

**To:** Shareholder and Joint Venture Group Meeting  
**Date:** 25 September 2019  
**Report of:** Housing Group  
**Title of Report:** Governance arrangements for the OCHL Group of Companies

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To seek approval for the proposed governance arrangements.
<b>Recommendation(s): That the Shareholder and Joint Venture Group resolves to:</b>	
<ol style="list-style-type: none"> <li>1. Approve the proposals for the recruitment of two NEDs for the OCHL group of companies, the proposed job description and the proposed remuneration;</li> <li>2. Agree that two elected members as representatives of the Shareholder, the Chief Executive of the Council and an OCHL Board Director will be included in the recruitment panel;</li> <li>3. Agree that formal shareholder consent be obtained on the final selected NED applicants chosen for appointment;</li> <li>4. Agree that consideration is given to the need for and recruitment of a permanent MD as part of the outcomes of the current OCHL review.</li> </ol>	

<b>Appendices</b>	
Appendix 1	Job description and T & C – <b>Confidential Item</b>
Appendix 2	Shareholder authorities – Extract of Articles

## Introduction and background

1. The OCHL Group consists of :
  - **Oxford City Housing Ltd** in the role of Parent or Holding Company - is established for the purposes of (i) *Buying and selling of own real estate and (ii) Letting and operation of own or leased real estate.*
  - **Oxford City Housing (Investment) Ltd** - is established for *Buying and selling of own 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 (being a joint venture between The City Council and Grosvenor Estates). Going forward this arrangement is planned to continue for both current and future phases anticipated to provide in total 354 social rented homes over a number of years. The homes are let and managed by the Council's HRA team and ownership remains with the company. The rental stream services the loans taken out by the company from the Council's General Fund (PWLB). Future activity would also potentially include forms of ownership of market rented housing.

- **Oxford City Housing (Development) Ltd** –established for the *Development of building projects*. This company has been relatively dormant and is now planned to come to the fore with the change in strategic direction agreed with board and shareholder in July 2019 in light of the removal of the HRA borrowing cap; specifically to continue to develop mixed tenure housing developments but with sale of the affordable housing to the Council (instead of being retained in the Investment company). The existing approved development pipeline of c 215 homes will now be delivered by the Development company instead of the Investment company. The affordable housing forms (i) the 50% affordable housing requirement (subject to scheme viability) in the negotiated S106 agreements for each scheme and (ii) '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.
2. The OCHL group benefits from 'Teckal' status allowing it 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. This status may change as the Development company increases its open market housing sales to third parties/individuals.
  3. **Ambitious Business Plan** : The current strategic review is anticipated to result in an ambitious 10 year business plan that better aligns the OCHL group with the Council's plans to tackle the City's housing crisis and deliver more affordable homes. The Business Plan will aim to significantly increase the activities of the OCHL group as a local 'positive disruptor to the market seeking to accelerate delivery of housing and act as a catalyst to new homes carbon reduction'. It will seek to achieve this by increasing the size of the mixed-tenure development programmes, recognising the associated risk profile, planning for complementary new affordable tenure models for local working families, seeking to expand beyond the City boundaries into the wider Growth (travel) areas on the City fringes.

## **Governance**

4. **Ensuring good governance:** The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. Boards of directors are responsible for the governance of their companies. The shareholder's role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the overall management of the business and reporting to the shareholder on their stewardship.

Corporate governance is therefore about how the board of a company operates, how it makes (or delegates ) decisions, and how it sets the values of the company. It is distinguished from the day to day operational management of the company by executive staff and officers. Good governance is fundamentally about improving transparency and accountability within existing systems, rigorous supervision of the management of the company ensuring that business is done competently, with integrity and with due regards for the interest of all stakeholders. Well governed companies perform better in commercial terms.

5. Good governance is therefore a mixture of legislation, non-legislative codes, self-regulation and best practice, structure, culture and board competency. The current board of directors are:

- Richard Connolly (Chair) Interim MD
- Stephen Clarke
- Jane Winfield
- Lindsay Cane (Secretary) – resigning and replacement to be appointed

6. The board's skills and expertise:

- Richard has over 30 years senior and director-level experience of leading mixed tenure residential development programmes gained at national and major regional Housing Associations and most recently as CEO at a for-profit housing company. Richard also holds a number of NED board posts at Housing Associations and a Local Authority Housing development company.
- Stephen has significant Housing experience gained in Local Authority Housing and Property services at Director-level including L. B. Barking & Dagenham, was formerly CEO of Homes for Haringey (ALMO) and for the past 7 years as Head of Housing and Property services at Oxford City Council.
- Jane has over 10 years of experience at Oxford City Council and is currently the Head of Regeneration and major projects. Jane has previously been an equity partner of a firm of commercial property agents. She brings significant commercial, knowledgeable challenge and analysis skills to the board. Jane has a wealth of experience having led on the establishment of the JV and partner selection for Barton Park LLP, seeing the project through master-planning, selection of developers and the delivery of early phases.
- Lindsay is a qualified barrister with many years of experience of advising on corporate, commercial and local government law.

7. The current experienced staffing complement is:

- **Interim MD;** Richard Connolly is currently acting in the role on an interim basis. Consideration needs to be given to a permanent MD being recruited, to drive the housing company group forward following approval of the draft business plan in September and to report to the Board and Shareholder.
- **Development Team;** Alan Wylde, Housing Development Manager leading the development team of five Senior Development and Development Managers. This will shortly be expanded (subject to successful recruitment) to include two Development Managers reporting to Alan, specialising on residential land purchases and site assembly, new business and Joint venture partnerships.

- **Finance Team;** David Watts, Strategic Finance Manager appointed in August '19 on an 18 month secondment.
- **Service Level Agreements;** OCHL group have SLAs with the Council to provide a comprehensive range of key services. For the Investment company, this also includes Landlord and Property services, the latter provided by ODS.

### Next steps

8. **Proposed recruitment of two NEDs:** To ensure good governance the OCHL group would significantly benefit from the appointment of two NEDs recruited externally. The skills and experience required are:
  - (i) Finance Director (or former FD or CEO with sound financial accountancy acumen) of a Housing Association or HA DevCo with a large mixed tenure development programme or active Local Authority Housing DevCo and
  - (ii) Residential specialist with CEO or Director level experience in a regional or national housebuilder/developer with expertise in land, development and/or sales and working knowledge of the Oxford/wider Oxfordshire housing development market.
9. **Proposed Timetable:** The proposed timetable for recruitment allows for the summer holiday period, agreeing a targeted recruited drive with the right agency and an appropriate period for the campaign, as follows:

Estimated dates	Actions
w/c 30/9/19	External Adverts: on line only; Guardian or Times &/or Inside Housing (as advised by Agency) plus LinkedIn
w/c 14/10/19	closing date
w/c 21/10/19	Shortlisting
w/c 28/10/19	Interview
w/c 4/11/19	offer subject to references
w/c 18/11/19	Appointment
December 19 to January 2020	estimated start date subject to any notice/existing commitments

10. The intention is that these postholders would in turn, each act as Chair after an agreed period, subject to performance.
11. **Job Description:** The proposed Job Description and T & Cs are attached at Appendix 1

12. **Shortlisting, interview and selection:** two elected members as representatives of the Shareholder, the Chief Executive of the Council and an OCHL Board Director will be included in the recruitment panel.

13. **Shareholder approval:** Shareholder approval will be required prior to formal appointment in line with the Articles and Shareholder Agreement (Extracts at Appendix 2).

### **Financial implications**

14. The costs of these two NED posts will be met by the OCHL group of companies.

### **Legal issues**

15. The appointment of independent NEDs is recommended good practice (including the Cadbury report) for companies. The main structure of the company's governance is set out in the Shareholder's Agreement.

### **Level of risk**

16. The recruitment of two Non-Executive Directors seeks to ensure that the Housing Group secure identified commercial, specialist skills at Board-level and that the Management Team receive constructive challenge on the strategic direction of the Housing Group, annual plans and monitoring. The appointments will ensure further improvement of corporate, financial, operational and reputational risk management.

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