

To: Cabinet
Date: 14 December 2022
Report of: Head of Housing Services
Title of Report: Delivery of Affordable Housing (Railway Lane and Marston Paddock)

Summary and Recommendations	
Purpose of report:	The report seeks further project approvals and delegations to enable the continued delivery of more affordable housing in Oxford
Key decision:	Yes
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing Councillor Alex Hollingsworth, Cabinet Member for Planning and Housing Delivery
Corporate Priority:	Meeting Housing Needs
Policy Framework:	Council Strategy 2020-24; Housing and Homelessness Strategy 2018-21 and the emerging 2023-28 Strategy
Recommendations: That the Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Grant 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: <ol style="list-style-type: none"> (i) Railway Lane, Littlemore (referenced in paragraphs 3 to 10 of this report) and (ii) Marston Paddock, Butts Lane, Old Marston (referenced in paragraphs 11 to 17 of this report); 2. Delegate authority to the Executive Director (Development), in consultation with the Head of Law and Governance, to approve and facilitate the license to occupy and develop the council owned site in order to facilitate the development within this project approval for Railway Lane, Littlemore; and 3. Delegate authority to the Executive Director (Development), in consultation with the Executive Director (Communities and People), the Cabinet Member for Housing, 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 Council of these developments, with all the 	

affordable housing units from OCHL to be held in the HRA, within this project approval for the Railway Lane and Marston Paddock sites.

Appendices

Appendix 1 (Confidential)	Summary of Development Scheme Appraisal – Railway Lane
Appendix 2 (Confidential)	Summary of Development Scheme Appraisal – Marston Paddock

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 the Council's housing company - Oxford City Homes Limited (OCHL); direct delivery by the Council; joint ventures; regeneration schemes; acquisitions; and enabling activity with Registered Providers, Community-Led Housing groups, and other partners. The Council seeks to deliver over 1,600 affordable tenure homes across the next four years (to March 2026), with at least 850 of those at the most affordable Social Rent level.
2. This is a further report 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 purchase of the new affordable housing into the HRA.

OCHL development programme

3. OCHL continue to deliver an extensive programme of development schemes in accordance with the OCHL business plan. This report relates to two developments in the programme, which are due to enter into contract shortly.
4. The Council has committed to buy these sites and hold the affordable housing stock within the HRA on completion. The Council has allocated sufficient budget in the Medium Term Financial Plan (MTFP) and the HRA business plan, for this purpose. The current consultation budget (2023/24 to 2026/27) proposes to continue the capital funding provision for this also.

Railway Lane, Littlemore

5. This is a 100% affordable housing scheme of 90 much needed affordable homes. There is a mix of unit types from 1 bedroom flats to a 5 bed house. At least 45 homes are to be let at Social (Council) Rents to households on the housing register, and the remaining homes are to be developed as Shared Ownership tenure. The scheme uses derelict brownfield land, and was approved by the Council's Planning Committee in July 2022. Work is underway to address the planning conditions and to agree the s.106 agreement.

6. The homes are designed to a high quality, exceeding a 40% reduction in carbon emissions (against 2013 building regulations). The homes will be developed to high levels of thermal efficiency and will be all-electric, with air-source heat pumps and solar photovoltaic panels on the flats. The development will provide additional public open space and make a land provision for a possible crossing over the Cowley Branch line in the future. Ten of the homes (11% of the site) will be designed to the M4(3) wheelchair accessible standard, and nine of the houses will be four bed and at Social Rent to meet local acute needs.
7. The developer owns the majority of the site, but a small parcel of land (by Thompson Terrace) is in the ownership of Oxford City Council. It is proposed that the Council will issue a license for this land to the developer, for the purpose and duration of the development activity.
8. On completion, the developer will sell their land and all the homes to OCHL, who will then sell these onto the Council. The housing will be held in the HRA.
9. This report seeks delegated authority to enter into the license, and to enter into agreement with OCHL to buy the site on completion.
10. Appendix 1 of this report provides further information on the development scheme financial appraisal (excluded from publication due to the commercial sensitivity of this information). The build is programmed to start early summer 2023, with completion expected December 2025. The Council will bid for Homes England grant funding under the Affordable Housing Programme 21-26 to contribute funding to this scheme.

Marston Paddock, Butts Lane, Old Marston

11. This scheme secured full planning consent in July 2022, having been approved by the Council's Planning Committee in March 2022. It is a housing scheme of 40 homes (with 50% of these as affordable). The site is owned by the developer, who proposes to build then sell the site. The site was allocated for housing in the Local Plan 2036 adopted in June 2020.
12. The proposal, negotiated with the developer, is for OCHL to enter into agreement to buy the entire site through a 'golden brick' land deal, securing full ownership on the completion of the homes. The Council would enter into agreement with OCHL to purchase the completed homes in a similar manner, with staged payments, and to hold the housing stock in the HRA.
13. Through this arrangement, the Council would convert this scheme to 100% affordable housing. There is a mix of unit types from 1 and 2 bed flats to 4 bed houses. 21 homes are proposed to be let at Social (Council) Rents to households on the housing register (including 7 four-bed houses), and 19 two and three-bed homes are to be developed as Shared Ownership tenure.
14. The homes are designed to a high quality, and are expected to achieve a 56% reduction in carbon emissions (against 2013 building regulations). The homes will be developed to high levels of thermal efficiency and will be all-electric, with air-source heat pumps. The development will provide additional public open space in the centre of the scheme.

15. The developer will sell the land and all the homes to OCHL, who will then sell these onto the Council. The housing will be held in the HRA.
16. This report seeks delegated authority to enter into agreement with OCHL to buy the land, and then all the homes on completion.
17. Appendix 2 of this report provides further information on the development scheme financial appraisal (excluded from publication due to the commercial sensitivity of this information). The build is programmed to start in early 2023, with completion expected summer 2024. The Council will bid for Homes England grant funding under the Affordable Housing Programme 21-26 to contribute funding to this scheme.

Financial implications

18. 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. The current consultation budget (2023/24 to 2026/27) proposes to continue capital funding provision sufficient for the two schemes set out in this report also.
19. 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%.
20. Meeting these parameters ensure that the HRA business plan remains financially robust, conversely not meeting these parameters will impact this position.

Legal issues

21. The activity, as set out in this report, relates to activity for the purpose of developing homes as affordable housing.
22. The Council has Homes England Investment Partner status and has Registered Provider status.
23. 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.

Level of risk

24. 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

25. 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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