Feedback from service users and families has been consistently positive.

Change programmes have delivered much-improved central HR and training functions, while detailed plans have been developed for transforming activities in 2023 in many areas. These include the full roll-out between January and May of the Access for Care electronic care management tool across CQC-regulated Provider services, the expansion of the Community Lives service offer to cater specifically for the often-overlooked 18 – 25 age group and an operational restructuring of Wokingham extra care and day services.

The highly successful Supported Employment service has continued to find new ways to enhance employment opportunities for WBC residents with learning disabilities, autism and neuro-diverse conditions. New ventures under the Optalis 'Ability' branding include catering, cleaning and travel training courses, supported by joint arrangements with Reading Buses, South Western Railway, Great Western Railway and Network Rail. The team is also working with WBC to explore options for reducing the council's own travel budget through targeted travel training for users.

Service Quality

All services which are regulated by the Care Quality Commission have maintained their 'Good' ratings. This is against the backdrop of a more stringent CQC inspection regime which has seen a downrating of many other providers' ratings elsewhere in the county.

The Supported Employment service has been confirmed for the third year running as the top performing service in South-East England and number 2 in the country. This is based on the number of eligible residents who have been successfully supported into permanent employment.

Staffing

Staff recruitment and retention is a top priority for the organisation, primarily to reduce excessive expenditure on agency staff and to improve staff continuity for service users. In the context of a very challenging employment market and a rapidly evolving organisation, the 2022 Staff Survey results were remarkably strong. These improved on the excellent performance in 2021, with higher scores in many areas and an increase in the overall engagement score to the highest level yet achieved. This puts Optalis well ahead of comparable averages for local authorities, the NHS and the wider social care sector. Important individual scores include an impressive 13% improvement (to 60%) in the number of people who feel that Optalis does a good job of providing opportunities for advancement, and a 9% uplift (from an admittedly low base) in the number of people who feel that they are paid fairly compared to other people in comparable jobs.

Staff attrition is currently 22%, compared to a sector average of 29%. The improvement in staff sentiment, combined with the subsequent announcement that the hourly pay rate for front line staff has increased to £11.14 from January 2023, should translate into further improvements in recruitment and retention rates in 2023/24, with a matching reduction in agency usage.

2. WBC Financial Report

Financial performance has been, and remains challenging,

- The national workforce issues affecting the whole social care sector. Despite considerable efforts to minimise the usage of agency staff, the amount spent in this area to maintain services is nearly three times higher than last year.
- As a result, Optalis has increased the pay of support worker staff to support the containment of cost pressures and to maintain quality. These measures will have a limited impact on the full year performance for 2022/23 for reasons of timing. However, they should materially strengthen the financial position for 2023/24 when the company needs to deliver significant efficiency savings for both councils.

The impact on the projected full year outturn based on performance to 31 December 2022:

Service	Budget (£000)	Outturn (£000)	Variance over / (underspend)
WBC Provider Services*	7,578	8,182	604
Central Management	880	880	0
Total	8,458	9,062	604

**As described above part of the WBC Provider cost increase is due to Optalis bringing forwards the 2023/24 pay-uplift for the support worker staff. This is covered by the release of retained WBC earnings from the Optalis P&L which will reduce the overspend to £407k.*

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	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 (how does this decision impact on other Council services, including properties and priorities?)

The provision of these companies supports key service provision in social care and housing and well as supporting the councils overall financial position

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*

Companies are working alongside officers to align approach with the councils commitment and strategic direction

List of Background Papers

none

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