

Agenda

for a meeting of the

www.oxford.gov.uk



Shareholder and Joint Venture Group for Oxford City Council Companies

Date: **Thursday 27 April 2023**

Meeting starts at: **6.00 pm**

Place: **Long Room - Oxford Town Hall**

For any further information please contact the Committee Services Officer:

Lucy Brown, Committee and Member Service Officer

Telephone: 01865 25 2784

Email: democraticservices@oxford.gov.uk

This meeting will be held mostly or entirely in private session as the Group will be discussing commercially sensitive matters and information relating to the Council's companies.

Many of the reports are not available to the public as they contain commercially sensitive information relating to the Council's companies.



OXWED

Oxford West End Development Ltd

*Barton Oxford
LLP*

Shareholder and Joint Venture Group

Membership

Chair Councillor Susan Brown

Vice-Chairs Councillor Ed Turner

Members Councillor Chewe Munkonge Councillor Alex Hollingsworth
Councillor Nigel Chapman Councillor Linda Smith
Councillor Louise Upton Councillor Anna Railton

The quorum for this meeting is three members.

Advisers to the Group (the SJVG)

Lucy Brown	Law and Governance	Alice Courtney	Law and Governance
Nigel Kennedy	s151 Officer / Head of Financial Services	Marcia Ecclestone	Law and Governance
Caroline Green	Chief Executive		

Agenda items

Number	Agenda item	Approximate start times/ Pages
	<p>Public reports can be viewed individually from the SJVG meeting page on the council's website.</p> <p>Separate packs for each company, containing all the reports for that company, are sent to the SJVG members and their support officers and to those attending on behalf of that company.</p> <p>This agenda shows the approximate time when the SJVG will consider reports from each company.</p>	
1	Apologies for absence	
2	Declarations of interest	
3	Scrutiny comments and/or recommendations	
	<p>The Group is asked to consider any comments and/or recommendations from the Companies' Scrutiny Panel on matters not on the agenda.</p> <p>Representatives of the Companies' Scrutiny Panel may also comment on substantive items.</p>	
Items relating to the Companies		
	<p>The agenda item text indicates which documents are available to the public and which are private.</p> <p>Public reports in this section are available on the website under each agenda to download individually but are not included in an agenda pack.</p>	
4	<p>Oxford Direct Services Ltd and Oxford Direct Services Trading Limited: External Auditor Appointment 2022/23 [public]</p> <p>Purpose of report: To propose the appointment of Mazars LLP as external auditor for the 2022/23 financial statements.</p> <p>Recommendation: that the Shareholder and Joint Venture Group resolves to:</p> <ol style="list-style-type: none"> 1. Note the current position in respect of 2021/22, the current state of the audit market, and the increase in audit requirements. 2. Approve the appointment of Mazars LLP as external auditor for the 2022/23 financial statements. 	13 - 16
5	SJVG Confidentiality and private session	

If the SJVG wishes to exclude the press and the public from the meeting during consideration of any of the items on the exempt from publication part of the agenda, it will be necessary for the SJVG to pass a resolution in accordance with the provisions of Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

The SJVG may maintain the exemption if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6 Oxford Direct Services Ltd and Oxford Direct Services Trading Limited

Those who may attend for this company's items:

Company Directors:

Tim Sadler (Non-Executive Director, Chair of the ODS Board)
Catherine Pridham (Non-Executive Director, Chair of ODS Audit Committee)

Michael Whitwell (Non-Executive Director)

Simon Howick (Managing Director)

Gregor Budde (Finance Director)

Others in attendance:

Lindsay Cane (Company Secretary)

David Curtis (Chief Commercial Officer)

7 Commentary on the ODS to Shareholder from the Head of Financial Services [private] 17 - 18

The Commentary on ODS to the Shareholder and Joint Venture Group Report provides an update on three distinct areas:

- The 2021-22 Outturn;
- 2022-23 budget monitoring update;
- Achievement of 2023- 24 Business Plan.

8 ODS Group Performance Report [private] 19 - 44

Report of: ODS Group Board

Purpose of report: to provide the Shareholder Group with an update on the ODS Group performance 2022/23 and the 2021/22 close of accounts.

Recommendations: that the Shareholder and Joint Venture Group resolves:

1. **To note** the 21/22 close of accounts update and steps being taken to support the timely conclusion of 22/23 accounts
2. **To note** the timeframe for confirmation of ODS Group net profit after

tax for 2022/23

3. **To note** progress supporting delivery of the Business Plan
4. **To note** progress made towards the acquisition of a target business
5. **To ratify** payment of £500 (pro-rata) to ODS staff consolidated into pay with effect from February 2023
6. **To note** the group principal risks and mitigations
7. **To note** the update regarding new pay deal discussions
8. **To note** the ODS Equality, Diversity and Inclusion Strategy & Plan

9 Minutes of the previous meeting [part private]

Recommendation: to approve the public and private minutes of the Shareholder and Joint Venture Group meeting on 8 December 2022 as a true and correct record.

45 - 54

Commercially sensitive information

The private/ restricted access parts of this agenda contain commercially sensitive information relating to the Council's companies and joint ventures. The handling of confidential information is an important element in the relationship of trust that exists between members, officers and the public.

A mishandling of such information or its accidental or deliberate disclosure will damage that trust as well as possibly lead to formal proceedings being taken against the Council, individual members or officers.

The duty not to disclose information provided to a member in confidence is governed by the General Obligations under the Members' Code of Conduct contained in the Council's constitution (Paragraph 22.7).

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". The matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

Members Code – Other Registrable Interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing** of one of your Other Registrable Interests*** then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Members Code – Non Registrable Interests

Where a matter arises at a meeting which ***directly relates*** to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under Other Registrable Interests, then you must declare the interest.

You must not take part in any discussion or vote on the matter and must not remain in the room, if you answer in the affirmative to this test:

“Where a matter affects the financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest You may speak on the matter only if members of the public are also allowed to speak at the meeting.”

Otherwise, you may stay in the room, take part in the discussion and vote.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member’s spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

** Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person’s quality of life, either positively or negatively, is likely to affect their wellbeing.

*** Other Registrable Interests: a) any unpaid directorships b) any Body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority c) any Body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Shareholder and Joint Venture Group

Information about Oxford City Council companies

Information about each company is also available on the [Companies House](#) website.



1. Oxford Direct Services (ODS)

ODS is the wholly owned trading arm of the Council. It is structured as two companies that work together to deliver cost-effective public and commercial services include building, waste & recycling, streetscene, parks & open spaces, highways & engineering, motor transport and pest control.

Companies:

- (i) **Oxford Direct Services Limited (ODSL)** (Company no.10719222)
a “Teckal” company* which provides services directly to the Council; and
- (ii) **Oxford Direct Services Trading Limited (ODSTL)** Company no.10719214
is a trading company which trades and competes for business in the wider city economy:

Oxford City Council is the sole shareholder in both companies and both are controlled by the same Board of Directors.

*see para 5 for the definition of “Teckal”



2. The Housing Group Oxford

Oxford City Housing Limited (OCHL) is the Council's wholly owned housing company which aims to increase housing supply in Oxford. OCHL has two wholly-owned subsidiaries and the three companies are known collectively as “The Housing Group”

The Housing Group benefits from “Teckal” status

Oxford City Housing Limited – OCHL (Company no.10212716)

This is the parent or holding company for the two subsidiaries (listed below) which were established for the purposes of:

- (i) Buying and selling of own real estate and
- (ii) Letting and operation of own or leased real estate
- (iii) Development of housing projects

Oxford City Housing (Investment) Limited – OCH(I)L (Company no.10370637)

The purposes include:

- (i) Buying and selling of own real estate and
- (ii) Letting and operation of own or leased real estate

The company primarily procures the social rented housing being delivered at the major new mixed-tenure development at Barton Park, required of housebuilders as part of the Section 106 Agreement entered into by Barton Park LLP (the joint venture between the City Council and Grosvenor Estates). This arrangement is planned to continue for both current and future phases and is anticipated to provide in total 354 social rented homes over a number of years. The homes are let and managed by the Council but ownership remains with the company. The rental stream services the loans taken out by the company from the Council's General Fund. Future activity would also potentially include forms of ownership of market rented housing.

Oxford City Housing (Development) Limited – OCH(D)L (Company no.10370647)

The purpose is:

- (i) Development of housing projects

The company delivers mixed tenure housing developments which include the sale of affordable housing units to the Council. For each development scheme there is usually:

- Open market housing for sale
- a 50% affordable housing requirement (subject to scheme viability) in the negotiated S106 agreement and
- 'additionality' where the Council secures grant/subsidy to support the purchase of some or all of the open market housing on each scheme, to 'flip the tenure' to achieve additional affordable housing, where this represents value for money.

3. Oxford West End Development Ltd (OXWED) (Company no.09957392)



OXWED is a joint venture development partnership company with Nuffield College created to enable the delivery of a major new mixed used development on the Oxpens site, a key site to the west of Oxford City Centre.

The Council and Nuffield College each have a 50% holding in OXWED and each can appoint three directors to the OXWED Board which takes some strategic and all operational decisions.

OXWED has different shareholder arrangements from the other Council Companies because most shareholder decisions must only be taken by jointly by the shareholders (the Council and Nuffield College).

4. Barton Oxford Limited Liability Partnership (LLP) (Company no.OC368330)

Barton Oxford LLP is a joint venture development partnership of the Council and Grosvenor Developments Ltd created to enable the delivery of the major new development now known as Barton Park.

The structure and governance of an LLP is different from that of a Limited Company.

5. Definitions

Teckal status: The Housing Group and ODS benefit from “Teckal” status allowing them to trade (contract for works, services or supply) with the Council and other “Teckal” companies wholly within the ownership of the Council, without having to go through a competitive tender process.

A “Teckal” company benefits from contracts for works, services or supply from its controlling Contracting Authority (the Council) without having to go through a competitive tender process and must meet these tests among others:

- the Council must exercise a control which is similar to that which it exercises over its own departments – this means it/they must exercise a decisive influence over both strategic objectives and significant decisions of the controlled company either itself or through another subsidiary; and
- more than 80% of the activities of the company must be carried out in the performance of tasks entrusted to it by the Council.

This page is intentionally left blank

To: Shareholder and Joint Venture Group
Date: 27 April 2023
Report of: Head of Financial Services
Title of Report: Oxford Direct Services Ltd and Oxford Direct Services Trading Ltd External Auditor Appointment 2022/23

Summary and recommendations	
Purpose of report:	To propose the appointment of Mazars LLP as external auditor for the 2022/23 financial statements.
Recommendation: that the Shareholder and Joint Venture Group resolves to:	
	<ol style="list-style-type: none"> 1. Note the current position in respect of 2021/22, the current state of the audit market, and the increase in audit requirements. 2. Approve the appointment of Mazars LLP as external auditor for the 2022/23 financial statements.

Appendices	
	None

Background

1. The contract for the external audit of the Council's wholly owned group companies plus Barton Oxford LLP is with Mazars LLP up to the conclusion of the 2021/22 audit. The appointment of company auditors is a reserved matter for the shareholder and this report is being brought in order to gain approval from the shareholder for the appointment of Mazars LLP for a further year to enable the delivery of the 2022/23 financial year audit. The intention would be to tender the contract for the audit of the 2023/24 accounts. The contract is arranged by the Council as shareholder of Oxford City Housing Limited, Oxford Direct Services Limited (ODSL), and Oxford Direct Services Trading Limited (ODSTL) and 50% partner in Barton Oxford LLP, however the services are to be provided to the relevant legal entity and the fees are payable by them.
2. The current contract is let to a single auditor for them to provide the audit for all of these companies due to both the complex inter-company relationships which are best dealt with on a consistent basis by one auditor and also to enable Council officers to have one point of contact and one process through which to manage the audit. These requirements continue to be important and as such a report is

being sent to the shareholder meetings of each of the entities to gain the same approval.

The Position in Respect of the 2021/22 Audit

3. The audit is ongoing for ODS 2021/22 due mainly to issues experienced with QL and is unlikely to be concluded until June 2023 at the earliest, at which point the next year's financial year closedown process will be underway. Audit rely on the completion of the prior year accounts for the brought forward figures and the 2021/22 carry forwards will not be available. This therefore means that no reliance can be placed on the balance sheet until the 2021/22 accounts are completed. The issues around systems and the accuracy of financial information within ODSL during 2021/22 and the closedown relating to that year means that any new auditor would not be able to easily place reliance on processes and systems of internal control.

Audit Market Capacity

4. There is a lack of capacity in the audit market for large scale audits such as Councils and Council group companies and auditors are able to choose work that fits their capacity. Increased scrutiny from the Financial Reporting Council (FRC) on the work of audit firms has led to a number of very significant fines of audit firms. Auditors are therefore undertaking more intensive work to cover off the risks. The higher the risk, the less likely an auditor would be to undertake the work. ODSL and ODSTL are currently high risk due to the uncertainty of the 2021/22 financial accounts, the breakdown in financial processes which led to this position and the time it is taking for rectification of the situation to be undertaken.
5. Even if an auditor decided to bid for this work it would invariably be at a very substantial premium. During discussion with the existing auditor, Mazars, they have indicated that if the work were put out to tender then they would not bid for the work because of the risk involved; they have only agreed that they would be willing to undertake the 2022/23 audits after a degree of persuasion.

Auditing Standards

6. Last year saw significant revisions to auditing standards, addressing the audit of accounting estimates and going concern with further revisions to major auditing standards on risk assessment and fraud (revisions to existing International Standards on Auditing (ISAs) (ISA (UK) 315 and ISA (UK) 240)) in the following year. The reason for these changes has been the sudden and high profile failures of major companies and the subsequent scrutiny of the audits of those organisations. As a result, there have been several reviews of the audit market with the aim of improving audit quality. In addition, auditing standards have been updated to keep pace with technology and the way businesses operate today in a digital world. These changes impact on the audits for private and public companies alike, including the Council's group companies. (They also impact on the Council itself since the council operates under the International Financial Reporting Standards and the Council auditors have to comply with ISAs.)
7. ISA (UK) 315, the standard on identifying and assessing the risks of material misstatements has seen a significant expansion. This standard is all about

understanding the entity, its environment, and the applicable financial reporting framework, in order to adequately identify the risks of material misstatement. This standard has specific relevance to ODSL and ODSTL due to the issues that arose in 2021/22 that inevitably then pose an ongoing risk for the 2022/23 audits. Changes to ISA (UK) 315 will likely result in more discussions and requests for information and documentation during the audit planning stage. This will mean the auditor looking more closely at policies, procedures and internal controls than they have done in previous years, and they will focus more heavily on the general IT environment to gather a greater understanding of the potential risks arising from the technology used within the business. The auditor will need to gain a more thorough understanding of the structure of the IT hardware and software and the various layers of the IT system such as security and access rights.

8. Five inherent risk factors have also been introduced to risk assessment: complexity, subjectivity, change, uncertainty and susceptibility to misstatement due to management bias or other fraud risk factors, insofar as they affect inherent risk. New requirements have been added with respect to the entity's control environment, including more evidence/information on controls relevant to the audit and on the design and implementation testing required to be undertaken in all cases.
9. These changes have a direct impact on both the willingness of audit firms to undertake work (especially when combined with increased FCA scrutiny) and the price that needs to be paid for an audit. The latter is impacted both through the increased workload and also the increased risk of undertaking an audit.

Conclusion

10. For all of the reasons included within this report it is considered that appointing Mazars LLP for another year is the best approach for the Council and its group.

Financial implications

11. After discussions with the auditor, the following fees have been proposed for the audit of the 2022/23 financial accounts:

- ODS entities – £70,000 (excluding VAT)

The base fee for 2021/22 was £38,000 with a supplement for the issues around QL that were known at the time of the start of the audit of £12,000 for a total of £50,000. It is likely that the final fees for 2021/22 accounts will be higher than the original estimate due to the additional issues that became apparent after the audit had commenced. The fee increase for 2022/23 is in line with the general additional costs of audit in the market and the increased audit risks.

Legal issues

12. Section 475 of the Companies Act 2006 requires that a company's annual accounts for a financial year must be audited unless the company due to being a small company, a subsidiary of another company or dormant.

Report author	Bill Lewis
----------------------	------------

Job title	Financial Accounting Manager
Service area or department	Financial Services
Telephone	01865 252607
e-mail	blewis@oxford.gov.uk

Background Papers:
None

Agenda Item 7

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Agenda Item 8

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

**Open minutes of a meeting of the
Shareholder and Joint Venture Group
for Oxford City Council Companies
on Thursday 8 December 2022**

www.oxford.gov.uk



SJVG members:

Councillor Brown (Chair)

Councillor Turner (Vice-Chair)

Councillor Munkonge

Councillor Hollingsworth

Councillor Chapman

Councillor Linda Smith

Councillor Upton

Officers representing the Council and/or supporting the Shareholder:

Caroline Green, Chief Executive

Nigel Kennedy, Head of Financial Services

Lucy Brown, Committee and Member Services Officer

Company Directors and support staff present for all or part of the meeting (see individual minutes for details):

Lindsay Cane, Company Secretary, Oxford Direct Services

Simon Howick, Managing Director, Oxford Direct Services

Tim Sadler, Non-Executive Director, Oxford Direct Services

Gregor Budde, Finance Director, Oxford Direct Services

Tom Hook, Non-Executive Director, Oxford Direct Services

Catherine Pridham, Non-Executive Director, Oxford Direct Services

Michael Whitwell, Non-Executive Director, Oxford Direct Services

David Curtis, Chief Commercial Officer, Oxford Direct Services

Guests present (members of the Companies Scrutiny Panel)

Councillor James Fry, Companies Scrutiny Panel

Councillor Mike Rowley, Companies Scrutiny Panel

Apologies:

Councillor Morris sent apologies.

Minutes

22. Declarations of interest

None received.

23. Scrutiny comments and/or recommendations

Cllrs Fry and Rowley were present to represent the Companies Scrutiny Panel and questions and issues identified were taken as part of the discussion under the individual agenda items.

24. SJVG Confidentiality and private session

The SJVG passed a resolution in accordance with the provisions of Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 to exclude the press and members of the public on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

25. Oxford Direct Services Ltd and Oxford Direct Services Trading Ltd (Private)

Present for this part of the meeting:
Tim Sadler (Chair of ODSL/ODSTL)
Michael Whitwell (Non-Executive Director)
Catherine Pridham (Non-Executive Director)
Tom Hook (Non-Executive Director)
Simon Howick (Managing Director)
Gregor Budde (Finance Director)
Dave Curtis (Chief Commercial Officer)
Lindsay Cane (Company Secretary)

26. ODS Group Performance Report

The SJVG received a report which provided a revised ODS Business Plan and gave the Shareholder Group an update on the ODS Group Performance for 2021/22 and 2022/23.

Cllr Smith arrived at the meeting.

The SJVG discussed the report in private session. Members of the Companies Scrutiny Panel contributed questions and comments.

The SJVG noted the contents of the report and following discussion, resolved to amend the recommendations as highlighted:

1. To **note** the working assumption of the ODS Group 2021/22 net profit after tax is around £1,800k. This remains subject to finalisation and auditing of the accounts.
2. To **note** in addition to the £600k recently paid for 2020/21, it is the Board's intention to declare and pay a further dividend once the year end work is complete and any increase in profitability over the 2021/22 Business Plan projection of £1,068k will be taken into account in the Board's deliberations.
3. To **note** the Board approved the combined ODS 2022/23 budget with a net profit after tax target of £2,228k.
4. To **note** the period 7 trading position to date.
5. To adopt the ODS Business Plan approved by Directors (appendix 1) which increases the net profit forecast across the same three year period by £2,491k and adds a further year, **subject to a further report outlining the projected growth trajectory of construction projects outlined in the Business Plan.**
- ~~6. To note the proposed changes in ODSTL Company Directors set out in the accompanying paper~~

Cllrs Turner, Upton and Fry left the meeting part way through discussions.

27. Commentary on the ODS to Shareholder from the Head of Financial Services

The SJVG had before them a report from Nigel Kennedy, Head of Financial Services which provided the Shareholders with a commentary on the ODS 2021/22 Outturn, 2022/23 budget monitoring update and 2022/23 to 2025/26 Business Plan and was discussed alongside the ODS Group Performance Report.

28. Changes to ODSTL Board membership

David Curtis left the meeting.

The SJVG had before them a report which asked them to consider substituting a new director for an existing director on the ODSTL Board and to add an additional executive director to the ODSTL Board.

The SJVG **resolved** to:

1. Appoint David Curtis to the Board of ODSTL in place of Jane Lubbock, who has submitted her resignation from the Board;
and,
2. To appoint Anne-Marie Scott as an additional director of ODSTL.

29. Minutes of the previous meeting [part private]

The SJVG agreed to approve the open and confidential minutes of the meeting held on 28 July 2022 as a true and accurate record.

The meeting started at 6.00 pm and ended at 7.55 pm

Chair:

Date: 1 March 2023

Note: the next meeting is on Wednesday 1 March 2023

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank