

To: Shareholder and Joint Venture Group
Date: 16 December 2020
Report of: Companies Scrutiny Panel
Title of Report: Scrutiny Response to agenda item 7 – OCHL 10 Year Business Plan

Summary and recommendations	
Purpose of report:	To present Companies Scrutiny Panel recommendations concerning the OCHL 10 Year Business Plan
Recommendation: The Shareholder and Joint Venture Group is asked to	
1.	state whether it agrees or disagrees with the recommendation in the body of this report.

Appendices
None

Introduction and overview

1. At its meeting on 14 December 2020, the Companies Scrutiny Panel considered the OCHL 10 Year Business Plan report.
2. The Panel would like to thank Jane Winfield, OCC Company Director for OCHL, Steven Clarke, OCC Company Director for OCHL, Mike Day, OCHL Managing Director, Lindsay Cane, OCHL Company Secretary and David Watt, Strategic Finance Director for attending the meeting and answering questions. The Panel would also like to thank Nigel Kennedy, Head of Financial Services, and Anita Bradley, Head of Law and Governance for attending as advisors to the Shareholder and Joint Venture Group.

Summary and recommendation

3. The OCHL Managing Director introduced the report. Due to the item having been held in confidential session the majority of the discussion is not recounted in this report but will be available in the minutes of the meeting.
4. Having heard the presentation of the report the Panel makes one recommendation in relation to the exploration of alternative models to fund energy efficiency improvements.

5. The Panel wished it be brought to the Shareholder Group's attention that one member of the Panel did not support the implied trade-off in the report between dividend, carbon reductions and the number of affordable homes. Value would be delivered to the Council beyond the level of the dividend through the provision of more affordable housing (poverty reduction) and reductions in carbon emissions (reducing operational and maintenance costs). If these 'indirect' financial benefits were to be included then there would be no trade-off.

Funding Energy Improvements

6. The difference of opinion amongst the Panel over whether a trade-off existed between dividend levels, carbon reduction and the number of affordable homes notwithstanding, all members of the Panel recognised any possible increase in energy efficiency as being desirable and were keen to know of the company's explorations of models through which savings made by tenants through greater energy efficiency could be, to some degree, levied as a service charge by the landlord, creating a revenue stream with which to repay additional investment in energy efficiency measures.
7. It was reported by the Managing Director that it is difficult to charge a premium through rents, given that the formula for setting social rents are set on the basis of 1999 house values and affordable rents are based on 80% of the market rents and energy efficient homes do not command a premium value in the market. If the premium was set through the service charge element, a consequence of this was that tenants would not be able to have that payment covered through their housing benefit. The Company was, however, holding in-depth discussions with a number of organisations, including Nottingham City Homes who had implemented such a charge to understand their workings in order to see whether, in the legal context within which the company and Council were operating, it would be practicable.
8. The Panel is very supportive of the idea of such a funding model, but it takes on board advice that its planned ownership of the houses developed by OCHL may constrain its ability to apply innovative funding models. It wishes that until such time as it shown to be not practicable, that the idea be pursued.

Recommendation 1: That the Shareholder seeks the company to report back on the practicability of models through which energy efficiency measures could be funded through a partial levy made on the energy savings of tenants once it has completed discussions with existing practitioners of such models.

Further Consideration

9. The Companies Scrutiny Panel has updates from OCHL as a standing item on its agenda.

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Shareholder response to recommendations of the Companies Scrutiny Panel made on 14/12/2020 concerning the OCHL Business Plan report

A verbal response will be provided by Councillor Alex Hollingsworth, Shareholder and Joint Venture Group member with responsibility for the OCHL

<i>Recommendation</i>	<i>Agree?</i>	<i>Comment</i>
1) That the Shareholder seeks the company to report back on the practicability of models through which energy efficiency measures could be funded through a partial levy made on the energy savings of tenants once it has completed discussions with existing practitioners of such models.		