

**To:** City Executive Board  
**Date:** 13 March 2019  
**Report of:** Head of Housing  
**Title of Report:** Project Approval for the acquisition of properties into the Housing Revenue Account

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	This report seeks Project Approval for the acquisition of properties by the Housing Revenue Account (HRA), specifically new units that may be purchased 'off-plan' from a developer. The purpose is to deliver more affordable housing, and to manage these properties within the Council's HRA let at Social Rent levels
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Mike Rowley, Portfolio for Housing
<b>Corporate Priority:</b>	Meeting Housing Needs, and An Efficient and Effective Council
<b>Policy Framework:</b>	Housing and Homelessness Strategy 2018 to 2021
<b>Recommendations:</b> That the City Executive Board resolves to:	
<ol style="list-style-type: none"> <li>1. <b>Give Project Approval</b> to the proposal to purchase accommodation, as set out in this report, and within the allocated capital budget for this purpose;</li> <li>2. <b>Note</b> that the expected budget requirement for this project was set out in the 2019/20 Council budget report, albeit at the time of drafting the budget report, the expectation was these acquisitions would receive grant as part of the Oxfordshire Growth Deal (OGD) activity, whereas use of Retained Right to Buy receipt funding is now proposed to part fund this project instead;</li> <li>3. <b>Delegate authority</b> to the Regeneration and Major Projects Service Manager, in consultation with the Head of Finance, to approve any property purchases for this project and to enter into agreement on the basis that in the opinion of the Head of Finance this continues to represent best value; and</li> <li>4. <b>Note</b> that any properties purchased are to be used as social rented housing and let to housing applicants in housing need and on the Housing Register in Oxford, as secure tenancies.</li> </ol>	
<b>Appendices</b>	

Appendix 1	Risk Register
Appendix 2	Equality Impact Assessment
Appendix 3	Property Information and Valuation – Exempt Paper

## Introduction and background

1. The Council has the opportunity to purchase further accommodation into the Housing Revenue Account (HRA) to be used as permanent housing within the Council’s housing stock. The units will be let to applicants in housing need on the Housing Register, at a Social Rent.
2. The scheme has planning consent for nine dwellings, and the proposal is to convert the tenure of these properties from market sale into affordable housing.
3. This development opportunity could deliver much needed homes relatively quickly. The mix of unit sizes meets the needs of households in high housing need in a popular Oxford location, relatively close to the city centre, and very close to local amenities and schools. The details relating to the scheme and property are commercially sensitive, and are detailed in the exempt appendix to this report.
4. The proposed start on site is Spring 2019, with expected completion approximately 12 months later.

## Proposal

5. The proposal is that the Council could purchase these units “off-plan” (prior to the commencement of the build), taking possession of the properties, as freeholder, on a “turn-key” (ready for letting) basis at completion.
6. Officers have undertaken limited due diligence around this proposal, but any agreement is subject to further due diligence and suitable contract terms being agreed, including the satisfactory completion of negotiations regarding the cost of the purchase.

## Options

7. The Council has not entered into any commitment with regard to purchasing this development, and currently a financial contribution from the developer for off-site affordable housing is expected (this being a site with a capacity of 4 to 9 units). This requirement would not be required if the developer changes this scheme into one providing 100% affordable housing. If the Council does not purchase the scheme, then it is probable that the scheme will progress for market sale. Details of the anticipated contribution are attached in exempt Appendix 3.
8. Spend on this proposal is qualifying expenditure for the use of unspent Retained Right to Buy (RRTB) receipts, up to 30% of the eligible spend on the development, and it is proposed that this funding be used to subsidise the cost to the HRA accordingly.

## Financial implications

9. The HRA section within Appendix 6 (Capital Programme) of the 2019/20 Budget Report indicates that there is a sum of £3.2m made available for the acquisition of additional units spread over 2019/20 and 2020/21 that could be used for this scheme. If phasing of the spend needs to be revised subsequently then this can be requested from the City Executive Board at a future date.

10. There is provision within the current HRA Business Plan to use existing borrowing headroom to secure additional units of accommodation into the HRA.
11. After using RRTB funds to cover 30% of the cost, the net cost of the scheme to the HRA, are within acceptable development tolerances for Payback, Net Present Value; and an Internal Rate of Return based on Social Rent and borrowing at the prevailing Public Works Loan Board interest rate. It is anticipated that cash flows will be negative for the initial years (at levels dependent on the purchase price that is negotiated and agreed). Further financial information, including valuations are contained in Appendix 3.
12. There are expected to be limited associated costs of this purchase other than stamp duty, which is accounted for in the funding envelope and detailed in Appendix 3.
13. An external valuation has been commissioned to provide additional advice with regards to the value of the development. The price paid by the Council will be net of any Affordable Housing contribution that will be forgone as a result of the switch from market to affordable housing.

### **Legal issues**

14. Under Section 17 (1) (b) of the Housing Act 1985 the Council acting as a local housing authority has the power to acquire houses, or buildings which may be made suitable as houses, together with any land occupied with the houses or buildings.
15. It is proposed that the conveyancing for these new property acquisitions is undertaken using the Council's in-house legal team.

### **Level of risk**

16. A Risk Register is provided at Appendix 1.

### **Equalities impact**

17. An Equalities Impact Assessment is provided at Appendix 2. There are no adverse impacts in undertaking this activity, with the potential to improve provision for vulnerable and marginalised households.

### **Conclusion**

18. That the Council should look to use this opportunity to acquire additional affordable housing, at social rent, as set out in this report.

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<b>Background Papers:</b>	None
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