

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 18 February 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
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Transparency in respect of Council Owned Companies
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RECOMMENDATION

The Executive is asked to:

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| <ol style="list-style-type: none"> 1) note the budget monitoring position for the month ending 31 December 2015; 2) note the operational update for the period to 31 January 2016; 3) approve Wokingham Housing Remit Document; 4) approve Optalis Remit Document; 5) approve Wokingham Housing Business Plan (as previously presented to the Executive at the January 2016 meeting); 6) approve the Optalis Business Plan (as set out in the Part 2 document). |
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SUMMARY OF REPORT

<u>Strategy and Objectives of the Council's Subsidiary Companies</u>

There has been no change to the Strategy and Objectives of the Council's Subsidiary Companies since the last report to Executive in January 2016.

<u>Operational Update</u>

An operational update is provided from each of the companies as at 31 January 2016 in paragraph 2 below.
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<u>Financial Report</u>

A budget monitoring report is provided for each of the companies for December 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.

WHL & Optalis Remit Documents and Business Plans

Background

As part of the Governance Framework, Council owned companies are required to produce a Business Plan in response to the Council's Remit Document. The Remit Documents for WHL and Optalis are shown in Appendices 1 & 2, the WHL Business Plan is in Appendix 3 (this has already been presented to the Executive at the January meeting) and the Optalis Business Plan is in Part 2.

REPORT

1. Directorship Report

There have been no changes to the directorships of the group companies since the last report to Executive.

2. Operational Update to 31 January 2016

2.1 WBC (Holdings) Ltd

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

2.2 Optalis Ltd

- CQC compliance:
 - The action plan required for Suffolk Lodge has been delivered and a re-inspection has taken place confirming full compliance.
 - Outstanding registered manager applications have been submitted and are awaiting evaluation by CQC.
 - Deregistration of the learning disability registered care homes (Pinta, Orchard House, and Santa Maria) has taken place with the registration of a new category of 'Independent Living Services'.
 - The outcome of the inspection of Beeches Manor during December was an overall outcome of 'Good' with all five sub-domains also judged 'Good'.
 - Due to the departure in early January of the managers of Alexandra Place and Beeches Manor, the structure of Extra Care services is being reviewed, and in the short terms this represents a compliance risk. However the inspector receives regular updates and has provided advice to inform SMT's deliberations on the structure.
- No Care Governance Ratings are currently in place.
- Sickness absence overall for December was an average rate of 11.7 days per year and an underlying short term rate of 9.7; this represents a decrease in the overall rate, but a significant increase in the underlying rate. Analysis is taking place and early indications suggest an improving trend for January.
- Performance on the LTS Home Care block contract has improved with consistent delivery over 300 hours per week in recent months which is significant in view of historical under performance. Crucially, due to this stronger performance the team has now invited referrals for private home care.
- Recruitment to the Head of Service in Brokerage & Professional Support has been

successful and the post is currently under offer.

- Following the successful contract win of Nicholson House Extra Care scheme in Abingdon, the TUPE consultation and due diligence process has commenced. The service is set to transfer on 15 February 2016.
- Recruitment to the Data Analyst post is now complete and the candidate joined the team in mid-January. The role supports all aspects of compliance and quality related performance reporting.
- We are pleased to report successful recruitment to the role of Customer Engagement Champion. The candidate will take up the post on 1 April 2016.

Business Development:

Oxfordshire County Council

- Optalis has been awarded a contract to provide Extra Care Housing at Nicholson House in Abingdon. The transfer of the service is expected to take place on 15 February 2016. In addition to this Optalis expects to be able to generate further spot contracts for domiciliary care.
- A further tender has been won for the extra-care framework agreement, which enables Optalis to bid for new schemes in future. Formal notification has been received and we are currently in the stand-still period.

Wokingham

- Optalis has been notified that it will be engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (Bulmershe) set to open in October 2016 (subject to due diligence and value for money). The value of this contract is not yet known.

West Berkshire

- Optalis will be reapplying to join the home care framework for the authority.

Harrow

- We are pursuing an extra care opportunity being tendered by Harrow local authority. The scheme is a new build with 47 flats with care currently being provided by another provider.

Bury

- The LATC consultancy work with Bury MBC concludes on 1 February – a year's successful engagement. The intention is to write up a case study for use in marketing/brand awareness activity.

Nottinghamshire

- A LATC consultancy contract has been won with Nottinghamshire CC, in partnership with Stepping Out consultants (partners in the Bury contract). The work focuses on reviewing and developing the authority's Outline Business Case and Options Appraisal in consideration of the development of a LATC. The initial contract is for four days (10 days in total, six to be delivered by Stepping Out) for Phase 1, to be delivered by the MD.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

There are no landlord operational matters to report on the management of either Hillside or Vauxhall Drive.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue: Hill Partnership have completed the additional demolition clearance work and have commenced the construction phase in mid-January 2016. Completion is expected in March 2017, with initial handovers starting in February 2017.

The clearance of additional demolition materials will impact on the delivery of the project pushing completion back by between 4-6 weeks.

Fosters Extra Care Home: We have had to extend the period for returns of tenders at the request of the bidders as a result of the more detailed tender pack we provided them with. This is unlikely to have a major effect on start on site timescales with the expected start on site being April 2016.

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

Loddon Homes: We have received further feedback from the Homes and Communities Agency (HCA) in response to our further submission of information before Christmas. The HCA remain unconvinced by Loddon Homes independence from the Council and we are working with the HCA and our external advisors on how best to address these concerns in a variety of ways to progress the registration of Loddon Homes as a Registered Provider.

3. Financial Report

Budget Monitoring for 2015-16 financial year (To 31 December 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 the Group at present:

At the operational level, the net deficit was £37k.

3.2 WBC (Holdings) Ltd

A loss of £146k is reported compared to a budgeted loss of £248k. This is largely due to a saving on interest as anticipated works on Eustace Crescent were rephased, and the

budget is currently being reviewed.

3.3 Optalis

- The post-tax result for December is a profit of £13.2k - favourable to budget by £11.6k (budget £1.6k profit). The main reason for the variance is the year to date reversal of corporation tax provision of £8.2k.
- The profit for the month excluding the corporation tax adjustment was £4.9k.
- 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 December 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 £46.0k - favourable to budget by £10.8k (budget £35.2k).
- The full year pre-tax result is forecast at £60k (which is after a return of £250k to the Commissioner as budgeted).
- Net assets at 31 December are £232k (budget £182k).
- Cash at 31 December was £407k (budget £815k).
- The YTD December results are summarised below:

Total Company Dec YTD	Actual	Budget	Budget Variance
	(£000)	(£000)	(£000)
Turnover	8,801	8,265	536
Costs	(8,689)	(8,154)	(535)
Operating Profit	112	111	1
Depreciation	(66)	(68)	2
Profit before tax	46	35	3
Corporation tax	0	(8)	8
Net profit	46	35	11

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

Total Sub Group	Dec	Dec	Budget	Prior Mth	
DECEMBER	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	7	15	(8)	9	(34)
Costs	(32)	(62)	30	(106)	(28)
Operating Loss	(25)	(47)	22	(97)	(63)
Non Trading costs	-	-	-	-	-
Depreciation	(2)	(2)	0	(2)	0
Loss before Tax	(27)	(49)	22	(99)	(63)
Taxation	-	-	-	-	-
Net Loss	(27)	(49)	22	(99)	(63)

Wokingham Housing Limited (Consolidated)

P09: December Year To Date

Profit and Loss Account for
the period to 31st December
2015

	Actual	Budget	Variance
	£	£	£
Income	68,636	113,199	(44,563)
Operating Expenditure	(479,633)	(542,601)	62,968
Operating Loss	(410,998)	(429,402)	18,404

Income for December 2015 is £7k (Year to date £69k). Against budget this represents a shortfall in month of £8k (YTD behind by £45k). This is due to timing of income and this billing is now expected later in the year. Operating expenditure is underspent in the month by £30k due to an expectation of expenditure spent both earlier in the year and in terms of administrative support for the Housing Association registration. YTD expenditure is also underspent by £63k principally in conjunction with the shortfall in income but also in connection with lower payroll costs and lower repairs costs but offset by higher professional fees.

The Net Loss position of £27k in the month and Net Loss of £411k YTD are £22k and £18k ahead of budget.

Balance Sheet

Capital Expenditure of £594k in the year includes the initial contractor payments for the build of Phoenix Avenue of £400k.

Net assets total £605k at 31st December 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

Reasons for considering the report in Part 2

The Optalis Business Plan contains commercially sensitive information

List of Background Papers

None

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