













Report of: Head of Oxford City Homes
To: Executive Board
Date: 19 February 2007 **Item No:**
Title of Report : Options for HRA Special Needs Properties.

	<u>Summary and Recommendations</u>
 Purpose of report:	To give the options for two void HRA properties previously leased to partners for special needs purposes. 
 decision:	Yes
Portfolio Holder:	Councillor Patrick Murray
Scrutiny Responsibility:	Housing Scrutiny Committee
 Ward(s) affected:	St Clement's, St Mary's
Report Approved by:	
 Portfolio Holder:	Councillor Patrick Murray
 Finance:	David Higgins
 Legal:	Jeremy King
 Strategic Director:	Michael Lawrence
 Policy Framework:	To meet Decent Homes Target by 31 December 2010.
 Recommendation(s):	<ol style="list-style-type: none">1. To arrange for property A to be marketed generally and to report back on expressions of interest.2. That any future subsidies on special needs properties should be met from the General Fund and not the HRA.
	



Background –

1. At their meeting on 9th January, the Housing Advisory Board advised the Strategic Director for Housing and the Community to market property A (described in para. 6 below) and to report back on expressions of interest. Property B is to be retained in Council ownership, refurbished and used for Housing Revenue purposes.
2. Housing Scrutiny Committee at their meeting on 15th January 2007 (minute 93) concurred with the HAB's advice.
3. Currently there are 19 HRA properties that are being, or have been, used by partners of the City Council for special needs (residential accommodation) purposes.
4. Two of these properties (in Cowley Road) are vacant, 10 have tenants but the fixed term has expired and the tenancies are continuing at present. Four of the tenancies expire at various times within the next twelve months and the tenancies of two have expired but the tenants have rights of renewal.
5. To date the properties have been managed by the Council's Financial and Asset Management Business Unit and are designated HRA Land.
6. In their survey of 20% of the Council housing stock in 2003, Savills estimated the cost of repairs and improvements needed to 16 of the 19 as £156,255. The remaining three were not estimated.
7. The two void properties are:-

Property A A three storey Victorian mid-terrace town house, split into a 3 bed maisonette on the upper two floors and a one bed flat below. Total, estimated, cost of refurbishing to the existing layout is £20,000. it would not be a practical proposition to convert to a single property owing to the considerable cost involved. Savills estimates, which the decent homes financial budget was based upon, is £10,820, a £9,180 shortfall.

Property B A three storey Victorian mid-terrace town house, with five bedrooms. The total estimated cost of refurbishing is £7,500, Savills did not estimate a cost for this work, therefore, any cost would be in addition to that already budgeted for decent homes.

See more detail in the financial implications section below.

8. Because of their current/past use, the properties are not part of the Council's decent homes programme although in most cases Savills have estimated decent homes costs. Both void properties have existing planning permission for multi-occupation use.
9. One of the Council's partners has shown an interest in leasing both of the void properties but due to the costs involved, they would not be able to pay market rent.
10. The Council has also received an enquiry from the local Primary Care Trust (PCT) but because of the commercially sensitive nature of this it, will be reported verbally to the meeting.

Options -

11. To sell the two void properties on the open market and to report back to Members as and when other properties become vacant or when the current leases end.
12. To retain the properties and let them at a market rent to existing or future partners for special needs i.e continue as present. If this option were to be adopted a further review of the rents would need to be undertaken and consideration given to where subsidies, if any, are budgeted from i.e. General Fund. It is thought preferable for the Council to let to existing partners rather than the properties being leased/purchased by private sector landlords.
13. Owing to the shortage of large properties with more than four bedrooms, (currently there are in excess of 250 families needing four bedrooms or more), the Council retain them and carryout works necessary to accommodate larger families from the housing register.
14. The Council's Environmental Health Business Unit is currently developing a scheme to bring into use properties for short-term co-op use and have been working with Co-operative Homes Services. To date all properties submitted to them, albeit private, have been rejected. They have been given details of the two vacant properties but have not, as yet, given the Council an indication as to whether they are financially viable from their perspective. Members will receive a verbal update at the meeting.
15. The Allocations Team have advised that we have no need for further short life accommodation, such as that provided by Co-op Homes, as we are reducing our use of temporary accommodation.

The Council cannot make a permanent nomination to it, so there is no real advantage from a corporate/social housing viewpoint.

Proposals -

16. Following the advice from the Housing Advisory Board it is proposed that:-
 - a. Property A is marketed generally and any expressions of interest would be the subject of a further report.
 - b. Property B would be retained within the HRA property portfolio, refurbished and used for HRA purposes.
 - c. The remaining "special needs" properties would then be the subject of detailed reports to Members as and when their leases end or they become vacant.
 - d. That any future subsidies for special needs properties should be from the General Fund and not the HRA.

Legal implications -

17. As the properties are classed as HRA Land, if the Council sold to an individual or social landlord the specific consent of the Secretary of State would not be required as the proposed disposal would be covered by the General Consents (para A3 or A5) found in s.32 of the Housing Act 1985. This assumes that any disposal is for market value and complies with rules on who can bid and whether the property must be used by the proposed purchaser as his/her principal home.
18. If the Council planned to sell to a developer then Secretary of State approval may be required.
19. Before the sale of any property, in accordance with the Constitution, a further report will be submitted to the Executive Board outlining the proposed use for the building and the terms of the disposal.

Financial implications -

20. The financial implications are set out in the Confidential Appendix 1 attached and show the indicative effects on revenue and capital of the various options over a five year period. A financial summary follows:-
21. Option1, Open Market Sale would result in the loss of the potential market rent but a large capital receipt would be generated which would help with the decent homes funding shortfall.

22. Option2. Retain but charge market rent, would result in additional revenue funding which could go towards decent homes funding. It would take 26 years for the additional funding to equate to the capital receipt under Option1.
23. Option 3. Retain and return to tenant stock, would result in lower revenue funding compared to option2, and would result in a additional decent homes capital commitment of £27,500. Over a five year period there would be a small addition to capital resources.
24. Option 4. Co-operative Homes. The Council has received a proposal from Co-operative Homes but the financial profile is not to the Council's advantage and therefore not acceptable.
25. Currently the Council subsidizes our partners with below market rents but it should be noted that all tenants in the currently occupied properties have been advised of new rental assessments, some have accepted but no new rent level agreements have been finalized. The overall increase in the amount of rent payable is in the sum of £201,009 per annum. One further market rent has still to be determined and thus this figure may increase by the appropriate amount.
26. The current and, where identified new, market rents are shown on the exempt from publication asset summary Appendix 2.

Appendices -

- Appendix 1 - Exempt from publication financial summary.
- Appendix 2 - Exempt from publication asset summary.

**Name and contact details of author: Chris Pyle, tel; 335411, extn 3611,
Email: cpyle@oxford.gov.uk**

Background papers: None

