

# **Minutes of the Scrutiny Companies Panel 14 March 2018 for Shareholder Meeting Tuesday 20 March 2018**

## **4. Scrutiny recommendations (Pages 3 - 6)**

The Shareholder to consider comments and recommendations from the Companies' Scrutiny Panel.

The minutes of the Scrutiny Companies Panel meeting held on 14 March 2018 are attached for information. There are no recommendations for the Shareholder to consider.

Please note that the Chair of the Scrutiny Companies Panel sends his apologies for this meeting, as he is unable to attend to speak to the minutes.

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## MINUTES OF THE COMPANIES SCRUTINY PANEL

Wednesday 14 March 2018

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**COUNCILLORS PRESENT:** Councillors Fry (Chair), Gant, Henwood and Chapman.

### 15. APOLOGIES

Apologies were submitted on behalf of Councillor Simmonds.

### 16. DECLARATIONS OF INTEREST

None.

### 17. HOUSING GROUP POLICIES: RENT AND LETTINGS; DEBT RECOVERY (RESERVED TO SHAREHOLDER)

Stephen Clark introduced the report, and explained that the rent and lettings, and debt recovery policies of Oxford City Housing Limited (OCHL) were all decisions reserved to the shareholder. A shareholder meeting was scheduled for 20 March 2018 to adopt the draft policies. Key issues raised during the discussion included:

- Service level agreements were being developed in time for the first phases of development at the Barton site, which was scheduled for June 2018.
- The policies presented in the report were intended to broadly reflect the content of the policies adopted by the City Council.
- The reference to calculating rent increases based on the 11 previous CPI indices would be better explained as the previous 11 months.
- That any maximum rent price increases must be stated in the rent policy in order for OCHL to be able to raise rents. The maximum rent increase outlined in the policy was CPI + 6%. However, this was to allow for flexibility in the policy, and did not represent the actual increases that tenants would pay.
- That service charge overpayments during any given year would be offset in the next years' service charge. Only the cost of the service provided would be passed on to tenants.
- Any tenant unable to pay their rent would be managed under the debt recovery policy.
- Any personal debt written off under the policy would not affect an individual's credit score.
- Any person declared bankrupt could not be 'written on' and pursued for outstanding debts.

- The rent policy would need to be reviewed after HM Government issued guidance on the Homelessness Reduction Act 2017, and the mandatory arrangements for flexible fixed term tenancies.
- Council tenants placed in housing associations accommodation were granted lifetime tenancies.

The Panel agreed to note the report.

## **18. HOUSING GROUP BUSINESS PLAN 2017-18 - UPDATE**

The Housing Development Manager provided the Panel with a presentation on nine housing development schemes and their planned start dates. These were:

- Harts Close – February 2019
- Cumberlege Close – June 2019
- Rose Hill Advice Centre – January 2020
- Rose Hill Community Centre – June 2019
- Warren Crescent – January 2020
- Elsfeld Hall – April 2020
- Between Towns Road – May 2020
- Underhill Circus – late 2020
- Lucy Faithfull House – not yet programmed

The indicative programme allowed for a maximum of 243 dwellings to be brought forward between these sites. However, this would be likely to reduce after more detailed work was undertaken due to planning constraints which were likely to impede the capacity of some schemes.

The Housing Development Manager highlighted key issues including:

- The archaeological significance of the Lucy Faithful House site had meant that detailed design work could not yet be undertaken, and a start date had not yet been identified.
- Architects had been appointed for the nine schemes.
- All of the schemes were on council owned land, and OCHL would commission building contractors to undertake the work.
- The viability of Housing Schemes within the Company are measured against a number of criteria including:
  - a) An internal rate of return of at least 4%.
  - b) Payback is within 40 years.
  - c) That the schemes would add value to OCHL.
- Key risks associated with the proposals concerned building cost inflation and capacity to deliver the schemes whilst other major infrastructure projects were taking place. There was also a risk that interest rates of the Public Works Loan Board would increase, creating additional costs for OCHL.
- Loans from the City Council are based on state aid compliant rates.

- There were opportunities in terms of; regenerating existing housing stock, the growth and housing deal, and OCHL's borrowing capacity.

The Panel made several observations and suggestions, including:

- That the change from the original to the revised development programme showed a significant increase in outright dwelling sales and a decline in affordable rent dwellings. Officers highlighted that the tenure mix would change frequently depending on factors such as building costs and rates of return.
- It would be preferable for the design of new schemes to match the built environment in which they were set.
- Concern over the sufficiency of the immediate parking allocation at Rose Hill, and the potential for overflow into surrounding roads.
- The chart which details the original and revised development programme could be more accessible to the public by using a key to explain the abbreviations in future reports.
- That the reference to capitalised interest could be interpreted in different ways.
- Concern that the schemes being brought forward would require additional resource within the Planning Team. The Housing Development Manager explained that any additional work would be appropriately resourced.
- Regret that only 2 of a potential maximum of 5 void dwellings were to be transferred to the OCHL in 2017/18, representing a missed opportunity for the company, which will have a detrimental impact on the finances of OCHL in the future.

David Watt introduced the OCHL statement of profit, loss and comprehensive income. Key issues highlighted included:

- The Company revenue statement is in deficit for the early years of the Business Plan until revenue generation from the housing schemes materialises.
- The financial forecasts would change over the course of the Plan period.
- OCHL would be 100% funded through loan agreements with the City Council.
- A private sector accountancy firm had been appointed to secure best value in OCHL's tax planning arrangements.
- In the long term, there was potential to develop a dividends policy to generate revenue income for the Council.

The Panel agreed that it would be appropriate for the Scrutiny Committee to establish sub-panel arrangements in the new municipal year that enabled members to perform a timely review of Shareholder reports. The Scrutiny Officer would discuss this with the Chair of the Scrutiny Committee and others in due course.

The Head of Finance agreed to circulate the external audit report of Binder Dijkster Otte (BDO) to the Panel, which was considered by the Audit and Governance Committee on 12 March 2018, and the associated minutes.

The Housing Development Manager agreed to circulate examples of the design work undertaken by the appointed architects to the Panel, and the Panel agreed to note the report.

**19. ITEMS TO BE CONSIDERED IN PRIVATE - MATTERS EXEMPT FROM PUBLICATION**

**20. HOUSING GROUP BUSINESS PLAN 2017-18 - UPDATE - EXEMPT**

All aspects of this item were discussed in open public session.

**21. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 14 December 2017 were agreed as a correct record.

**The meeting started at 5.00 pm and ended at 6.05 pm**