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| To: | Executive Director for Communities and PeopleHead of FinanceHead of Law & Governance |
| Date: | **21/04/2022** |
| Report of: | **Allison Dalton – Housing Development Officer** |
| Title of Report:  | Purchase of completed development at 32 Union Street, 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 32 Union Street, 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 32 Union Street, Oxford from Oxford City Housing (Development) Limited for the Council’s Housing Revenue Account for a consideration of £465,000 in total. |
| Appendices |
| 1. Dashboard of financial performance |

# Introduction

# OCHL have recently finished refurbishment work at 32 Union Street including increasing the size of the home from 2 to 4 bedrooms. The property now needs to transfer back to the HRA to be put back into use.

# This paper illustrates the specific financial performance of this development which meets the HRAs revised parameters for this Extensions Programme.

# Approval is being sought and fully expected to be granted from OCHL Board of 17th May, 2022 to transfer the property to OCC on these terms.

# Background

1. 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.
2. 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.
3. 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:
	1. 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.
		1. It is proposed the initiative to extend or redevelop voids should continue with OCHL in order to deliver larger units.
4. Extracts from the minutes of the report read as follows:-
Cabinet resolved to:
	1. 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’;
	2. 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)’
	3. 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).
5. Under this Extension Programme OCH(D)L has completed the build contract to extend and refurbish the property at 32 Union Street to be wholly affordable housing (Social Rent) and require the Council to confirm the purchase price of this home and commit to the purchase.

**The Property**

1. The property will provide a 4 bedroom, 7 person home suitable for the needs of one of the larger households on the Council’s housing register.
2. The works have extended the home from a standard 2 bedroom, 4 person house to a 4 bedroom 7 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 kitchen extension and renewal of units, new central heating, extended and renewed bathroom on the ground floor and a shower room on the first floor.
3. External works have improved the accessibility of the front and rear gardens and have included significant landscaping and fencing.

**Proposal**

1. The proposed purchase price is £465,000 which has been used in the Abovo model Development Scheme Appraisals (DSA) for the HRA, previously approved by Cabinet. This price reflects the open market value for this property.
2. 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:
	1. **Internal Rate of Return at** 3%
	2. **Net Present Value** must be positive.
	3. **Payback less than** 70 years.
3. The previous Abovo assessment also 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.
4. This refurbished unit at 32 Union Street 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. This means that the HRA buyback price originally assumed will not meet the parameters previously approved.
5. The site is part of a wider programme of 5 extension projects that were included in a report to Cabinet by the Affordable Housing Supply Corporate Lead on 13th April, 2022. The report detailed the financial review undertaken of the Extensions Programme as a result of this.
6. Cabinet approved Delegated authority to officers to enter into agreement and facilitate the agreed purchase by the HRA of the affordable housing units, from OCHL, within the Extensions Programme, at a cost that exceeds the usual financial parameters for the HRA in respect of the 5 remaining properties, to ensure units remain at Social Rent and because they are within overall budget envelopes for affordable housing buy-backs.
7. The decision reads;

‘The Head of Housing Services had submitted a report to seek further project approvals and delegations to enable the continued delivery of more affordable housing. Councillor Alex Hollingsworth, Cabinet Member for Planning and Housing Delivery, highlighted the continuing need for affordable housing within the City and presented the recommendations in conjunction with Councillor Diko Walcott, Cabinet Member for Affordable Housing, Housing Security and Housing the Homeless.

10. Cabinet resolved to:

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 buybacks.’

# Financial implications

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

**Legal issues**

1. The sale will be by way of legal transfer from OCH(D)L to OCC.
2. OCC will need to pay £465,000 on handover which is the sum approved for this property within the Cabinet report of 13th April, 2022. This sum reflects the current market value of the property.

# Level of risk

1. The main risk is that the HRA may pay too much for this home considering the income stream – the review of this Extensions Programme has considered this issue and concluded that these properties meet the need for these larger family homes that would not usually be provided through the development process.

**Conclusion**

1. That the Executive Director for Communities and People should authorise the purchase of 32 Union Street 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.

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| Approval | Date of Approval |
| Stephen GabrielExecutive Director for Communities and People |  |
| Nigel KennedyHead of Financial Services (Section 151 Officer) |  |
| Susan SaleHead of Law & Governance |  |

APPENDIX 1

HRA DSA Assessment

