













Report of: Head of Oxford City Homes

To: Executive Board

Date: 10 September 2007

Item No:

Title of Report : Options for 331 Cowley Road, East Oxford.

 <u>Summary and Recommendations</u>	
 Purpose of report:	To give the options for this large property in East Oxford, currently let to a specialist provider.
 Key decision:	Yes 
 Portfolio Holder:	Councillor Patrick Murray
Scrutiny Responsibility:	Housing Scrutiny Committee
 Area(s) affected:	Cowley Marsh
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. Instruct the Strategic Director, Housing, Health and Community to extend the lease with the current leaseholder for a further period and to negotiate a reasonable rent and 2. Approve a General Fund supplementary estimate to cover the difference between the market rent and the cost rent.

 **Background –**

1. This three storey six bedroom detached property is currently let to a special needs provider, the lease of which expires on 14th September 2007. The leaseholder has confirmed that they wish to enter into a new lease but they are unable to afford the market rent.

2. The current lease provides the basis by which the rent must be assessed but that basis is restricted so the amount of increase will be modest and considerably lower than market rent. The rent was last reviewed and increased in September 2005.
3. As this property has been specially adapted for specialist providers with six bed-sits with individual cooking facilities but shared bathing, Savills did not include it in their stock survey in 2003/04 as it was classed as a hostel and as such does not come within the decent homes criteria.
4. To convert the property back to family accommodation would involve the conversion of two bathrooms to single bedrooms and would effectively give a total of eight bedrooms.

Options -

5. Option 1. To sell the property on the open market and to use the funds to help meet the shortfall in decent homes funding.
6. Option 2. To retain, convert the property back to family accommodation and re-let to those on the waiting list. Currently there are over 250 families on the list for properties with four bedrooms or more.
7. Option 3. To retain and re-let to the existing leaseholder, or another "special needs" provider, at market or subsidised rent. It is thought that social housing providers would be unable to fund market rent levels as, generally, the maximum that they can afford is based upon Benefits that their tenants receive and also take into account any administrative costs that they have. It is likely therefore, that the rent would be subsidized, this subsidy being funded from the General Fund.
8. Option 4. To transfer to an RSL. Dialogue with RSL's about future options for this type of property is continuing and an update will be given at the meeting.

Proposals -

9. The proposal is to adopt Option 3, to retain the property and to re-let to the existing leaseholder at a subsidised rent. The subsidy being funded from the General Fund. At the time of writing the report it is not clear what the subsidy is likely to be and officers will give an oral update at the meeting.

Legal implications -

10. As the property is classed as HRA Land, if the Council sells 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 (paragraph 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.
11. If the Council planned to sell to a developer then Secretary of State approval may be required.
12. 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 -

13. The financial implications are set out in the exempt from publication Appendix 1 attached and show the indicative effects on revenue and capital of the various options over a five year period.
14. Option1, an open market sale would result in the loss of the potential rent but a capital receipt of circa £750k would be generated which would help with the decent homes funding shortfall.
15. Option 2. Retain and return to tenant stock, would result in revenue funding being maintained but would result in an additional capital commitment to convert back to family accommodation. The full financial implications of this option are not shown in the appendix as the cost of returning the property to a family home had not been calculated at the time of writing the report.
16. Option 3. Retain and re-let. The current lessee wants to stay and the lease provides the basis by which the rent must be assessed, however the increase possible is likely to be modest and is likely to result in a subsidy. The subsidy level will be reported orally at the meeting.
17. The current rent is shown on the exempt from publication financial summary Appendix 1.

Appendices -

- Appendix 1 - exempt from publication financial summary.

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Background papers: None

