

To: Cabinet – 13 April 2022
Council – 18 July 2022

Report of: Head of Housing Services

Title of Report: Affordable Housing Delivery Programme

| Summary and Recommendations | |
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| Purpose of report: | The report seeks further project approvals and delegations to enable the continued delivery of more affordable housing |
| Key decision: | Yes |
| Cabinet Member: | Councillor Diko Walcott, Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless Councillor Alex Hollingsworth, Cabinet Member for Planning and Housing Delivery |
| Corporate Priority: | Meeting Housing Needs |
| Policy Framework: | Council Strategy 2020 - 2024 |
| Recommendations: That the Cabinet resolves to: | |
| 1. | Note the 64 affordable homes that have already been acquired from OCHL as per Table 1, and the 111 affordable dwellings that are currently in delivery as listed in Table 2, in accordance with the previous Cabinet approvals in February 2017 and May 2019. |
| 2. | Give project approval for the continued acquisition of affordable dwellings developed by OCHL for which budgetary provision has been made in the Council’s Housing Revenue Account in respect of: <ul style="list-style-type: none"> a) The 6 affordable dwellings listed in rows 6 to 10 in Table 3, and b) The development of 80 affordable homes at Almonds Farm, Mill Lane, Marston as laid out in paragraphs 6 to 10. |
| 3. | Delegate authority to the Executive Director for Development, in consultation with the Executive Director for Communities and People; the Cabinet Member for Planning and Housing Delivery; the Head of Financial Services/ Section 151 Officer; and the Head of Law and Governance, to approve and facilitate the sale of the council owned site, to facilitate the OCHL development and the subsequent acquisition of affordable dwellings by the HRA, within this project approval for Mill Lane, Marston. |

4. **Delegate authority** to the Executive Director for Communities and People, in consultation with the Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless; the Head of Financial Services/ Section 151 Officer; and the Head of Law and Governance, to enter into agreements and facilitate the agreed purchase by the HRA of all the affordable housing units from OCHL within this project approval, for Mill Lane, Marston (as recommended at 2b above) and the extensions (as recommended at 2a above).
5. **Give project approval** to the proposals, to accept and distribute grant; enter into funding agreements; and any other necessary agreements or contracts, as set out in paragraphs 11 to 13 of this report for Gibbs Crescent, for the purpose of delivering more affordable housing in Oxford, through the Oxfordshire Housing and Growth Deal programme.
6. **Delegate authority** to the Executive Director for Development, in consultation with the Cabinet Member for Planning and Housing Delivery; the Head of Financial Services/Section 151 Officer; and the Council's Monitoring Officer, to enter into funding and other necessary agreements for the purpose of delivery affordable housing through the Oxfordshire Housing and Growth Deal programme, within identified budgets, for the Gibbs Crescent scheme listed in this report.
7. **Recommend to Council** that it approves a revision to the general fund capital budget of £2,150,000 to fund the grant payable for the additional 43 affordable homes on the Gibbs Crescent scheme, all of which will be funded by capital grant income from Oxfordshire Housing and Growth Deal (OGD). This to be profiled as £1,935,000 (90%) in 2022/23 for the initial grant payment, and the balance of £215,000 in 2024/25.
8. **Give project approval** to the proposals to enter into funding agreements, and any other necessary agreements or contracts, with Homes England to receive grant under the Affordable Housing Programme (AHP) for the purpose of delivering more affordable housing in Oxford, as set out in paragraphs 14 and 15 of this report.
9. **Delegate authority** to the Executive Director for Communities and People, in consultation with the Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless; the Head of Financial Services/Section 151 Officer; and the Council's Monitoring Officer, to enter into funding and other necessary agreements for the purpose of delivery of affordable housing with Homes England, in accordance with recommendation 8 above.
10. **Delegate authority** to the Executive Director for Communities and People, in consultation with the Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless; the Head of Financial Services/ Section 151 Officer; and the Head of Law and Governance, to enter into agreement and facilitate the agreed purchase by the HRA of the affordable housing units, from OCHL, referenced at paragraphs 16 to 20 of this report, at a cost that exceeds the usual financial parameters for the HRA in respect of the 5 properties listed in Table 3, within further information provided in the confidential Appendix 2, to ensure units remain at Social Rent, within overall budget envelopes for affordable housing buy-backs.

| Appendices | |
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| Appendix 1 | Property and Valuation/ Cost Information – Mill Lane, Marston (not for publication – commercially sensitive) |
| Appendix 2 | Property and Valuation/ Cost Information – OCHL Extensions (not for publication – commercially sensitive) |

Introduction and background

1. The Council continues to develop a supply programme to deliver more affordable housing through multiple work streams, including the delivery of units through Oxford City Homes Limited (OCHL); direct delivery by the Council; joint ventures, such as Barton Park; regeneration schemes; acquisitions; and enabling activity with Registered Providers, Community-Led Housing groups, and other partners.
2. This report is further to reports to Cabinet in February 2017 and May 2019 with regard to the arrangements between the Council, using its Housing Revenue Account (HRA), and OCHL. It seeks to secure Council-side approvals and delegations to enable the development of the next schemes in the direct-delivery programme, and the buy-back of the new affordable housing into the HRA (Recommendations 1 to 4, and 10).
3. In February 2018, Council agreed to enter into funding arrangements under the Oxfordshire Housing and Growth Deal to provide grant to deliver more affordable housing. That programme ends at the end of March 2022. A final adjustment to the schemes in the last year of the deal, to maximise this funding, has added additional affordable homes at the Gibbs Crescent development into the programme (Recommendations 5 to 7 relate). From now on, new grant applications will need to be made to Homes England, as part of the Affordable Housing Programme (AHP) 21-26. This report therefore seeks to secure approval and delegations with regard to entering into new grant agreements with Homes England also, for this purpose. (Recommendations 8 and 9).

OCHL development programme

4. OCHL continue to deliver an extensive programme of development schemes in accordance with the OCHL business plan. Excluding the affordable rented homes at Barton Park, and the extensions detailed at paragraph 18, at the end of January 2022, 64 affordable homes had been completed and let in the 2021/22 year, across 6 sites (shown in Table 1 below). A further 6 schemes were on-site and in progress, delivering 111 affordable homes (see Table 2 below). Approximately 750 further affordable homes are in the OCHL development pipeline for delivery in the next five years.

| Table 1: Completed OCHL Schemes | Total affordable homes | Social Rent | Affordable Rent | Shared Ownership |
|--|-------------------------------|--------------------|------------------------|-------------------------|
| Harts Close, Kidlington | 2 | 1 | 1 | 0 |
| Rose Hill (2 schemes) | 43 | 18 | 0 | 25 |
| Cumberlege Close | 9 | 9 | 0 | 0 |
| 66 Sandy Lane | 2 | 2 | 0 | 0 |
| 9 Pauling Road | 1 | 1 | 0 | 0 |
| Edgecombe Road | 7 | 4 | 3 | 0 |
| Total | 64 | 35 | 4 | 25 |

| Table 2: OCHL Schemes in delivery | Total affordable homes | Social Rent | Affordable Rent | Shared Ownership |
|--|-------------------------------|--------------------|------------------------|-------------------------|
| Bracegirdle Road/ Mortimer Drive/ Broad Oak | 8 | 8 | 0 | 0 |
| Elsfield Hall | 26 | 11 | 3 | 12 |
| Between Towns Road | 38 | 16 | 2 | 20 |
| Speedwell Street (LFH) | 26* | 15 | 3 | 8 |
| Tucker Road | 3 | 2 | 1 | 0 |
| Warren Crescent | 10 | 4 | 6 | 0 |
| Total | 111 | 56 | 15 | 40 |

* plus 10 homes for market sale

- The Council has committed to buy-back these affordable homes and transfer them into its rented housing stock within the HRA on completion, with sufficient budget allocated in the Medium Term Financial Plan (MTFP) and the HRA business plan, for this purpose. This report seeks approval for the next development in the programme, which is due to start on site shortly.

Mill Lane Marston (Almonds Farm)

- This is a scheme of 80 much needed affordable homes, with a mix of unit types from 1 bedroom flats to 4 bed houses. 32 homes are to be let at Social (Council) Rents to households on the housing register, and 48 homes are to be developed as Shared Ownership tenure. The scheme was approved by the Council's Planning Committee in October 2021.
- OCHL intend to use its new procurement framework to appoint a construction company shortly. The homes are designed to a high quality, delivering a 70% reduction in carbon emissions (against 2013 building regulations), and embracing modular construction techniques.
- The freeholder of the land is Oxford City Council. It is currently subject to an agricultural tenancy agreement. The tenant is aware that the Council intends to

give notice on this imminently (with respect to this site), in order to facilitate this development.

9. This report seeks delegated authority to sell the land from the Council to OCHL, for the purpose of undertaking this development, and to then buy-back the affordable housing on completion. The intention is that the site will transfer to OCHL with planning consent in place and with vacant possession. The sale price will be based on an external land valuation of the site, at 'market value' in February 2022. Appendix 1 of this report provides further information on this valuation and cost (excluded from publication due to the commercial sensitivity of this information). The land transfer is programmed to take place in summer 2022, and will be subject to an acceptable contract and agreement between the Council and OCHL.
10. OCHL will develop the scheme and as it is 100% affordable, the completed units will be purchased by the Council's Housing Revenue Account (HRA). This will occur in a phased manner in line with the contractor's phased development proposals when finalised. The 'buy back' mechanism will be an integral part of the land transfer contract, with the land being transferred to OCHL on the basis that the completed units, and associated land, are returned to the Council, bar highways and verges that are intended to be put forward for adoption by the County Council.

Oxfordshire Housing and Growth Deal – Oxford City programme

11. Cabinet and Council have previously agreed to the allocation of Oxfordshire Housing and Growth Deal (OGD) funding for affordable housing developments by way of grant, including for some additional affordable homes at the Gibbs Crescent redevelopment scheme with A2Dominion (October 2020 and July 2021).
12. In order to maximise the units to be delivered under this programme, and ensure that the grant conditions are met (in particular, to ensure 'contractual start on site' by the end of March 2022), a substitution in the OGD programme is proposed.
13. This relates to the opportunity to convert the tenure of a further 43 homes on the A2Dominion development at Gibbs Crescent from market into shared ownership, making the development 100% affordable. This will require a further £2,150,000 of grant, all of which will be funded by capital grant income from Oxfordshire Housing and Growth Deal (OGD). This to be profiled as £1,935,000 (90%) in 2022/23 for the initial grant payment, and the balance of £215,000 in 2024/25 on completion. The overall budget position for the Council is neutral, but an in-year budget change to the capital programme is required to enable the grant to be received, then allocated and paid.

Homes England - Affordable Housing Programme

14. As the Oxfordshire Housing and Growth Deal comes to the end of its final/ fourth year of the programme (for new schemes), new affordable housing schemes coming forward from now onwards, will seek to secure funding from Homes England, currently under the Affordable Housing Programme 21-26.
15. The Homes England programme requires that organisations seeking funding have 'Investment Partner' and 'Registered Provider' status. Oxford City Council has both.

Furthermore, the Council is required to enter into contract with Homes England, and to ensure that all funded schemes meet the Homes England requirements, including those detailed extensively in the Homes England 'Capital Funding Guide'. This report seeks the necessary approvals and delegations to enter into agreements and make funding applications in relation to the schemes in the approved OCHL and HRA development programme, in relation to the affordable housing coming into the HRA.

Specific Buy-Backs into the HRA

16. The Council (HRA) has previously transferred 10 properties to OCHL, these homes having been identified, when void, as being on large plots where additional affordable housing may be possible. After investigation, if a new-build option was not considered practicable, then consideration was given to whether an extension were possible to the existing home, to meet the high housing needs of a small number of households on the Housing Register who require larger homes (usually of four, five or six bedrooms or more). The new homes and extended properties are to be purchased back into the HRA on completion, to be let at Social (Council) Rents.
17. This scheme was approved by Cabinet in relation to the first transfer of five properties in February 2017, and with reference to the proposed next batch of five transfers in May 2019.
18. This report is able to update Cabinet on this initiative (see Table 3 below), and seeks some operational changes to facilitate the completion of these projects.

| Table 3: Transferred Houses | | Original Size | Extension? / New Size | Additional Home(s) at Social Rent | Update |
|--|--------------------|----------------------|------------------------------|--|---|
| 1 | 2 Dynham Place | 4BH | n/a | n/a | Unviable to develop to return house to HRA |
| 2 | 9 Pauling Road | 3BH | n/a | 1 x 3BH | Completed |
| 3 | 66 Sandy Lane | 3BH | n/a | 1 x 3BH 1 x 5BH | Completed |
| 4 | 32 Union Street | 2BH | Yes – 4BH | n/a | Completion expected April 2022 |
| 5 | 26 Valentia Road | 3BH | Yes – 6BH | n/a | Pre-tender stage |
| 6 | 16 Sparsey Place | 3BH | Yes – 6BH | n/a | Completed (Transfer into HRA due – Mar 22) |
| 7 | 51 Weirs Lane | 3BH | Yes – 4BH | n/a | Completed |
| 8 | 74 Foxwell Drive | 2BH | n/a | 1 x 3BH | Starting on-site Spring 2022 |
| 9 | 25 Westlands Drive | 3BH | Yes – 5BH | n/a | Pre-tender stage |
| 10 | 15 Kempson Cresc | 3BH | Yes – 5BH | n/a | Pre-tender stage |
| Total | | 10 | 6 | 4 | |

19. The build cost of undertaking some of this work has increased and it is challenging to ensure the original objectives for the scheme, in delivering these homes back to the Council to let at Social (Council) Rents, as set out in the OCHL & HRA business plans. With regard to the 4 new build units, the new homes have secured grant from the Oxfordshire Housing and Growth Deal programme and are viable, however additional funding is required for the five extensions not yet bought-back into the HRA. Under the Rent Standard, the extended homes cannot be at an Affordable Rent tenure, and must be at Social (Council) Rent.
20. OCHL have amended the buy-back price, but this remains higher than the financial parameters previously agreed for the HRA (payback less than 70 years; with a positive Net Present Value (NPV); and an Internal Rate of Return (IRR) over 3%), for the reasons set out in the paragraph above. Cabinet is recommended to agree to acquire these units outside of the usual HRA financial parameters, as it relates to a very small number of homes and the OCHL buy-backs over the whole programme, continue to fall well inside the financial parameters overall. The budget for this will fall inside the approved HRA capital programme for the purpose of delivering affordable housing. Appendix 2 of this report provides further information on this cost and financial appraisal (excluded from publication due to the commercial sensitivity of this information). This is considered to be the only viable option for progressing this work that works for OCHL and the Council within current arrangements.

Financial implications

21. This report seeks the required delegations to further develop the programme of affordable housing supply. The 40 year HRA Business Plan approved at Council in February 2022 makes provision for purchases of affordable housing from OCHL's 10 year development programme of 1,114 properties within an overall budget envelope of £367m before grant and shared ownership sales, £289m when these are taken into account.
22. The decision to proceed with any development or buy-back will be supported by a development scheme appraisal/ financial modelling to ensure that financial parameters and requirements are met for OCHL and the HRA. These parameters have been previously agreed are for each scheme:
- a) a positive Net present value (NPV) over a 70 year life; and
 - b) a payback period of up to 70 years; and
 - c) an internal rate of return at which the NPV is zero (IRR) of at least 3%.
23. Meeting these parameters ensure that the HRA business plan remains financially robust, conversely not meeting these parameters will impact this position. This reports highlights a number of schemes with a small number of dwellings where these parameters are not achieved but given the small numbers the overall impact compared to the need for the dwellings will be minimal. Whilst hopefully these incidences will be minimal where they do arise further Cabinet approval will be required.

Legal issues

24. The activity, as set out in this report, relates to activity for the purpose of developing homes as affordable housing.
25. The Council has Homes England Investment Partner status and has Registered Provider status.
26. Any procurement of goods and services for the purpose of developing homes will be in accordance with the Council's constitution and procurement procedures complying with The Public Contracts Regulations 2015 for such, including ensuring that best value is achieved.
27. Land sales will ensure compliance with the Local Government Act 1972 s.123 with regards to securing best value through the use of external valuation and internal due diligence and consideration.
28. It is proposed that any conveyancing for land and acquisitions in the programme continues to be undertaken using existing resource provision available to the Council.

Level of risk

29. Any risks inherent in this programme are already identified elsewhere, with actions to mitigate these detailed in the OCHL and HRA Business Plans and the Council's Medium Term Financial Plan.

Equalities impact

30. There are no adverse impacts in undertaking this activity, with the potential to improve provision for persons in housing need, through the provision of more affordable and accessible housing to better meet client needs.

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| Background Papers: | None |
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