

Draft Minutes of a meeting of the COMPANIES SCRUTINY PANEL on Tuesday 28 May 2019

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Committee members:

Councillor Fry (Chair)

Councillor Gant

Councillor Munkonge

Also present

Councillor Mike Rowley, Cabinet Member for Housing

Councillor Tom Landell-Mills

David Watt, Finance Business Partner

Stephen Clarke, OCHL Company Director and Board Chair

Anita Bradley, Oxford City Council Monitoring Officer

Richard Connolly, OCHL Interim Managing Director

Stefan Robinson, Oxford City Council Scrutiny Officer

Bill Lewis, Oxford City Council Finance Accounting Manager

59. Apologies for Absence

Apologies for absence were received from Councillor Howlett and Simmons.

60. Declarations of Interest

There were no declarations of interest.

61. Minutes of the previous meeting

The minutes of the previous meeting were approved as an accurate record.

62. The future strategic direction of the Council's Group of Housing Companies

Stephen Clarke, Oxford City Housing Limited (OCHL) Company Director and Board Chair, explained that the Council agreed to set up a group of housing companies to be wholly owned by the Council with the aim of building and owning social housing in 2016. 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 council house building programme funded from the Housing Revenue Account (HRA).

More recent government policy changes had however removed restrictions on the Council's ability to borrow within the HRA. This necessitated a review of the

approach previously adopted by the Council and OCHL with respect to affordable housing delivery and subsequent on-going management. A six month review of the Company's operations was being undertaken to feed into the 2020/21 budget setting process. There may be opportunity to look at new housing products in the future, for example, such as rent to buy or the affordable private rented sector.

Councillors noted the ambitious projected completion dates for the development sites set out in the report, but heard that successful contractor appointments had already been made on early sites. Penalties for late completion owing to contractor delays were in place. Councillors commented that it was important for the credibility of OCHL that the completion dates for projects that already had planning permission were met and that the timetables for other projects seeking planning permission were realistic. Stephen Clarke said that delays were however possible as OCHL tended to take on sites that were more complicated in nature than most open market sites. It was clarified that alternative tenure such as assured shorthold tenancies could only be undertaken through OCHL and not the HRA.

As a result of the lifting of the HRA cap, it was proposed that the HRA would now take on more housing stock through sales from OCHL, in turn increasing revenue receipts for OCHL. The change in the delivery model would mean that financial benefits to the Council were realised much sooner than they would otherwise be received through long term repayments. This was summarised as moving from a revenue to a capital model of repayment. In response to detailed questioning, it was explained that the overall risk to the Council through the new approach would not change, and the principal risk and liability remained with OCHL. A key risk, for example, was the future availability of a pipeline of schemes for development.

The Panel agreed that there could be greater clarity about how the new, and previous, approach to property acquisitions and sales had changed the overall budget sheet for the Council. The Chair remarked that greater clarity could be given around the phasing of payments and dividends between OCHL and the Council, and how the early sale of properties to the Council leads to more favourable returns to OCHL. A table format of projected payments would be useful in this regard. More broadly, a detailed narrative would help inform the Shareholder and wider council cohort of how the change in approach will affect the Council and OCHL's overall budget balance.

This will be useful to the wider public also who will be interested to read that the net increase in the return to the Council from OCHL arises primarily because the sale of social housing to the HRA accelerates income from the sale of properties. It was noted on advice however that as a separate company, and as a matter of practice, reports to the OCHL Shareholder would not normally concern themselves with the finances of the Council.

In response to questions, Stephen Clarke explained that a decision on whether the Shareholder would wish to have a standalone pot for the purposes of quick property and land acquisitions was yet to be taken. This could be done, for example, through the retention of dividends back to the Council. The 2016 business plan assumed however redeeming debt and repayments as soon as

possible. Having more autonomy to react to the market is something that would be considered as part of Richard Connolly's (OCHL Interim Managing Director) six month review.

Councillors were keen to understand how OCHL's future operation might change and expand, and a discussion took place on what opportunities there might be to work with other local authorities, and other housing products, in future years. This would all be considered as part of the six month review. It was noted that the objectives of the Company remain broad to meet housing need, and therefore this does not limit how the Company may operate in the future.

63. Confidential appendices - The future strategic direction of the Council's Group of Housing Companies

Two appendices to the report on the future strategic direction of the Council's Group of Housing Companies were exempt from publication under the terms of Paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972. Accordingly, to consider this item, the Panel resolved to pass a resolution that members of the public be excluded from the meeting on the grounds that their presence would involve the likely disclosure of exempt information.

For the purposes of openness, a public summary has been provided of the discussion held in private.

The Panel noted that the Business Plan Re-refresh Financial Statements still needed to take account of appreciation in property values, once a greater portfolio of properties had been acquired. It was noted that all sales in the current medium term plan were expected to be completed before 2022/23. Whilst detailed questioning and scrutiny was undertaken of the proposals, there were no objections to the proposed new approach, following the lifting of the HRA cap.

64. Future meeting dates

The Panel noted its future meeting dates.

The meeting ended at 19:39pm

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