

To: Oxford City Housing Ltd Shareholder Meeting
Date: Shareholder 23 July 2019
Report of: Richard Connolly Interim MD Company Director and Board Chair
Title of Report: Progressing the strategic future direction of the Council's Group of Housing Companies and the 2018/19 Annual Review

Summary and recommendations	
Purpose of report:	To update the Shareholder on progress of the strategic review and revised Business Plan for the OCHL group of companies. To receive the 2018/19 Annual report and audited Financial Statements for the year ended 31 March 2019.
Recommendation(s): That the OCHL Shareholder resolves to:	
<ol style="list-style-type: none"> 1. Note the progress of the strategic review and revised Business Plan for the OCHL Group of companies and to seek support for the proposed plan of action. 2. Note the Housing Group Annual Review (Appendix 1); 3. Note the audited Annual Report and Financial Statements for the year ended 31 March 2019 (Appendix 2) 4. Note the Housing Group Delivery Programme (Appendix 4). 	

Appendices	
Appendix 1	Housing Group Annual Review 2018/19
Appendix 2	Annual Report and Financial Statements for the year ended 31 March 2019.
Appendix 3	Confidential information.
Appendix 4	Housing Group Delivery Programme.

Introduction and background

1. The Council's City Executive Board on the 17 March 2016 agreed to set up a group of housing companies (OCHL) now being OCHL (Group) the parent, OCHL (Investment) and OCHL (Development) to be wholly owned by the Council with the primary aim of building and owning social housing. This was in response to changes in Government policy namely the introduction of four years of rent reductions and a high value asset levy, which taken together severely restricted the Council's ability to

continue with its ambitious council house building programme funded from the Housing Revenue Account (HRA) The OCHL Shareholder has previously approved a development and acquisition programme and business plan to deliver 572 new homes over the period 2018 to 2026. This includes the purchase from the Council by OCHL of the social rented homes being developed at Barton Park by Barton Oxford LLP (BOLLP).

2. Recent government policy changes have removed restrictions on the Council's ability to borrow within the HRA. This necessitated an initial review of the approach previously adopted by the Council and OCHL with respect to affordable housing delivery and subsequent on-going management.
3. The objectives of the initial review by the Council have been to:
 - Maintain the existing social housing new build programme
 - Maximise the potential to expand and accelerate the programme using the new borrowing flexibilities
 - Protect the assumed position in the Medium Term Loan Plan (MTPF) and explore the potential for an increased contribution from OCHL, if financially prudent and affordable for the company
 - Provide a more efficient and coherent model for the management of the Council's stock.
4. In May 2019 the OCHL Board, Council's Cabinet and Shareholder approved a significant change in Housing Company Group policy and the updated Business Plan to reflect this change. In summary, that OCHL continues with the current development programme of:
 - 207 mixed tenure properties including external sales. Together with a funded trickle transfer of 5 voids each year for the first 5 years, on a case by case basis, to create larger units and/or new units, where land footprint allowed. However the Council will purchase the affordable housing (Section 106) and additional homes, where agreed, with HRA borrowing and available Grant funding. This is instead of the affordable housing being retained by the Company. This activity is conducted by OCHL (Development) Ltd
 - Acquisition of the 354 social rented units at Barton Park (Ph. 1 is nearing completion and to date 35 of the 95 homes are completed). No change to policy is planned for this project which will deliver homes over many years to come. This activity is by OCHL (Investment) Ltd.
5. However, the current Business Plan for OCHL (Development) Ltd is heavily focussed on the first few years. Therefore a review of the Group's activities is underway to assess its potential as a going concern, the future direction and capacity in terms of a sound financial position, growth potential and governance.
6. The Council and OCHL is continuing to review how OCHL can accelerate delivery of affordable housing, explore the development of alternative tenures to meet housing need and support economic growth, as well as meeting MTFP commitments. OCHL has appointed an Interim MD to lead a 6 month review feeding into the 2020/21 budget setting, with the agreed following objectives:

- Examine the resources and expertise currently available to OCHL and how it is organised and make recommendation on what is needed to improve the pace of programme delivery
- Develop a delivery programme for the next batch of Council sites that have been identified as having potential to be delivered by OCHL
- Develop a viable proposition for alternative tenure offer in addition to social rent, including an affordable Private Rented Sector offer
- Given the finite number of Council owned development sites appraise opportunities for the expansion of OCHL’s activity, including the potential purchase of land for development, commission the required work to identify potential sites and develop costed proposals for these sites
- Explore delivery vehicle options to make recommendations for appropriate partnership arrangements and subject to agreement, take forward the development of the partnership(s)
- Develop proposals and make recommendations for appropriate governance of OCHL, including additional Board Directors and clarity about the relationships with stakeholders
- Develop an agreed planned approach to support the Council’s ambition of achieving net zero carbon by 2030, make recommendations on specification, and cost modelling and financial viability.

Review of the Business Plan

7. The intended outcome of the 6 months review will result in a new 10 year Business Plan for OCHL. The following work strands are now being progressed with the timelines for completion as shown in the table:

Work strand	May	Jun	Jul	Aug	Sep	Oct	Comments
Examine existing resources and expertise to accelerate delivery	✓						<ul style="list-style-type: none"> • Review of immediate requirements now completed. • Internally recruiting 18 month secondment for Strategic Finance Manager to lead on Finance for the Housing Group • Recruiting two permanent Development Managers to lead on land purchases and new projects. • Facilitates capacity, build team, skills set and volume.
Develop a delivery programme of the next batch of council sites potentially for OCHL		✓					<ul style="list-style-type: none"> • Programme identified and coordinated with Planning Service • See next table for detail.
Alternative tenure offer			●				<ul style="list-style-type: none"> • Currently scoping the

						<p>development of 'Oxford Living Rent' an Affordable Rent to buy model with Grant funding -for local working families unable to access traditional social housing or low cost home ownership.</p> <ul style="list-style-type: none"> • Intermediate rent on a form of Tenancy with the planned intention to purchase their home after 5+ years. • Affordability criteria. • Trowers Solicitors are advising on tenancies & RtB.
Develop an expanded pipeline not limited to council-owned development sites				●		<ul style="list-style-type: none"> • Early progression of a formal programme and Heads of Terms with One Public Estate-Health & County: re-provision and release of sites for housing e.g. East Oxford. • Identified priority Draft LP sites with Planning Service. Approaching vendors/agents/developers to scope potential and viability. Also use these to model 'template' schemes for later years. • Initiating exploratory discussions and then later timely promotion of OCHL as a housing delivery partner for strategic /key sites e.g. potentially Diamond Place, OXWED/future sites and Grenoble Rd (S.Ox). • Meetings in progress with West Oxon and planned for Cherwell, Vale WH & S Oxon to scope opportunities for joint working and priorities for Oxford.
Explore JV models and procurement of partnerships				●		<ul style="list-style-type: none"> • Seeking external specialist advice on scoping of model(s) and subsequent soft market testing- procurement underway • Meetings planned with key

							Developers/ HAs to understand their cross –sector partnership models across England.
Develop and recommend Governance arrangements and board membership				●			<ul style="list-style-type: none"> • Reviewing board membership in similar comparable organisations. • Reviewing board skills and requirements. • Consider recruitment routes. • Make recommendations to Board, Cabinet and Shareholder.
Develop an agreed planned approach to achieve the Council’s ambition of net zero carbon housing				●			<ul style="list-style-type: none"> • Minimum target of 40% carbon reduction and 50% carbon reduction ahead of 2026 currently set, in line with draft Local Plan on existing planning applications/consented/or uncontracted new schemes • Currently researching different approaches to achieve lower and net-zero carbon homes e.g. MMC/ Fabric-first PV/Passiv. • Specialist advice commissioned to ensure CML mortgage availability, supply chain, cost and replication. • Then agreeing specification requirements and costing for scheme viability/deliverable S106 provision and financial impact on BP. Reviewing by tenure and procurement approaches.
Business Plan review for 10 year development activity					●	●	<ul style="list-style-type: none"> • Complete Business Plan review by mid-September for Council 20/21 budget process, reporting during September & October, for planned cycle of approvals in November 19 – Feb’20.

Current programme

8. The table below summarises progress with the development sites. In addition, so far 35 of the 95 social rented units in the first phase of Barton Park have been handed over. Phase 3 (Redrow) is currently moving ahead, with potentially 83 social rent homes. Completion of initial homes are anticipated from Summer 2020.

Scheme	Number of homes- Total	Market sale	Market units being sold to HRA for 'additional' Affordable Housing (split Rent/SO)	S`106 Affordable Housing split : Social Rent SR. Affordable Rent AR. Shared Ownership SO.	Comments	Estimated Completion
Rose Hill	43 (all affordable)	0	0	18 SR 25 SO	Planning permission obtained – build contract signed with Feltham	Nov 2020
Warren Crescent	10 (all affordable)	0	0	4 SR 6 AR	Planning permission obtained – build contract signed with Leighfield	July 2020
Elsfield Hall and Cumberlege Close	35 (18 affordable)	17	0	15 SR 3 SO	Planning permission obtained. Procurement of contractor underway	Dec 2020
Between Towns Road	38 (19 affordable)	19	TBC-see comments box	16 SR 2 AR 1 SO	Planning permission obtained. Procurement of contractor underway. <i>Potential sale of 19 OM homes to HRA to be considered as part of</i>	Dec 2020

					<i>Revised Business Plan in September 19</i>	
Harts Close	2 (both affordable)	0	0	1 SR 1 SO	Planning permission obtained – price being negotiated with contractor	June 2020
Lucy Faithfull House	36 (18 affordable)	18	0	15 SR 3 AR	Pre planning application underway	Nov 2021
Underhill Circus	36 (18 affordable)	18	TBC –see comments box	16 SR 2 AR	Pre planning application underway. <i>Potential sale of 19 OM homes to HRA to be considered as part of revised Business Plan in September '19.</i>	Oct 2021
Edgecombe Drive	7 (all affordable)	0	0	3 SR 4 SO	Pre planning application underway	Jan 2021
Bracegirdle, Mortimer, Broad Oak	8 (7 affordable)	1	0	7 SR	Planning permission obtained, tenders received and being assessed	Sep 2020

Developing a delivery programme of the next batch of council sites potentially for OCHL

9. A detailed review of the potential pipeline of Council sites has been undertaken by the Development, Housing and Planning teams co-ordinated through project groups, as part of the wider review of deliverable sites across the City. Due to the

commercially sensitive nature of this information, this has been reported separately at Appendix 3 as a confidential item.

Annual Review and Annual Report and Accounts

10. The Annual Review for 2018/19 is attached at Appendix 1.

11. The Annual Report and Financial Statements for the year ended 31 March 2019 are attached at Appendix 2.

Revised business plan

12. The revised ambitious business plan is being developed as part of the strategic review along the same timeline as the Council's 2020/21 budget process.

Housing Group Delivery Plan

13. The current programme, as detailed earlier in this report, is explained in greater detail at Appendix 4 for further information.

Report author	Richard Connolly
Telephone	07771381847
e-mail	rconnolly@oxford.gov.uk