

Officer Executive Decision

To: Director of Housing
Head of Finance
Head of Law & Governance

Date: 6 July 2021

Report of: Housing Development and Enabling Manager

Title of Report: Purchase of completed development sites at Cumberlege Close and Elsfield Hall.

Summary and recommendations

Purpose of report: As per the decision taken under the Officer Executive Decision delegations dated 20 May 2021, the Director of Housing is now asked to approve and increased transfer by purchase of the land and housing at **Cumberlege Close and Elsfield Hall** from Oxford City Housing (Development) Limited (OCH(D)L) to the Council's Housing Revenue Account

Decision required:

1. To authorise the transfer by purchase of the land and housing at Cumberlege Close and Elsfield Hall from Oxford City Housing (Development) Limited to the Council's Housing Revenue Account for a consideration of **£13,427,300** in total.

Appendices

1. Dashboard of financial performance – Combined Cumberlege Close and Elsfield Hall.

Details

1. As part of Oxford City Council's Cabinet decision on 29 May 2019 to confirm the future strategic direction for the Council's group of housing companies it was agreed that the Council would purchase and manage the social rented and shared ownership units from OCH(D)L as they were developed. It was also agreed that delegated authority would be given to the Assistant Chief Executive in consultation with the Head of Finance and the Head of Law and Governance to approve and

facilitate such purchases. The Assistant Chief Executive has further delegated this decision to the Director for Housing.

- i. Minute 2 states that Cabinet is resolved to 'Agree that the Council's Housing Revenue Account from this date onwards purchases and manages the social rented and shared ownership units (with the exception of the Barton Park units).
 - ii. Minute 6 states that Cabinet is resolved to 'Agree that delegated authority is given to the Assistant Chief Executive in consultation with the Head of Finance and the Head of Law and Governance to approve and facilitate the agreed purchase by the HRA of all affordable housing units at the OHCL development sites'
2. An Officer Executive Decision dated 11 November 2019 authorised the transfer by purchase of the land and affordable housing at Elsfield Hall, Cumberlege Close and Between Towns Road from OCH(D)L to the Council's Housing Revenue Account for a consideration of £16,825,000 in total, to include 56 affordable homes (33 rented and 23 shared ownership homes). The three sites are being built under a single construction contract so were dealt with as a single entity in the report. On 9 February 2021 OCH(D)L Board agreed to the proposed change of tenure at Elsfield Hall to become 100% affordable housing, consequently the approval needs to be updated accordingly to reflect the tenure changes. This report deals with the Cumberlege Close and Elsfield Hall sites only, as they are joint in terms of planning and viability, and the Between Towns Road site will be dealt with separately at a later date.
 3. OCH(D)L is presently on site constructing 35 homes across both sites at Cumberlege Close and Elsfield Hall.
 4. The schedule of accommodation is as follows.

	Cumberlege Close			Elsfield Hall		
	2B4P House	3B5P House	4B6P House	1B2P Flat	2B3P Flat	2B4P Flat
Social Rent	2	4	3	4	7	0
Affordable Rent	0	0	0	3	0	0
Shared Ownership	0	0	0	1	3	8
Total	2	4	3	8	10	8

5. Viability appraisals have been carried out for the transfer of these homes to the HRA and on a purchase price of £13,427,300 as shown in Appendix 1. The purchase price was £13,217,300 in the previously approved report but has increased by £210,000 as a result of a recent valuation by Carter Jonas dated 2 June'21 of the soon to be completed development at Cumberlege Close. The net scheme cost is

approximately 85% of the open market value of the homes and is supported by £1.52m of Oxfordshire Growth Deal Affordable Housing grant.

6. The authority has set a number of criteria when measuring the financial viability of schemes being purchased from the Company as follows :
 - **Internal Rate of Return** – The IRR threshold for the HRA is 3% - these schemes achieve **3.99%**.
 - **Net Present Value** – The NPV threshold for the HRA is that it must be positive. Here it is **£1.309m**.
 - **Payback** – The payback threshold for the HRA is below 70 years. These schemes pay back in **43** years.
7. Construction works started in August 2020 and Cumberlege is due to complete in July 2021 with Elsfield Hall expected to complete next year in August 2022. It is important to note that the payment for the affordable homes will be staggered accordingly and comprise of the following amounts:
 - i. Cumberlege Close for **£4,560,000**
 - ii. Elsfield Hall for £8,867,300

Financial implications

8. The HRA will finance the purchase of houses via external borrowing for which provision has been made in the Councils HRA. Based on the financial criteria set out in the report the scheme is considered financial viable for the HRA. Other financial implications are set out in the body of the report.

Legal issues

9. The legal issues have been set out in the body of the report.

Level of risk

10. The significant risk is that the HRA may pay too much for these 35 homes considering their income streams – this has been removed by carrying out a detailed viability analysis using the HRA Business Plan appraisal software, Abovo, which has demonstrated a financial performance within required parameters.

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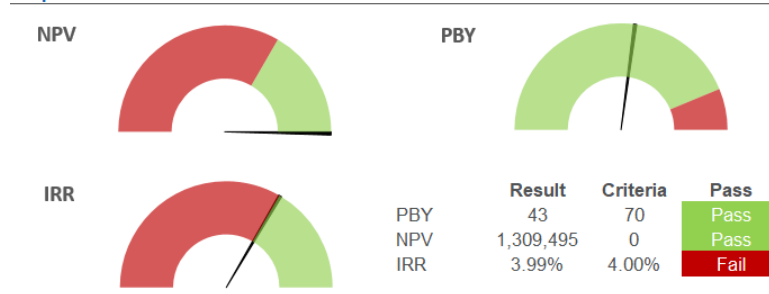
APPENDIX 1

Abovo Dashboard 22/06/2021

Development Scheme Appraisal | Oxford City Council

Combined Cumberlege Close and Elsfield Hall Dashboard

Outputs



Scheme Details

Scheme Name	Cumberlege-Elsfield
Scheme Type	Committed

Capital Income and Costs

	£	%	£/m2
S106	0	0.00%	0.00
Land	0	0.00%	0.00
Build	13,427,300	98.17%	5,119.06
Oncosts	250,000	1.83%	95.31
Cap Int	474	0.00%	0.18
TSC	13,677,774	100.00%	5,214.55
Initial Sales	1,085,750	7.94%	
SHG	1,520,000	11.11%	
RCGF/DPF	594,000	4.34%	
Other Grant	0	0.00%	
Net Scheme Costs	10,478,024	76.61%	
OMV	12,341,550	84.90%	

Scheme Repayment

