

TITLE	Shareholders Report
FOR CONSIDERATION BY	The Executive on Thursday, 27 July 2023
WARD	(All Wards);
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance - Imogen Shepherd-DuBey

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

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 2022/23 financial year,
- 2) The Optalis budget and operational position for 2022/23 financial year

EXECUTIVE SUMMARY

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.

Including homes of multiple 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 registered 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 March 2023.

Wokingham Housing Ltd

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

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 Ltd - Profit & Loss			
	Full Year (2022/23)		
	Budget	Actual	Variance
	£k	£k	£k
Income	£0	£0	£0
Expenditure	£200	(£193)	(£393)
Operating (profit) / loss	£200	(£193)	(£393)

Income/Profit/positive variance - shown in brackets

The Expenditure budget includes residual costs in relation to; interest, professional support costs and liquidation fees. The actuals for the year are favourable to budget due to some retention balances not being required anymore. In addition, some interest costs have been reduced following a detailed review with WBC Holdings Ltd.

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 - Profit & Loss			
	Full Year (2022/23)		
	Budget	Actual	Variance
	£k	£k	£k
Income	(£934)	(£928)	£6
Expenditure	£1,062	£668	(£394)
Operating (profit) / loss	£128	(£260)	(£388)

Income/Profit/positive variance - shown in brackets

Similar to Wokingham Housing Ltd, the actuals for the year are favourable to budget due to some retention balances not being required anymore. In addition, some interest costs have been reduced following a detailed review with WBC Holdings Ltd.

Please note, the draft accounts for 2022/23 are currently being finalised and agreed by the company boards. The figures in the table may therefore change slightly. Any agreed updates from the companies will be reflected in the next report.

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 - Profit & Loss			
	Full Year (2022/23)		
	Budget	Actual	Variance
	£k	£k	£k
Income	(£1,261)	(£1,307)	(£46)
Expenditure	£1,050	£1,109	£59
Operating (profit) / loss	(£211)	(£198)	£13

Income/Profit/positive variance - shown in brackets

The outturn 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.

Please note, the draft accounts for 2022/23 are currently being finalised and agreed by the company boards. The figures in the table may therefore change slightly. Any agreed updates from the companies will be reflected in the next report.

WBC Holdings Ltd

The board with oversight for the companies overall position

Financial position;

	Wokingham Holdings Ltd - Profit & Loss		
	Full Year (2022/23)		
	Budget	Actual	Variance
	£k	£k	£k
Income	(£844)	(£278)	£566
Expenditure	£930	£831	(£99)
Operating (profit) / loss	£86	£553	£467

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. During the last quarter, following a detailed review, interest income due from Wokingham Housing and Berry Brook Ltd have been reduced, a corresponding benefit in a reduction in interest payable has been recorded in those companies offsetting the impact of the change in WBC Holdings.

ADULT CARE SERVICES GROUP

Optalis Limited

1. Operational Report

Optalis continues to perform well in all operational areas.

The refurbishment of the Loddon Court respite service has been successfully completed. This was a joint project between Optalis and WBC which has resulted in the transformation of the main building into a high-quality facility which is already winning plaudits from customers, families and staff. In view of the improved quality of the facility, the commercial prices charged to external (non-WBC) customers have been increased in line with market rates.

Recruitment continues to be the main operational focus to ensure a reduction in the use of agency workers, enabling Optalis to deliver high quality care provision to customers while being the council's provider of choice.

2. WBC Financial Report

Financial performance across the year was challenging.

The national workforce issues affecting adult social care continued to drive the need to use agency workers to ensure safe working. This was the main reason for the Optalis

provider services overspend, together with the cost of bringing forward the 2023/24 pay-uplift for support worker staff. The overspend was mitigated by a small underspend on central management costs and the release of WBC retained earnings from the Optalis P&L. The company slightly improved its financial position in the final three months of the year, reducing the projected net overspend from £407k as previously reported at December to £374k.

Full year outturn to 31 March 2023

Service	Budget £,000	Actual £,000	Variance over / (underspend) £,000
WBC Provider Services*	£9,534	£10,170	£636
Central Management	£897	£835	(£62)
Total	£10,431	£11,005	£574
Use of Retained Earnings			(£200)
Net Total			£374

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and 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 information	Yes	Revenue
Next Financial Year (Year 2)	See other financial information	Yes	Revenue
Following Financial Year (Year 3)	See other financial information	Yes	Revenue

Other Financial Information

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.

Legal Implications arising from the Recommendation(s)

None

Stakeholder Considerations and Consultation

None

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

Reasons for considering the report in Closed Session

N/A

List of Background Papers

None

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