

To: City Executive Board
Date: 9 February 2017
Report of: Head of Housing and Property Services and Head of Financial services
Title of Report: Sale of properties to Oxford City Housing Limited.

Summary and recommendations

Purpose of report: To update members on progress with the housing company, to agree the transfer of 5 properties to the company and note the initial development programme.

Key decision: Yes

Executive Board Member: Cllrs Mike Rowley, Housing and Ed Turner, Finance, Asset Management and Public Health.

Corporate Priority: Meeting Housing Needs.

Policy Framework: Housing Strategy 2015 – 2018.

Recommendations: That the City Executive Board resolves to:

- 1 **Note** progress with the establishment of the Oxford City Housing Company.
- 2 **Agree** to the sale of the 5 properties detailed at section 3 for the sum of £730,000 subject to the conditions set out in this report and subject to the verification of the valuation prices.
- 3 **Recommend that Council** make available in 2016-17, a state aid compliant loan facility for Oxford City Housing Limited to enable the company to purchase the 5 properties identified in this report; the loan being for £742,606 which includes the purchase price and the associated costs of acquisition.
- 4 **Recommend that Council** include the provision of the loan facility mentioned above as an additional expenditure item in the 2016/17 capital programme, funded by the associated capital receipt received from the disposal.
- 5 **Delegate authority** to the Chief Executive in consultation with the Council's Chief Finance Officer and Monitoring Officer to agree the final decision on sale and amount of loan that needs to be made available to the company, should the final valuations vary from those contained in the report.

- 6 **Note** the draft development programme detailed in appendix 1 and that City Executive Board will receive further reports with regard to land sales to facilitate the delivery of that programme

| Appendices | |
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| Appendix 1 | Draft development programme |
| Appendix 2 | Risk Register |
| Appendix 3 | Equalities impact assessment |

Background

1. Oxford's housing crisis is acute with the city identified as the most unaffordable housing market in the UK. The lack of housing supply, quality and choice are a constraint on economic growth and a significant barrier to our ambition to be a world class city for everyone.
2. Changes in Government policy and the establishment of associated legislation in relation to HRA rent reductions and for local authority landlords to consider high value void sales to pay for the cost of extending the Right to Buy to Housing Association tenants, impacted very negatively on our HRA business plan investment aspirations and curtailed our ambition to build more Council housing from HRA generated resources.
3. City Executive Board (CEB) on 17 March 2016 agreed to the establishment of a Council owned housing company with the following objectives;
 - The purchase and management of the social rented units at Barton Park.
 - The development of new affordable housing with a range of tenures.
 - The purchase and management of the permitted number of high value voids that could be transferred from the Council.
 - To undertake estate regeneration schemes.

Current position

4. The housing company has now been established, with Oxford City Housing Limited (OCHL) being incorporated in June 2016, and Company Directors have been appointed. For efficiency and tax planning purposes the company is arranged as a group structure with a holding company and initially two subsidiaries, one for investment and the other for development. The opportunity to explore the introduction of additional subsidiaries e.g. maintenance of stock, has been left open for the company Board to consider as and when it is appropriate. The company is wholly owned by the Council and governance is provided by the Directors subject to the shareholder' agreement, the shareholder being represented by the members of the City Executive Board.
5. Good progress is being made with regard to;
 - The preparation for the first phase of properties at Barton Park to be purchased by the company upon completion.
 - The identification of voids for purchase

- The preparation of an initial development programme.
6. Two potential estate regeneration schemes have been identified on Blackbird Leys and Barton and are being worked on, but these are subject to detailed viability assessments and funding capacity and so as yet are not included in the company's business plan. This will be subject to further Council consideration as to the most appropriate delivery vehicle for these schemes
 7. Appendix 1 provides the detail of the initial development programme which will provide 162 new homes across a range of tenures over the next 3 years. The majority of the sites are already in Council ownership.
 8. The company is in the final stage of development of its business plan with Company Board approval expected in February 2017.

Sale of 5 properties

9. CEB has previously agreed for the sale of 5 void properties to the Council's housing company each year starting in 2016/17 as part of the Council's wider response to fund the Government's high value levy that does require local authority landlords to consider the sale of HRA assets to fund future payments. The timing and detail of the levy remains unclear and whilst some provision has been made within our business plan, this sale would provide an additional receipt. This approach also prevents them being lost from the affordable rented market. In addition last year's HRA business plan included investment in properties that had been identified suitable for either extension to provide a larger unit or had a plot suitable for additional unit(s). Following the Government policy changes this HRA programme is not now fully funded and so it is proposed that 5 properties from that intended programme are now transferred to OCHL so the works can proceed to provide much needed larger additional units.
10. The five properties that will make up the first batch of transfers are:

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| 32 Union Street | 2 bed house | £150,000 |
| 9 Pauling Road | 3 bed house | £135,000 |
| 66 Sandy Lane | 3 bed house | £120,000 |
| 26 Valentia Road | 3 bed house | £165,000 |
| 2 Dynham Place | 4 bed house | £160,000 |

11. The properties will be transferred on the condition that they are let at a rent not exceeding Local Housing Allowance levels in perpetuity to households nominated by the Council. Oxford City Council is under a duty to obtain the best consideration reasonably obtainable and the values of these properties has been certified as representing a fair market value by its internal valuer considering the on-going restrictions placed on their use. Verification of these valuations is being sought from an external independent valuer.

Financial implications

12. The Housing Company will be given a loan at state aid compliant rates for the purchase of the five properties detailed in paragraph 10 for the sum of £742,606 inclusive of costs which will be included in the Council's Capital Programme. In a back to back transaction the Housing Company will pay the Council a capital receipt to the same value and service the resulting debt from net income arising from the properties.

Legal issues

13. The sale of Council-owned properties to OCHL must be at market value, taking into consideration any restrictions or covenants imposed on the property. Where the purchase of the properties are to be funded by loans from the Council, the detail of such loans should be documented, and care will need to be taken that the loans to OCHL are State Aid compliant - in effect, that the loans are made at a market interest rates.

Risk

14. The risk register is attached at Appendix 2.

Equalities impact

15. The EA assessment is attached at Appendix 3.

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Background Papers: None