

Officer Executive Decision

www.oxford.gov.uk



To: Executive Director for Communities and People
Head of Finance
Head of Law & Governance

Date: 21st March 2022

Report of: Allison Dalton – Housing Development Officer

Title of Report: Purchase of completed development at 16 Sparsey Place, Oxford.

Summary and recommendations	
Purpose of report:	To seek approval under the Officer Executive Decision delegations for the transfer by purchase of the land and housing at 16 Sparsey Place, Oxford from Oxford City Housing (Development) Limited (OCH(D)L) to the Council's Housing Revenue Account.
Decision required:	
1. To authorise the transfer by purchase of the land and housing on land at 16 Sparsey Place, Oxford from Oxford City Housing (Development) Limited for the Council's Housing Revenue Account for a consideration of £478,000 in total.	
Appendices	
1. Dashboard of financial performance	

Introduction

1. OCHL have recently finished refurbishment work at 16 Sparsey Place including increasing the size of the home from 3 to 6 bedrooms. The property now needs to transfer back to OCC to be put back into use. The home is part of a wider programme of extension projects which are currently being reviewed in terms of their overall financial performance. A paper summarising this is being prepared for the April 2022 Cabinet by the Affordable Housing Supply Corporate Lead.
2. This paper illustrates the specific financial performance of this development which, in light of the proposed funding, meets the HRAs agreed parameters. Approval is in place from OCHL Board to transfer the property back on these terms.

Background

3. As part of Oxford City Council's CEB decision on 29 May 2019 to confirm the future strategic direction for the Council's group of housing companies it was agreed that OCHL would continue with the current acquisition and development programme.
4. It was agreed in principle that the Council would purchase and manage the social rented units from OCH(D)L as they were developed. The sale values for units in

this programme of extended homes, where major refurbishment works were undertaken were intended to be at open market value.

5. The transfer of the void properties to OCHL for development was detailed in the report. The report is not able to identify each property as the programme relied on the identification of suitable properties as and when they become void. The report reads as follows:

a. Item 12 – Transfer of Voids

The HRA 'trickle' transfer of 5 voids per year to OCHL was initially agreed for two main reasons. Firstly the HRA had developed an initiative to identify void properties with the potential for extension and /or development. The previous government policy changes that negatively impacted the HRA, threatened to affect the continuation of this initiative so the activity was transferred to OCHL.

It is proposed the initiative to extend or redevelop voids should continue with OCHL in order to deliver larger units.

6. Extracts from the minutes of the report read as follows:-

Cabinet resolved to:

a. Minute 1 – 'Agree that the Oxford City Housing Limited group of companies (OCHL) continues with the current development and acquisition programmes as detailed in paragraphs 9,12 and 14 of the report';

b. Minute 2 – 'Agree that the Council's Housing Revenue Account from this date onwards purchases and manages the social rented and shared ownership units (with the exception of the Barton Park units)'

c. Minute 6 - 'Agree that delegated authority is given to the Assistant Chief Executive in consultation with the Head of Finance and the Head of Law and Governance to approve and facilitate the agreed purchase by the HRA of all affordable housing units at the OHCL development sites' (this role is now the Executive Director for Communities and People).

7. Under this Extension Programme OCH(D)L has completed the build contract to extend and refurbish the property at 16 Sparsey Place to be wholly affordable housing (Social Rent) and require the Council to confirm the purchase price of this home and commit to the purchase.

8. The property will provide a six bedroom, 11 person home suitable for the needs of one of the larger households on the Council's housing register.

9. The works have extended the home from a standard 3 bedroom, 5 person house to a 6 bedroom 11 person home. The original part of the property has undergone a major refurbishment to bring it up to modern standards for insulation and energy efficiency. The overall works include; rewiring, a full kitchen replacement, new central heating, new bathroom on the first floor and a shower room on the ground floor. The property is also adaptable and offers accommodation to a household with some mobility needs.

10. External works have improved the accessibility of the front and rear gardens and have included significant landscaping and fencing.

Proposal

11. The proposed purchase price is £478,000 and is a decrease of £47,000 from the initial estimated price of £525,000 that was used in the Abovo model Development

Scheme Appraisals (DSA) for the HRA, previously approved by Cabinet. The value has been discounted by OCHL to meet the HRA parameters as outlined below, along with additional funding through Retained Right to Buy (RRTB) receipts.

12. Council previously approved the following HRA parameters as a guide when assessing and measuring the financial viability of proposed schemes which involves the Council acquiring dwellings from OCHL, namely:
 - **Internal Rate of Return** –The IRR threshold for the HRA is 3% - this scheme achieves 3.52%
 - **Net Present Value** – The NPV threshold for the HRA is that it must be positive. Here it is £718.
 - **Payback** – The payback threshold for the HRA is below 70 years. This scheme pays back in 60 years.
13. The previous Abovo assessment proposed that the refurbished existing unit be let by the HRA as an Affordable Rent dwelling. However the prevailing Rent Standard regulations state that Affordable Rent can only apply where there is prior agreement with Government or one of its approved agencies e.g. Homes England, usually involving the supply of Government funding towards the construction/ acquisition of that unit.
14. This refurbished unit at 16 Sparsey Place is not eligible to receive subsidy through the Oxfordshire Growth Deal (OGD). Therefore, it cannot be let at Affordable Rent and must be let at Social Rent.
15. OCHL Board originally approved this transfer to the Council on 25th November, 2021. However, it became apparent that the HRA parameters could not be met because of the restriction of 40% RRTBR against acquisition rather than scheme costs. This meant the HRA could not afford the buyback price originally assumed.
16. The impact on the remaining 4 extension projects in the programme is dealt with in the Cabinet report for the meeting in April 2022.
17. However, we have brought this property ahead of that report because it is complete and standing void with a family waiting. The approach outlined here allows us to complete the transfer and get the property into use.
18. We propose that the HRA provides 40% of the acquisition price through RRTBR in this instance. Future properties in this Extensions Programme will be treated differently under the proposals detailed in the April Cabinet report.
19. The final purchase price of £478,000, is the OCHL discounted full open market value of £525,000 for the refurbished and extended home, which is then further supported by £191,200 of RRTB receipt.
20. A comparison of the existing Abovo HRA DSA model output parameters with those now estimated with the dwelling set as a Social Rented property, but funding 40% of the acquisition price from available retained RTB receipts and discounted by OCHL, is shown in Table 1 below;

Table 1 – HRA Capital Parameter Comparison

Appraisal	IRR	NPV	PYB	Price	Rent
Previous	2.91	-£46,939	76	£525,000	£169.86
New	3.52	£1,240	60	£286,800	£169.86

Financial implications

21. The financial implications are set out in the body of the report.

Legal issues

22. The sale will be by way of legal transfer from OCH(D)L to OCC.

23. OCC will need to pay £478,000 on handover. This is accounted for in the HRA version of the Abovo appraisal, and can be done within parameters set by the Council.

Level of risk

24. The significant risk is that the HRA may pay too much for this home considering the income stream – this has been mitigated by carrying out a detailed viability analysis using the HRA Business Plan appraisal software, Abovo, which has demonstrated a financial performance within required parameters.

25. As stated in the report above, the purchase price is reduced against the open market value.

Conclusion

26. That the Executive Director for Communities and People should authorise the purchase of 16 Sparsey Place under the terms shown above which offers the best outcomes for OCHL and the HRA and in light of the requirement to quickly bring this home in to use.

Report author	Allison Dalton
Job title	Housing Development and Regen Officer for Oxford City Council
Service area or department	Regeneration & Economy
Telephone	01865 252801
e-mail	adalton@oxford.gov.uk

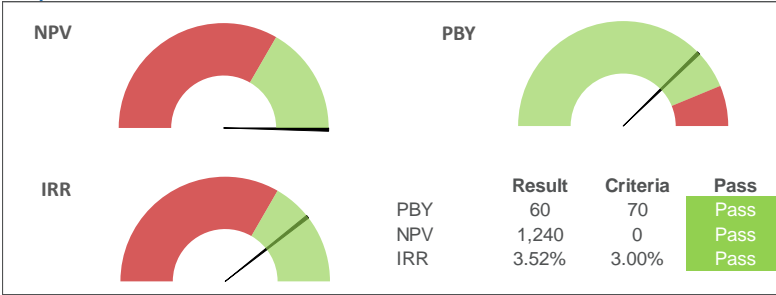
Officer Executive Decision

APPENDIX 1

Revised HRA DSA Assessment – Discount by OCHL and RRTBR

16 Sparsey Place
Dashboard

Outputs



Scheme Details

Scheme Name	16 Sparsey Place
Scheme Type	Committed

Capital Income and Costs

	£	%	£/m2
S106	0	0.00%	0.00
Land	0	0.00%	0.00
Build	478,000	100.00%	3,824.00
Oncosts	0	0.00%	0.00
Cap Int	0	0.00%	0.00
TSC	478,000	100.00%	3,824.00
Initial Sales	0	0.00%	
SHG	0	0.00%	
RCGF/DPF	0	0.00%	
Other Grant	191,200	40.00%	
Net Scheme Costs	286,800	60.00%	
OMV	525,000	54.63%	