

Agenda Item 6.

TITLE	Council Owned Companies Business
FOR CONSIDERATION BY	The Executive on 26 May 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 March 2016;
- 2) note the operational update for the period to 30 April 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 March 2016.

Operational Update

An operational update is provided from each of the companies as at 30 April 2016 in paragraph 2 below.

Financial Report

A budget monitoring report is provided for each of the companies for March 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

- Sanjay Gandhi has left Optalis and has resigned as a director of the company.

2. Operational Update to 30 April 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 – there are no outstanding CQC compliance matters.
- No Care Governance Ratings are currently in place.
- Sickness absence overall for March was an average rate of 12.3 days per year and an underlying short term rate of 9.4, and the initial figures for April suggest a significant improvement, to 8.82 days, 6.18 without long term absence.
- Recruitment to the Head of Service in Brokerage & Professional Support has not been successful; the recent candidate did not succeed at stage 2. As there is a good interim arrangement in place this does not present an operational risk and potential other options are being considered.
- The recruitment programme for the Director of Quality and Delivery (previously Commercial Director) has progressed well. Two candidates have progressed to stage 2, which is to take place on 9 May.
- The Optalis Care Governance Committee met on 7 April to evaluate and assess priorities for quality and compliance activities.
- The new Optalis Customer Experience Champion joined the team on 5 April and is currently assessing opportunities and requirements across the organisation. An outline plan has been provided. Areas of focus will include 1) Customer Presence, 2) Customer Voice and 3) Customer Inclusion.
- Optalis continues to work with WBC on the safe continuation of the Woodley Age Concern service (WAC). WAC is in administration and for the time being the staff have been employed by WBC, with Optalis as the managing agents. There are complexities over governance, but partnership working is seeking to manage associated risks.

Progress on major corporate projects

- The employee STAR Awards event later in May is set to go ahead; the winners have been chosen (but have not been notified), and the venue and other arrangements are in place. There will be seven winners in total, one for each Core Value, and one MD's award for a team.

Business Development:

Wokingham

- Optalis has now been engaged by WBC commissioners as the provider of choice for a new extra care scheme in Woodley (Bulmershe) originally set to open in October 2016. Optalis has been notified that the timeframe has slipped to May 2017. Value: To be confirmed, but estimated at £400k.
- We continue to work with WBC on the redevelopment of the Fosters site, where a new Extra Care Housing (ECH) scheme is due to launch in September 2017. Value: Not yet available.

West Berkshire

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

Reading Borough Council

- The council has announced its intention to retender/outsource a number of ECH services and has engaged providers in initial discussions about price ranges. Optalis has responded and we await the formal tender.

Royal Borough of Windsor & Maidenhead

- The council has approached Optalis on the possible handover of a Learning Disability (LD) residential care home. The service is high acuity and there are complexities around the accommodation. Value: Not yet known, but estimated at £550k.

Hampshire County Council

- Optalis is working on a response to a tender for two 'lots' of ECH schemes in north Hampshire. Deadline is 10 May. Total value: £1.2m.

Buckinghamshire Council

- The council has issued a framework tender for learning disability, autism, transition and other client groups for supported living. Optalis is preparing a response in relation to those three areas. Value: Unknown as it is a framework agreement; the framework closes in January 2017 for four years hence the need to apply now.

2.3 Wokingham Housing Ltd (WHL)

2.3.1 WHL Completed schemes:

There are no operational changes at Hillside since our last report.

A further meeting on Vauxhall Drive took place on 9th May with scheme resident's parents and care provider, LinkNursing. Actions agreed from the last meeting have been completed and further work to resolve outstanding original specification issues has taken place and is on-going. Relationships have improved significantly between all parties and WHL has been co-ordinating the Council's response to parents and LinkNursing's issues.

2.3.2 WHL Schemes in Progress and/or Development:

Phoenix Avenue:

The development progresses well and there have been no issues identified of concern. Progress on the development can be found at WHLs website - www.wokinghamhousing.co.uk – under news, and shows significant progress on the construction of the 68 homes being built.

Fosters Extra Care Home:

The contract documentation has been signed and Leighfields have officially started on site, which has enabled the first 50% of the HCA grant of £1.496m to be claimed. Major contract works commenced on 16th May.

Pipe-line sites:

WHL achieved planning permission in April to build two, three bed affordable homes on the HRA garage site in Elizabeth Road, Wokingham. Next steps will be ensuring all relevant internal sign offs have been achieved, funding commitments agreed and the best way to tender the site for construction.

The position of the packaged sites of 12 homes at Anson Walk, Barrett Crescent and Grovelands will hopefully have been resolved by the time of the Executive meeting, with the Commissioner agreeing that Grovelands will remain as affordable rented housing. However, the Commissioner has asked WHL to look again at Barrett Crescent because of the high cost of the build based on the tender returns. Therefore the report for Executive to sign off, has been produced, which will allow us to let the contract to the top Small Contractor Framework bidder after 6th June for Anson Walk and hopefully Grovelands. We hope to then be on site on both projects by late summer.

Loddon Homes:

The revised detailed application form, Intra-Group Agreement, additional appendices and covering letter were submitted to the HCA for RP registration in mid-April by Campbell Tickell.

A letter from the HCA was received on 29th April advising Loddon Homes that an amendment to the Housing and Planning Bill proposed for the Secretary of State to make regulations to reduce local authority influence over registered providers. As this amendment is directly relevant to the application for registration by Loddon Homes, the HCA wanted to bring it to our attention and “to enquire whether the implications for the application have been considered;” and whether we “wish the assessment of the application to be taken forward at this point to a decision or whether (we) wish to have the decision deferred until such time as the provisions of the enacted legislation and any regulations are known?”

A letter from Loddon Homes, endorsed by WHL and the Council, was sent to the HCA on 9th May advising them that we were indeed aware of the uncertainties that the Housing and Planning Bill might throw up in the future, but that we had previously decided to progress with the registration of Loddon Homes to provide the Council with maximum flexibility moving forward in the delivery of affordable housing in the Borough. The recent proposals around new Secretary of State powers, which are clearly aimed at Large Scale Voluntary Transfer (LSVT) housing associations’ arrangements, have not changed our view, especially as we do not believe that the amendments would intend to apply to wholly-owned Council housing companies that had achieved RP status. We also made the point that we are concerned about the length of time it is taking to progress our application which we originally submitted on 1st September 2015.

3. Financial Report

Budget Monitoring for 2015-16 financial year (To 31 March 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 for the full year was £671k, compared to a budget of £669k; The net deficit after interest and tax for the full year was £758k compared to a budget of £896k - 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 full year deficit of £228k is reported compared to a budgeted deficit of £330k. 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 March is a profit of £4.0k which is on budget for the month. The provision for Corporation tax has been eliminated from the actuals as Group relief will net this to zero.
- The full year pre-tax result is £60k which matches the pre-tax forecasted position for the company and is £10k higher than the original budgeted outcome. (This is after a return of £250k to the Commissioner as agreed).
- Revenue in the month was £60k higher than budget due mainly to additional income generated following a review by Operational Services of extra care and re-mapping core delivered hours to contracted hours.
- Overall YTD Revenue has exceeded Budget by c£715k due to a combination of higher revenues from WBC commission (Suffolk Lodge dementia unit, SUSU),
- 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£695k. This is mainly due to staffing costs including agency spend to meet the requirements of new revenue.
- Net assets at 31 March are £245k (budget £193k).
- Cash at 31 March was £353k (budget £843k). There are inter-company debtors and creditors outstanding as at the year-end between WBC and Optalis.

Risk/Mitigation

- Agency spend remains high and weekly management reviews chaired by the Managing Director continue. Recruitment remains the greatest underlying pressure on agency spend, with sickness absence affecting some services. Progress has been made in learning disability services in particular, and this service area is likely to be able to stand down from the meeting at the end of May when they should be fully recruited.
- Recruitment continues to be challenging, however, we have 12 starters on the induction starting 3 May, with a further induction on 26 May.
- 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. There have been no developments since the last report to the Board.

- The work with WBC on the Woodley Age Concern continues to challenge Optalis operationally and financially.
- The change in finance resources since the departure of the Finance Director on 13 April has naturally led to some business continuity risk, however adequate control measures are in place.

Overview of Results – Year to Date

Total Company Aug YTD	Actual	Budget	Budget Variance
	(£000)	(£000)	(£000)
Turnover	11,890	11,175	715
Costs	(11,732)	(11,035)	(698)
Operating Profit	158	140	18
Depreciation	(98)	(90)	(8)
Profit before tax	60	50	10
Corporation tax	0	(10)	10
Net profit	60	40	20

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

Total Sub Group MARCH	Mar	Mar	Budget	Prior Mth	
	Actual	Budget	Variance	Actual	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)
Income	26	11	15	7	(0)
Costs	(98)	(82)	(16)	(71)	(19)
Operating Loss	(72)	(71)	(1)	(64)	(19)
Non Trading costs	-	-	-	-	-
Depreciation	(2)	(2)	0	(2)	0
Loss before Tax	(74)	(73)	(1)	(66)	(19)
Taxation	-	-	-	-	-
Net Loss	(74)	(73)	(1)	(66)	(19)

Wokingham Housing Limited (Consolidated)

P12: March / Full Year To Date

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

	Actual	Budget	Variance
	£	£	£
Income	125,269	138,724	(13,455)
Operating Expenditure	(714,516)	(744,733)	30,217
Operating Loss	(589,247)	(606,009)	16,762

Income for March 2016 is £26k (Year to date £125k). Against budget this represents a surplus in month of £15k (but YTD is behind by £13k). The surplus in month is due to consultancy revenue billed in March and correction of billing between companies for year end, while year to date is due to fewer failed project recharges as per budget. Operating expenditure is overspent in the month by £16k due in part to recognition of cost corrections accrued, legal costs on Fosters construction contracts and payroll accruals for 2015/16. YTD expenditure is underspent by £30k 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 £74k in the month and Net Loss of £589k YTD are £1k behind and £17k ahead of budget respectively..

Balance Sheet

Capital Expenditure of £1,857k in the year includes the contractor payments for the build of Phoenix Avenue of £1,561k in addition to £269k for demolition.

Net assets total £427k at 31st March 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.

Cross-Council Implications

No Cross-Council Implications

List of Background Papers

None

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