

<b>TITLE</b>	<b>Shareholders Report</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 25 January 2024
<b>WARD</b>	(All Wards);
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	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 and forecast as at the end of quarter 2 (September) 2023/24 financial year,
- 2) The Optalis budget and operational position and forecast as at the end of quarter 2 (September) 2023/24 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 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 steams of income.

**Operational Update**

Housing

An operational update is provided for each of the companies as at the end of quarter 2 2023/24 – 30th September 2023.

There is currently a full review of the operations across the businesses to ensure the future development and business plans provide a financially sustainable position. This includes improving governance, improving efficiency as well as developing a strong and consistent programme of work across the companies.

Wokingham Housing Ltd

It had previously been considered to close the development arm of the Housing companies due to the limited ‘pipeline’ of schemes for housing development. More recently the board is reviewing that position and is exploring further opportunities to understand the best long-term approach.

Financial position;

<b>Wokingham Housing Ltd - Profit &amp; Loss</b>				
	Q2 (2023/24)			Projection
	Budget	Actual	Variance	Projection
	£k	£k	£k	£K
Income	£0	£0	£0	0
Expenditure	£91	£91	£0	£125
<b>Operating (profit) / loss</b>	<b>£91</b>	<b>£91</b>	<b>£0</b>	<b>£125</b>

*Income/Profit/positive variance - shown in brackets*

Costs include audit and accounting fees and management fees from the holding company

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. This will feed into a future development plan to enhance future sales income and profit.

Financial position;

<b>Berry Brook Homes Ltd - Profit &amp; Loss</b>				
	Q2 (2023/24)			
	Budget £k	Actual £k	Variance £k	Projection £k
Income	(489)	(487)	2	(984)
Expenditure	662	641	(21)	1,296
Operating (profit) / loss	173	154	(19)	312

*Income/Profit/positive variance - shown in brackets*

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 under development with potential business case and market analysis in progress.

Financial position;

<b>Loddon Homes Ltd - Profit &amp; Loss</b>				
	Q2 (2023/24)			
	Budget £k	Actual £k	Variance £k	Projection £k
Income	(741)	(683)	58	(1,399)
Expenditure	690	671	(19)	1,468
Operating (profit) / loss	(51)	(12)	39	69

*Income/Profit/positive variance - shown in brackets*

The reduced income and forecast position is due to a delay in 3 schemes, which will now be progressed in Q4.

## WBC Holdings Ltd

The board with oversight for the companies overall position

Financial position;

	Wokingham Holdings Ltd - Profit & Loss			
	Q2 (2023/24)			
	Budget £k	Actual £k	Variance £k	Projection £k
Income	(£311)	(£311)	£0	(706)
Expenditure	£333	£333	(£0)	843
Operating (profit) / loss	£21	£21	£0	137

Income/Profit/positive variance - shown in brackets

Most of the Expenditure and Income is in relation to interest charges from the Council and is passed through to the subsidiaries. Expenditure also includes the cost of professional support such as Legal and Finance. Costs also include the current review of the business plans and future housing development approach.

## **ADULT CARE SERVICES GROUP**

### Optalis Limited

#### **1. Operational Report**

Optalis continues to perform well in all operational areas.

Following the acquisition of the Berkshire Care Home, the focus has been on stabilising and improving the service provided for residents. Optalis has been working in close partnership with WBC's Property, IT, Legal and Commissioning teams to address the various concerns highlighted by the Care Quality Commission when the home was under previous ownership. Plans are well advanced for refurbishing rooms to a higher standard, as well as completing the required dementia-friendly improvements before occupancy levels increase. A CQC inspection is expected soon, so the process of upgrading policies, procedures and paperwork is continuing. It is hoped that these improvements will be sufficient to secure an early uplift in the CQC rating from the current inherited level of Inadequate. Optalis will support WBC's investment in this property by moving the CQC rating to Good and then Outstanding at the earliest opportunity.

The latest national report issued under the Adult Social Care Outcomes Framework has confirmed that Wokingham has been ranked number one, out of more than 150 councils in England, for the proportion of adults with a learning disability in paid employment for 2022-23. This is a remarkable outcome for a unitary authority and reflects the impressive performance of the Optalis Supported Employment Service (SES), which is commissioned by WBC to support this cohort of residents.

## 2. FY 2023/24 Projected Financial Outcome

Financial performance across the year is challenging. The national workforce issues affecting adult social care continued to drive the need to use agency workers to ensure safe working. This is the main reason for the Optalis provider services overspend. The overspend is mitigated by private income generated by the Extra Care service where some customers are invoiced directly by WBC. The Berkshire Care home came on board on the 18<sup>th</sup> of September and is not included within the figures below. The contract spend is expected to be circa £400k across the current financial year.

### Projected outturn – Quarter 2 actuals and full year forecast

Service	Budget (£000)	Outturn (£000)	Variance over / (underspend) (£000)
WBC Provider Services*	8,197	8,814	617
Central Management	960	960	-
<b>Total</b>	<b>9,157</b>	<b>9,774</b>	<b>617</b>
ASC Income within WBC (Extra Care Service)			(118)
<b>Net cost of services</b>			<b>499</b>
<b>Funding from Adult Social Care</b>			<b>(499)</b>
<b>Company annual trading position</b>			<b>0</b>

## 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

<b>Contact</b> Mark Thompson	<b>Service</b> Business Services
<b>Telephone</b> Tel: 0118 974 6555	<b>Email</b> mark.thompson@wokingham.gov.uk