

**To:** City Executive Board

**Date:** 12 February 2015

**Report of:** Head of Housing and Property

**Title of Report:** Update on Acquisition of Affordable Homes at Barton

### Summary and Recommendations

**Purpose of report:** To update Members on the costs and progress in acquiring the affordable housing at Barton Park.

**Key decision** Yes

**Executive lead member:** Cllr Ed Turner, Board Member for Finance, Asset Management and Public Health and Cllr Scott Seamons, Board Member for Housing and Estate Regeneration

**Policy Framework:** Meeting housing needs  
Strong and active communities  
A cleaner and greener Oxford

**Recommendation:** That the City Executive Board note the progress in acquiring the affordable housing at Barton Park

### Appendices

Appendix 1 Risk Register

Appendix 2 Not for Publication Confidential Appendix

### Background

1. The City Executive Board has approved the purchase of the affordable homes that will comprise 40% of the Barton Park development and made the appropriate budget provision. Authority has been delegated to the Executive Director, City Regeneration and Housing in consultation with the Head of Finance to authorise the Council's entry into a legal agreement for the acquisition.

2. The Council has entered into a Joint Venture partnership with Grosvenor Developments Limited (Barton Oxford LLP) to facilitate the development of the scheme. An Area Action Plan has been adopted, and outline planning permission has been secured. The scheme is likely to deliver up to 885 residential units, of which at least 40% (354) will be social rented homes. A reserved matters application detailing infrastructure delivery has been submitted and will be determined in early 2015. Barton Oxford LLP has now sold the first phase of the development to house builders, Hill Residential. The Council has contracted to purchase the affordable homes as part of this phase, and future phases as they come forward.
3. It has also been agreed that CEB receive update reports at appropriate stages of the scheme. The recent completion of the legal agreements for this purchase is an appropriate point at which to report progress.

### Report

4. Oxford City Council will acquire up to 354 homes at Barton Park on a phased basis over the life of the development for affordable housing with the following mix being specified:

1 bedroom	5-10%
2 bedroom	25-30%
3 bedroom	40-55%
4 bedroom	15-20%

5. In December 2014, an overarching agreement was entered into between Oxford City Council and Barton Oxford LLP securing the affordable housing for the Council and setting out how the homes will be designed, built, transferred and managed. Furthermore, a development agreement was signed with Hill Residential, the phase 1 developer at Barton Park detailing how the affordable housing in phase 1 will come forward.
6. Within these agreements the Council has set out a specification for the affordable housing that offers spacious, well-designed and easy to heat homes for its tenants whilst reducing the management, maintenance and refurbishment costs for the Council. This has been achieved through actions such as specifying the brand of key components for example boilers, to match those used in the wider housing stock and designing out difficult to manage communal areas.
7. The principle of the agreement is that the Council will pay a price per square metre of completed affordable housing which will be adjusted over time to take into account construction cost inflation. The sizes of the individual homes are fixed and are above the minimum required in the Council's Supplementary Planning Guidance and national HCA

standards. The overall price has been confirmed by its external advisors as offering the Council good value for money.

8. As would be expected for a development of this size, the timing of the delivery of the affordable homes is not fixed and will be led by the overall delivery of Barton Park and the strength of the housing market. This will determine the housing capital spend profile at Barton and the Council will need to accommodate potential changes in the delivery plan. The developer has to give 6 months' notice of delivery schedule changes in order to facilitate this.
9. It is expected that initial infrastructure works and the first homes will commence construction in 2015 and the affordable housing will start to transfer to the Council from late 2016.

### **Risks**

10. Risk reduction and mitigation have been key to the Council's approach whilst negotiating this purchase. The key measure is the freedom for the Council to procure another provider to take ownership of up to 100 of the 354 affordable homes being built amounting to 28% of the affordable housing at Barton, if the Council chooses.
11. Furthermore, the Council has secured an agreement that it will only pay for the agreed minimum sizes of the affordable homes regardless of whether the completed homes are larger, significantly reducing its financial risk. The potential mixes of different bedroom sizes of affordable homes that could be provided according to the agreement have also been modelled to ensure that the cost implications of these are understood and this work will be continuously updated as the scheme develops.
12. The main significant risk is the impact of the BCIS (Building Cost Information Service) cost inflation measure on the pricing mechanism in future years. The scheme has been modelled using the latest projections to ensure a prudent position is maintained. Future changes in this will be closely monitored and modelled to understand the impact it will have on the overall cost and reported to Members periodically.

### **Legal Issues**

13. Secure qualifying tenants will have the Right to Buy on these new build properties subject to the normal eligibility criteria except for the wheelchair accessible homes which will be designated as disabled adapted properties. Cost floor restrictions will apply in the first 10 year (s131, Housing Act 1985) but it is likely that even the values of maximum discounted sales will exceed the cost floor.

### **Financial Issues**

14. The Housing Revenue Account is annually reviewed so that estimates and assumptions are updated. The financial model for the acquisition of the affordable housing at Barton feeds into this process; the purchase is in part funded by a revenue contribution to capital and borrowing.
15. Details of the financial reviews that have been necessary over the past 12 months are given below;

**Detailed Analysis of Revised Estimate**

16. The calculation of the annual and overall estimated costs to be incurred by the Council for the acquisition of the 354 social housing properties from the appointed developers is dependent on several known and variable factors.

*Known Factors* - **price per m<sup>2</sup>**, as specified in the Not for Publication Appendix (as at October 2013 (the base year) uplifted by BCIS thereafter)

**Number of dwellings** to be acquired, 354

*Variable Factors* - **Property mix** property types delivered e.g. 2 bed flat, 3 bed house etc.

**Property profile** total properties delivered per year

**Property area** higher or lower end of range allowed per property type as per the ranges in the agreement

**BCIS** – annual uplift to be applied to price per m<sup>2</sup> over the period of the scheme

17. The variable factors for each development phase will be confirmed once negotiations with the developer are completed and agreed.
18. Members need to be aware that any significant change in the variable factors or in the re-phasing of the dwelling purchases may have a material effect on the approved Housing Business Plan and may require a review of other Housing priority projects, borrowing and financing.
19. Revised Phase 1 and Proposed 2015/16 Budget

The Housing budget approved by Members on 19 February 2014 had included the estimated Barton expenditure over the next 10 years which totalled £47.9m. The Housing Business Plan estimated 60 properties to be acquired from Phase 1. With an increase in the scale of

Phase 1, the number of social housing to be acquired by the Council has increased to 95 dwellings.

20. The bringing forward of an extra 35 properties for acquisition, together with a review of BCIS assumptions has meant that the projected spend profile over the next few years has had to be revised and this has been included in the review of the Housing Revenue Account business plan and included in the Council's overall draft budget for 15/16 and beyond.
21. The total revised cost for Barton in the draft 2015/16 Housing Revenue Account Business Plan is £53m. This includes a contingency in addition to the acquisition of the properties to cover any design changes (such as disabled persons' requirements), Stamp Duty Land Tax changes, consultancy support and an allowance for further changes in BCIS and the delivery programme. The revised Barton budget is part of the budget proposals received by CEB on 17 December 2014 and is due to be considered by Council in February 2015.

### **Environmental Impact**

22. The purchased homes will be constructed to level 4 of the Code for Sustainable Homes and will comply with the Building for Life Gold and Lifetime Homes standards.

### **Equalities Impact**

23. The acquisition of the affordable homes at Barton will continue to make a positive impact on equality issues not least through the provision of much needed affordable housing and requiring 5% of the housing to be wheelchair accessible.

#### **Name and contact details of author:-**

Name	Stephen Clarke
Job title	Head of Housing and Property Services
Service Area / Department	Housing
Tel: 01865 252447 e-mail:	<a href="mailto:sclarke@oxford.gov.uk">sclarke@oxford.gov.uk</a>

#### **List of background papers:**

None

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