

To: Shareholder and Joint Venture Group Meeting
Date: 19 November 2019
Report of: Company Secretary of the Housing Group of Companies
Title of Report: Addendum to Shareholder's Agreement

Summary and recommendations	
Purpose of report:	The report proposes an addendum to the Shareholder's Agreement which allows the directors to continue to operate the Housing Group in accordance with the Council's objectives without necessarily always seeking to maximise the company's profits.
Recommendation(s): That the Shareholder and Joint Venture Group resolves to:	
1. Agree the draft addendum to the Shareholder's Agreement	

Appendices	
Appendix 1	Addendum to Shareholder's Agreement

Introduction and background

1. The City Council is the sole shareholder of Oxford City Housing Limited, which in turn is the sole shareholder of its two subsidiary companies, Oxford City Housing (Investment) Limited and Oxford City Housing (Development) Limited. The City Council therefore holds sole ultimate control, either directly or indirectly, over the activities of all three of its housing companies ("the Housing Group"). The detailed terms of this control are currently set out in a Shareholder's Agreement dated 17 December 2018.
2. While the Housing Group was first established in mid-2016, recent months have seen the companies undertake some significant activity in regard to the physical creation and development of new housing in the Oxford area, with a number of significant projects commenced, inevitably incurring substantial costs to the Housing Group. An intrinsic part of the Housing Group's activities lies in working closely with the City Council's own HRA, and in assisting in the pursuit of the Council's overall objective to seek to ensure the provision of additional housing, particularly affordable housing, within Oxford city. This has necessarily led the

Housing Group to seek to create and develop a number of relatively small housing projects, involving a relatively low number of units on relatively small and/or problematic sites within the city. The costs and difficulties of developing some smaller urban sites can be disproportionate when viewed against larger “greenfield” sites. While the directors of the Housing Group are entirely content to proceed with such schemes, on the basis that these are intended to help to meet the Council’s objectives and the city’s housing needs, they believe it is important for their shareholder to recognise that by so doing they are neither necessarily operating in a manner that will maximise the Housing Group’s return to the Council, through a contribution to the Medium Term Financial Plan or otherwise, nor indeed that they are necessarily optimising the financial position of their companies within the Housing Group.

3. While the directors of the Housing Group are entirely content to proceed with such schemes, on the basis that these are intended to help to meet the Council’s objectives and the city’s housing needs, they believe it is important for their shareholder to recognise that in so doing they are neither necessarily operating in a manner that will maximise the Housing Group’s return to the Council, nor indeed that they are necessarily optimising the financial position of their companies within the Housing Group.
4. Following a best practice recommendation from external corporate advisors, it is considered that a useful addition to the 2018 Shareholder’s Agreement could be an addendum in which the Shareholder formally recognises the above the position, and thereby allows the directors to continue to operate the Housing Group in accordance with the Council’s objectives without necessarily always seeking to maximise the company’s profits. Naturally the directors remain aware of their fiduciary duties to their companies, and will always seek, wherever possible within the operational constraints in place, to maximise the Housing Group’s commercial success and its financial returns to the Council.
5. A draft Addendum to the Shareholder’s Agreement is therefore attached for Shareholders’ consideration, and, if approved, to be added to the December 2018 Shareholder’s Agreement.

Financial implications

6. The financial implications are discussed in the body of this report.

Legal issues

7. The legal implications are discussed in the body of this report.

Level of risk

8. The risk implications are discussed in the body of this report.

Appendix 1

ADDENDUM

As an addendum to this Shareholder's Agreement, the parties acknowledge and agree as follows:

1. The Business Plan of the Company is based on an assumption that the Company will, whenever possible and practicable, work in association with the Council to seek to assist the Council to meet its objective of providing additional housing, in particular affordable housing, within the Oxford area.
2. To facilitate the above assumption, the directors of the Company have agreed to undertake the creation and development of certain housing sites within Oxford that may not necessarily maximise the Company's financial return to the Company, and therefore the Company's financial return to the Council, whether by way of its expected contribution to the Medium Term Financial Plan or otherwise.
3. The Shareholder hereby accepts this position, and authorises the directors of the Company to continue to work to further the assumption set out in point 1 above, in the manner set out in point 2 above, until further notice.
4. Subject to the above, the directors' fiduciary obligations and duties to the Company remain fully in place and operative.

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