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| TITLE | Council Owned Companies Business |
| FOR CONSIDERATION BY | The Executive on 31 March 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 31 January 2016;
- 2) note the operational update for the period to 29 February 2016.

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 February 2016.

Operational Update

An operational update is provided from each of the companies as at 29 February 2016 in paragraph 2 below.

Financial Report

A budget monitoring report is provided for each of the companies for January 2016, 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 to the directorships of the group companies since the last report to Executive.

2. Operational Update to 29 February 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:
 - Outstanding registered manager applications have been submitted and interviews have taken place for Cockayne Court manager and the START manager respectively. Formal confirmation of registration is awaited.
 - The proposed restructure of Optalis' Extra Care services (Alexandra Place, Beeches Manor and Cockayne Court) has been agreed by the commissioner and the Optalis senior team. An internal recruitment process is being prepared and it is anticipated that an appointment will be made in early March.
 - To complete the restructure Optalis will remove registrations for the three individual services, and apply for one single 'Extra Care Services' registration; this will be progressed once the single manager is in place.
- No Care Governance Ratings are currently in place.
- Sickness absence overall for January was an average rate of 13.1 days per year and an underlying short term rate of 9.5. This represents a spike in absence, with the main pressure being in older people's services, whereas other service areas are below or only slightly above the target of 5 days. There were six people experiencing long term sickness (over 30 days continuous absence), evenly spread across services; each employee in this situation is carefully monitored and supported back to work wherever possible.
- Recruitment to the Head of Service in Brokerage & Professional Support has not been successful to date. A candidate was interviewed and accepted the offer of the role on 29 January, but subsequently withdrew. The executive search continues and positive CVs are still being pursued.
- A programme of recruitment for the Director of Quality & Delivery (formerly Commercial Director) role is currently underway. In the meantime the contract of the current interim has been extended to the end of June.
- Following the successful TUPE consultation Nicholson House Extra Care service in Abingdon transferred to Optalis' portfolio on 15 February 2016. An introduction and welcome event was held on 24 February.
- A tender for Extra Care Services in Harrow led to an interview on 17 February. The outcome is awaited.

The first Optalis Care Governance Committee met during February. The Committee will oversee all of Optalis' operational quality and compliance activities to ensure the organisation is able to support continuous improvement and learning. The Committee is attended by SMT and all service managers, chaired by the managing director.

Business Development:

Oxfordshire County Council

- As per above, the contract to run Nicholson House in Abingdon commenced on 15 February 2016.

Wokingham

- Optalis has now been engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (Bulmershe) set to open in October 2016. Early indications are that the scheme may be delayed until February 2017, which will affect Optalis projected budget for 2016-17 adversely.

West Berkshire

- The tender for the home care framework was suspended by the authority; we await news.

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. An interview took place on 17 February and the outcome is awaited shortly.

Bury

- The LATC consultancy work with Bury MBC has now concluded following successful delivery. The intention is to write up a case study jointly with Stepping Out for promotional purposes.

Nottinghamshire

- A LATC consultancy contract has been delivered by the managing director in partnership with Stepping Out consultants. The work focused on support to develop and Outline Business Case and an Options Appraisal for presentation to the Council's decision making bodies. The next step, if the Council decides to proceed, would be the development of a Full Business Case.

Supported Employment

- The SES team have been approached by a local college and a college in Oxfordshire with a view to possibly delivering further projects like 'Ace@Optalis', focused on work preparation for young people with disabilities. Negotiations continue.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

There are no landlord operational matters to report on the management of Hillside. At Vauxhall Drive a meeting with residents' parents and the care provider LinkNursing has taken place to clarify responsibilities between Loddon Homes Ltd (LHL) and WBC and improve communication between all parties around the on-going issues from the original works and associated defects/specification errors.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue:

The development continues to progress well and there have been no issues identified of concern in meeting the current programme.

Fosters Extra Care Home:

Tender returns were received and Leighfields – a Swindon based contractor – has been appointed following approval from the LHL, WHL and the WBC (Holdings) Boards. Leighfields bid is under the £6.035m estimated contract sum at £5.942m. Our Employers Agent is confident they are well placed to do the development, having worked with them previously. We hope to start on site in late March or early April, which fits in with the estimated HCA grant claim for April 2016 of just over £700k.

Pipe-line sites:

Planning permission for development of two affordable homes in Elizabeth Road on HRA land is due to be heard in March. Various other small sites are at pre-application stage and we are working closely with WBC planners to ensure applications will provide good quality developments where appropriate.

The Small Contractor Framework returns have been received and now assessed by our Employers Agent. Four returns were received. The Framework was tendered on the basis of actual sites being included based on a package of sites upon which WHL has already achieved planning for – Barrett, Anson and Grovelands – and we hope to be able to appoint the successful contractor following final discussions with WBC on the best way of progressing the sites.

Loddon Homes:

Following the initial advice, and subsequent meeting, with Trowers over the advantages and disadvantages of registering Loddon Homes in the current uncertain policy climate; it was agreed to continue to try and register Loddon as a For Profit Register Provider to give the Council maximum future flexibility in its delivery of housing in Wokingham Borough.

To that end work has continued with Campbell Tickell and Devonshires to agree a final submission to the Homes and Communities Agency (HCA) which balances addressing their concerns with pointing out where we believe their concerns are unfounded. It is hoped to have this considered at an April HCA meeting, possibly the early May meeting at the latest.

3. Financial Report

Budget Monitoring for 2015-16 financial year (To 31 January 2016)

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 for WHL are now available and so an overall comparison of spend against budget is included below:

At the operational level, the net deficit was £58k, compared to a budget of 69k; this is largely due to savings on interest charges as anticipated works on Phoenix Avenue

(formerly Eustace Crescent) were rephased.

3.2 WBC (Holdings) Ltd

A loss of £171k is reported compared to a budgeted loss of £275k. As for the consolidated results this is largely due to a saving on interest as anticipated works on Phoenix Avenue (formerly Eustace Crescent) were rephased.

3.3 Optalis

- The post-tax result for January is a profit of £4.5k which is in line with budgeted profit for the month.
- The forecast for February is profit of £4.5k and March is a profit of £4.5k. The full year pre-tax result is forecast at £60k (which is after a return of £250k to the Commissioner as budgeted).
- No corporation tax provision is provided as the profit for the year will be offset by losses in other group companies.
- Revenue in the month was £5k higher than last month as we had £2.5k of consultancy for Bury and Nottinghamshire. There was £2.5k of revenue related to refund of money spent relating to deregistration of LD homes.
- The YTD pre-tax result is a profit of £51k - favourable to budget by £11k (budget £40.3k).
- Overall YTD Revenue has exceeded Budget by c£600k due to a combination of higher revenues from WBC commission; (Suffolk Lodge dementia unit, SUSD, new business from Independent Living Services - Orchard and Shipman) and Private Income (Reading College, Clement House, NRS, OT, Out and About, Private dom care, Consultancy from Bury and Nottinghamshire).
- Overall YTD Costs have exceeded budget by c£600k. This is mainly due to staffing costs including agency spend to meet the requirements of new revenue.
- The balance sheet includes a provision of c£100k relating to outstanding debtors that are over 90 days overdue. Some of the debts are over a year old. Overall it appears that 60% of the debt will need to be written off.
- Outstanding costs that have not been provided for in the balance sheet include; £20k relating to Termination costs of Commercial Director and c£20k Accrued Leave costs for additional hours worked.
- Net assets at 31 January are £237k (budget £185k).
- Cash at 31 January was £283k (budget £689k).

Risk/Mitigation

- Agency spend remains unacceptably high, however weekly management reviews chaired by the managing director have been successful in turning the trend, with agency use during November/December/January consistently reducing. Recruitment remains the greatest underlying pressures on agency spend, with sickness absence an issue in some older people's services.
- Recruitment continues to be challenging. A pilot with a recruitment agency has been launched during February, recruiting to a number of care worker roles and a social work service manager role. If the pilot is successful, Optalis will consider further engagement with the agency.
- Legal: Negotiations via the WBC legal team with Expense Reduction Analysts (ERA)

are continuing. Optalis' offer has been rejected and it is therefore now likely that the matter may be referred to the courts by ERA.

- Costs relating to termination of commercial director will be offset by release of bad debt provision for amounts recovered.

Overview of Results – Year to Date

| Total Company Jan YTD | Actual | Budget | Budget Variance |
|--------------------------|-----------|-----------|--------------------|
| | (£000) | (£000) | (£000) |
| Turnover | 9,810 | 9,223 | 587 |
| Costs | (9,686) | (9,108) | (578) |
| Operating Profit | 124 | 115 | 9 |
| Depreciation | (73) | (75) | 2 |
| Profit before tax | 51 | 40 | 11 |
| Corporation tax | 0 | (8) | 8 |
| Net profit | 51 | 32 | 19 |

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

| Total Sub Group JANUARY | Jan | Jan | Budget | Prior Mth | |
|----------------------------|--------|--------|----------|-----------|----------|
| | Actual | Budget | Variance | Actual | Variance |
| | (£000) | (£000) | (£000) | (£000) | (£000) |
| Income | 23 | 7 | 16 | 7 | (8) |
| Costs | (59) | (50) | (9) | (32) | 30 |
| Operating Loss | (36) | (43) | 7 | (25) | 22 |
| Non Trading costs | - | - | - | - | - |
| Depreciation | (2) | (2) | 0 | (2) | 0 |
| Loss before Tax | (38) | (45) | 7 | (27) | 22 |
| Taxation | - | - | - | - | - |
| Net Loss | (38) | (45) | 7 | (27) | 22 |

Wokingham Housing Limited (Consolidated)

P10: January Year To Date

Profit and Loss Account for
the period to 31st January
2016

| | Actual | Budget | Variance |
|-----------------------|-----------|-----------|----------|
| | £ | £ | £ |
| Income | 92,068 | 120,496 | (28,428) |
| Operating Expenditure | (541,196) | (593,773) | 52,576 |
| Operating Loss | (449,128) | (473,276) | 24,148 |

Income for January 2016 is £23k (Year to date £92k). Against budget this represents a surplus in month of £16k (but YTD is behind by £28k). The surplus in month is due to consultancy revenue billed in January but budgeted in November, while year to date is due to fewer failed project recharges as per budget. Operating expenditure is overspent in the month by £9k due in part to recognition of cost equivalent to consultancy revenue set against lower costs of repairs. YTD expenditure is also underspent by £53k due to lower direct costs, lower payroll costs, lower repairs costs and lower interest charges but offset by higher professional fees.

The Net Loss position of £38k in the month and Net Loss of £449k YTD are 6k and £24k ahead of budget.

Balance Sheet

Capital Expenditure of £866k in the year includes the contractor payments for the build of Phoenix Avenue of £606k.

Net assets total £567k at 31st January 2016. 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 |

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| Other financial information relevant to the Recommendation/Decision |
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| 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. |
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| Cross-Council Implications |
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| No Cross-Council Implications |
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| List of Background Papers |
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| None |
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