

To: City Executive Board
Date: 19th September 2017
Report of: Head of Housing Services
Title of Report: The Transfer of 10 properties purchased in Great Western Park, Didcot under the temporary accommodation purchase programme from the General Fund into the Housing Revenue Account

| Summary and recommendations | |
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| Purpose of report: | To recommend to Council to make suitable budgetary provision for the Housing Revenue Account to acquire 10 flats due to be purchased by the General Fund at Great Western Park, Didcot in September 2017 for use as social housing |
| Key decision: | Yes |
| Executive Board Member: | Councillor Mike Rowley, Housing |
| Corporate Priority: | Meeting Housing Needs |
| Policy Framework: | Housing Strategy 2015 to 2018 |
| Recommendations: That the City Executive Board resolves to: | |
| <ol style="list-style-type: none"> 1. Request Council approve the introduction of an additional 2017/18 HRA capital budget, namely £2.362m, funded by HRA borrowing for “Property Acquisitions”, in order to transfer 10 units from the General Fund into the HRA. 2. Note that all 10 flats to be transferred (8 two-bedroom and 2 one-bedroom flats) are to be used as social rented housing and let to housing applicants in housing need on the Housing Register in Oxford. | |
| Appendix | |
| Appendix 1 | Risk Register |

Introduction and background

1. One of the Council's priority objectives is meeting housing need and this is reflected in the importance the delivery of housing supply has been given in the current and proposed refreshed Housing and Homeless Strategy for 2018 to 2021. The proposals in this report support these objectives.
2. The provision of additional social housing is facilitated by the use of retained right to buy (RTB) capital receipts re-cycled into 1-4-1 replacement. The Council is required to spend its retained RTB capital receipts within a 3 year deadline or be forced to return them back to the Government along with accumulated interest calculated at 4% above the prevailing base rate. The Council is determined to ensure these resources are not returned centrally and instead used locally to meet Oxford's housing need. These schemes have initially concentrated on the purchase of additional temporary accommodation (TA) properties in Oxford where possible, but also outside of the City. This new provision will be used to replace existing private sector lease properties used by the Council (as reported and approved by the CEB on 15/12/16).
3. Due to the high cost of properties for sale on the open market in Oxford and the limited number of suitable properties becoming available it was acknowledged from the outset that it may not be possible to purchase all of the new temporary accommodation within Oxford within the timescale for the use of the receipts. A limited number of properties have been acquired in nearby towns that have good facilities and transport links and are within a reasonable commutable distance to the City.

Delivery of Housing Supply

4. The Council's current General Fund capital programme includes £10m for the acquisition of TA properties across 2017/18 and 2018/19. These acquisitions will utilise retained RTB capital receipts and the properties being purchased include 20 new build properties in two blocks of 10 flats at Great Western Park, Didcot. Each block consists of 8 two-bedroom and 2 one-bedroom flats.
5. The Council does not need to use both blocks of flats in Great Western Park for use as temporary accommodation and they could not be purchased from the developer individually. It is therefore proposed that one block of 10 flats is transferred to the HRA to be let as social housing to households in housing need on the Housing Register in Oxford, by advertising the properties through Choice-Based Lettings. This will increase the supply of new housing available to let and go some way to help meet the unmet demand on the Housing Register.
6. The Council seeks to prevent homelessness where possible and various housing options are used to do this including housing households on the Housing Register into social housing before they become homeless. Where it is not possible to prevent a household from becoming homeless the Council may have a duty, mainly to families with dependent children, to provide them with temporary accommodation to enable further inquiries to be made into their reasons for becoming homeless or until they are offered more suitable accommodation.

7. The Council has a target of having no more than 120 households in homeless temporary accommodation. It is recognised that it is not desirable for households to spend long periods of time in temporary accommodation due to the pressure this places them under, particularly families with children, and the cost to the Council of providing this accommodation. The Council seeks to ensure there is sufficient temporary accommodation available to house homeless households that it has a duty to accommodate. The new properties that are purchased for temporary accommodation are being used to replace existing more expensive accommodation leased from private sector landlords and to manage the pressure on the homeless budget.
8. A joint report on Homeless Accommodation Property Investment and Retained Right to Buy Capital Receipts Qualifying Expenditure was submitted to the CEB on 15/12/16 by the Head of Housing and the Head of Financial Services. As previously stated this resulted in the approval to spend up to £10 million from within the Council's General Fund capital programme to purchase additional units of temporary accommodation. The funding of this scheme included £3 million of retained RTB capital receipts that if unused would need to be returned to Government.
9. A further report titled Officer Delegation to approve Property Purchases over £500,000 for Homeless Accommodation Property was submitted to CEB on 09/03/17, by the Executive Director for City Regeneration and Housing. This approved the Chief Executive, having notified in advance the Board Members for Finance, Asset Management and Public Health, and Housing, to approve any property purchases over £500,000 for the Homeless Accommodation Property Investment project. This delegated authority was sought to ensure officers could respond to opportunities to acquire suitable properties without having to wait for the normal CEB cycle of meetings. The market dictated that negotiations with developers needed to be undertaken to secure acquisitions of suitable dwellings to utilise retained RTB capital receipts. Any delays could have resulted in missed opportunities.
10. The Council currently aims to ensure that at least 85% of our TA properties used for homeless households (currently 132) are within Oxford and no more than 15% are outside of the City. To date the Council have purchased, or is in the process of purchasing, 18 units of temporary accommodation outside of the City; 10 in Didcot and 8 in Bicester. This figure excludes the 10 properties in Didcot in Great Western Park it is proposed to transfer to the Housing Revenue Account for use as permanent social housing.
11. During the process of identifying suitable TA and subsequently entering into meaningful dialogue with developers, an opportunity arose to purchase two blocks of 10 new build flats in Great Western Park in Didcot. Each block comprised of 8 two-bedroom flats and 2 one-bedroom flats. The two blocks are being sold by the developer as a package and it is not possible to purchase them individually. The transaction is considered to represent good value for money as the acquisition is deemed to be competitively priced. The Council has exchanged contracts and the purchase of the two blocks is expected to take place in September 2017.

Option Appraisal

12. Given the acquisition of 20 TA units would exceed the non-Oxford TA property ratio, the options of what to do with the additional 10 units of accommodation were considered. The options available include:
- i. Use all 20 units as temporary accommodation – This was not considered desirable as it would exceed the out-of-district limit on TA, and is above perceived requirements, potentially risking high void loss;
 - ii. Re-sell the 10 units after completion back into the market, subject to any lease conditions/covenant restrictions on such a proposal. This action put in danger the ability to fund the acquisitions using the retained RTB capital receipts.
 - iii. Retain the 10 units in the General Fund and use for a different purpose, such as letting to homeless families as PRS discharge properties. This would be possible, but the Council would need to source and contract with a third party organisation to undertake the lettings and management, as the Council cannot enter into Assured Short-hold Tenancies itself. This would also apply if the Council sought to rent the units as investment properties let at prevailing market rents.
 - iv. Sell the 10 units to the Council's Housing Company. This would require additional loan financing and create a stock-holding for the company ahead of the full adoption of policies and procedures for housing management. It could also put at risk the proposed development plan if funding sources were being prioritised for un-scheduled schemes such as these.
 - v. Approve the acquisition of the 10 units for the Council's HRA. The flats would be let to households in need at social rent under secure tenancies. An added advantage is that this would balance out the stock transfer of 5 properties in 16/17 and 17/18 from the HRA to the Council's housing company. This option is considered to be the most advantageous and suitable option for recommendation.

Financial implications

13. The cost of purchasing the 2 blocks in Great Western Park Didcot is show in the table below.

| Great Western Flats | Agreed Price | Stamp Duty and Land Tax | Total Spend |
|---------------------|--------------|-------------------------|-------------|
| Block 1 | £2,273,000 | £88,500 | £2,361,500 |
| Block 2 | £2,273,000 | £88,500 | £2,361,500 |
| Total | £4,546,000 | £177,000 | £4,723,000 |

14. Transfer of assets between the General Fund and the HRA need to follow agreed guidelines and are reflected in movements to each accounts Capital Financing Requirement (CFR). Both the GF and the HRA's level of indebtedness are measured by the value of their respective CFR's. When transfer of assets is possible it is simply undertaken by reciprocal movements on each accounts CFR by the value of the assets transferred. In this instance the initial cost of acquisition of £2,361,500 is a good indicator of the value and as such it is expected the HRA's CFR will increase by this value with the GF's CFR decreasing by the same value. Thus, given the assets have not left the authority the movement in the Council's overall CFR remains unchanged, as you would expect.

15. The HRA currently has a debt cap of £241m with available headroom borrowing of £42m. This is mainly as a response to various factors impacting on the HRA committing its resources to large capital schemes namely, 4 years of -1% annual rent reductions, high value void levy payments that are still to be determined and tower block additional expenditure to replace external cladding. That said the introduction of using just over £2.3m of headroom borrowing to acquire rent generating dwellings is something that could be accommodated within the existing HRA Business plan.

16. The flats have been purchased on a 150 year lease. The ground rent for each block will be £2,500 per annum (equivalent to £250 per flat per annum) This has been fixed for the lease duration as part of the negotiation..

17. The management fee and service charge quoted by the management agent is estimated to be £487 per flat per annum. There will also be additional charges as with any other block of flats owned by the Council for communal facilities.

Legal issues

18. The proposals requested follow on from the two earlier reports submitted and approved by the CEB on 15/12/16 and 09/03/17 and referred to earlier. It was proposed that conveyancing for the new properties would be undertaken by using existing resource provision within the Council and this process has been followed with all of purchases with the exception of the two blocks at Great Western Park, Didcot. The conveyancing at Great Western Park took place via an external firm, Knights, due to the need for specialist legal knowledge and advice regarding the construction documents involved. The properties have been bought off plan and

the flats are currently being built. The completion of the purchase and hand over of the properties is expected to take place around the end of September 2017 once they are finished.

19. The Council's tenants of these flats would hold the right to buy subject to the Council obtaining the requisite consent to sub-let from the head landlord and the applicant meeting the relevant criteria

Level of risk

20. A risk register is provided in Appendix 1.

Equalities impact

21. An equality impact assessment was completed with the initial report CEB report on 15/12/16 seeking permission to purchase additional units of accommodation in December 2016. No further issues have been identified. A transfer of 10 additional units of accommodation to the Housing Revenue Account will assist those on the housing register by increasing the supply and choice of properties available.

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Background Papers: None