

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 28 January 2016
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 November 2015;
- 2) note the operational update for the period to 31 December 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 November 2015.

Operational Update

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

Financial Report

A budget monitoring report is provided for each of the companies for November 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 have been no changes in the directorship of the Group companies.

2. Operational Update to 31 December 2015

2.1 WBC (Holdings) Ltd

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

2.2 Optalis Ltd

- All relevant compliance actions have now been taken to achieve compliance with CQC standards and in the course of the month one further manager achieved Registered Manager status, i.e. his application to the CQC was successful. This manager now heads up Optalis' Supported Living Services, including existing supported living units and the learning disability services which have recently converted from residential care to supported living.
- Beeches Manor Extra Care Scheme had an inspection by the CQC in December 2015 and Optalis is pleased to have received a 'Good' rating.
- Optalis is no longer subject to any 'Care Governance' ratings by any local authority, having worked successfully to demonstrate quality and compliance in relevant services.
- Focus on learning & development continues to be of the highest priority across all services alongside recruitment, which remains challenging.
- Turnover of staff in the organisation is at an all-time low at 18% which compares favourably to 28% for the region within the care industry.
- Optalis Colleague survey (staff satisfaction survey) was rolled out during October and early results are being reviewed. Key messages include a higher level of job satisfaction along with the workforce identifying that further effort is required with respect to learning and development as it relates to staff retention. Managers and the Staff Consultative Forum have started work on a response to the survey, including a positive action plan. A response has also been built into the key priorities for the 2016-17 business plan.
- Business Continuity Planning – following a workshop earlier in the autumn, all service managers have been tasked with compiling business continuity plans for their services, setting out their intended response to unplanned events, including severe weather, so as to support the organisations safety and responsiveness.
- A high use of agency workers remains a key risk for the organisation affecting both financial and customer outcomes. This is being addressed firmly and whilst some improvement can be seen, continuous efforts are required. The main cause is the difficulty in recruiting care staff which affects the industry as a whole.
- Two Optalis colleagues have won prestigious awards over the past month. Anju Bhatti won Social Worker of the Year Lifetime Achievement Award for services to national and international social work and charitable work, and Mandy Loveday, support worker at the learning disability day services won the Ancillary Worker Award in the South East heats of the Great British Care Awards, specifically for her work to create a sensory garden from recycled materials at the Acorn Community Centre.

Business Development:

Oxfordshire County Council

- Optalis has been approached to negotiate the running of an extra care service in Oxfordshire following a successful tender process. Details have yet to be confirmed. In addition a further tender has been won for an extra-care framework agreement, which will enable Optalis to bid for new schemes in future.

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 now underway and our commission with the authority is set to conclude by February 2016.
- A small contract has been won with Nottinghamshire County Council to support the local authority's development of an outline business case and options appraisals in preparation for decisions regarding the development of a LATCo.

Better Care Fund projects (BCF)

The BCF is a programme consisting 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 – this project has set aside two units at Alexandra Place, Woodley, and a number of health and social care services are working together to support speedier hospital discharge for those who may be clinically fit but not yet ready to return home, or to provide urgent support for those whose admission to hospital can be avoided with the provision of enhanced community based reablement support. 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. The overnight response service will be focused on supporting those people to stay at home who may otherwise have found themselves admitted to hospital out of hours, e.g. in the night, where there is a primary social need which leads to hospital admission, e.g. the need for supervision and reassurance, domestic assistance, and handover to daytime services.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

The remaining outstanding works at Vauxhall Drive are being finally costed following a report from an Occupational Therapist which advised us that three of the four resident's bathrooms needed to be replaced. Once assessed the cost of undertaking the works will be advised to Health and Wellbeing and orders put in place to carry out these works.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue: Hill are now on site undertaking preparation works to be able to start construction works in the New Year, having started the removal of the demolition debris left on site. We have now been advised that the build programme will be delayed by four to six weeks as a result of the demolition removal works. The additional costs for removing the excess demolition debris were quoted at £142k. Although the actual costs of debris removal is at the level we had expected at around £100k; we were surprised that the cost was as high as it was due to additional preliminary costs and Hill's overhead

and Profit (OH&P). This was despite direct questions from WHL on whether the additional works would cause any 'programme delays'. There was clearly a lack of communication between the parties and on the back of this we negotiated a reduction in Hills OH&P figure to around half. Investigations of the prelim costs showed that these had indeed been pared back to the lowest reasonable level and there was no mileage in arguing for these to be reduced further.

This provided a final additional figure of around £135k (assuming no additional contamination is found). Subsequently it has been agreed that costs will be shared between Tenant Services (£100k) and WHL (£35k). Property Services have no budget to be able to contribute towards the costs, so this was deemed to be the most pragmatic and sensible solution.

A press release has been sent out promoting the Phoenix Avenue development around a time capsule to be buried on the site.

Fosters Extra Care Home: There are no major issues to report and final interior designs are being signed off. Tendering the contract is progressing well. A new topographical survey to check site levels has been undertaken and our Employers Agent's report shows there are no issues of concern as discovered at Phoenix Avenue.

Pipe-line sites: We continue to progress the four small sites with planning permission and are making progress on other potential small sites to add in to the development pipeline.

Loddon Homes: A meeting with the HCA to discuss their assessment of our application to become a For-Profit Registered Provider (FPRP) took place on 11th November. The meeting was positive and the HCA commented that we had got in to the substance of the application quickly because of the high quality of our application. While there is a fair amount of work to provide the reassurance the HCA is after, there were no significant areas likely to stop us from being Registered. An action plan has been produced to co-ordinate the work necessary to provide the additional information requested and we will be returning this to the HCA before Christmas, with a pencilled in date of a report going to the HCAs Regulation Committee in February.

Staffing Update: The new Development Officer, Holly Morris, joined WHL on 23rd November and is settling in very well. Derek Thurgood left WHL on 10th December after a successful handover with Holly.

WHL Business Plan: The WHL Business Plan 2015 has been signed-off and approved by WBC (Holdings) Ltd at their December meeting, and has been put forward to the Executive alongside this report.

3. Financial Report

Budget Monitoring for 2015-16 financial year (To 30 November 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.

At the operational level, the net deficit was £95k.

3.2 WBC (Holdings) Ltd

A loss of £124k is reported compared to a budgeted loss of £220k. This is largely due to a saving on interest as anticipated works on Phoenix Avenue were rephased.

3.3 Optalis

- The post-tax result for November is a profit of £5.1k - favourable to budget by £1.0k (budget £4.1k 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.
- The November 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 pre-tax result is a profit of £41.0k - favourable to budget by £7.3k (budget £33.7k).
- 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 November are £181k (budget £180k).
- Cash at 30 November was £327k (budget £732k).

Total Company Nov YTD	Actual	Budget	Budget Variance
	(£000)	(£000)	(£000)
Turnover	7,798	7,329	469
Costs	(7,699)	(7,236)	(463)
Operating Profit	99	93	6
Depreciation	(58)	(60)	(2)
Profit before tax	41	33	8
Corporation tax	(8)	(7)	(1)
Net profit	33	26	7

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

Total Sub Group	Nov	Nov	Budget	Prior Mth
NOVEMBER	Actual	Budget	Variance	Actual
	(£000)	(£000)	(£000)	(£000)
Income	9	43	(34)	7
Costs	(97)	(78)	(28)	(49)
Operating Loss	(88)	(34)	(63)	(42)
Non Trading costs	-	-	-	-
Depreciation	(2)	(2)	0	(2)
Loss before Tax	(90)	(36)	(63)	(44)
Taxation	-	-	-	-
Net Loss	(90)	(36)	(63)	(44)

Wokingham Housing Limited (Consolidated)

Nov Year To Date

Profit and Loss Account for the period to 30th November 2015

	Actual	Budget	Variance
	£	£	£
		Note (a)	
Income	61,589	98,056	(36,467)
Operating Expenditure	(445,175)	(480,079)	+34,904
Operating Loss	<u>(383,586)</u>	<u>(382,023)</u>	<u>(1,563)</u>

Note (a) - Budget for the Group has been approved by WBC (Holdings) Limited and is provided here in advance of approval by Executive.

Income for November 2015 is £9k (Year to date £62k). This is £36k behind target as billing expected for consultancy services budgeted in Nov-15 has been deferred to Jan-16. The cost of works supporting the income not billed for consultancy are included in budget but not charged. The unbudgeted cost of contract tendering (WHL) is offset by deferred and saved costs of professional advice for HCA Registered Provider application

(LHL). The development of Phoenix commenced in November against financial budget start in September. Fosters remains as estimate until detailed negotiations with an appointed contractor determine the cost profile for this scheme. This work will determine what reduced budget requirements for development will be required for 2015

Operating expenditure excluding depreciation is for the month was £103k and year to date is £403k. Direct costs are now separated from operating expenditure and are £3k in the month and £25k year to date.

Balance Sheet

Net assets total £632k at 30th November 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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