

To: Cabinet – 15 March 2023
Council – 20 March 2023

Report of: Executive Director (Development)

Title of Report: Delivery of Affordable Housing

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 Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	More Affordable Housing and Meeting Housing Needs
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Give project approval for the acquisition of affordable dwellings developed by Oxford City Homes Ltd (OCHL) for which budgetary provision has been made in the Council’s Housing Revenue Account in respect of: <ol style="list-style-type: none"> a) Oxford North (referenced in paragraphs 9 to 18 of this report), and b) Goose Green, Wolvercote (referenced in paragraphs 19 to 34 of this report), and c) Meadow Lane, Iffley (referenced in paragraphs 35 to 49 of this report); 2. 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/Monitoring Officer, to finalise the scheme design and financial appraisals and enter into agreements and contracts to facilitate the agreed purchase by the Council of the affordable housing (to be held in the HRA) and any associated land, within the identified budget, for the provision of the affordable housing (111 affordable homes) on the Oxford North development, within the project approval; 	

3. **Delegate authority** to the Executive Director (Communities and People) in consultation with the Cabinet Member for Planning and Housing Delivery; the Cabinet Member for Housing; the Head of Financial Services/Section 151 Officer and the Head of Law and Governance/Monitoring Officer to finalise the scheme design and financial appraisals and enter into agreements and contracts to facilitate the purchase by the Council of the social rent and shared ownership homes (to be held in the HRA) and any associated land, within the identified budget and within this project approval for Goose Green, Wolvercote (16 affordable homes);
4. **Delegate authority** to the Executive Director (Development), in consultation with the Cabinet Member for Finance and Asset Management; the Head of Financial Services/Section 151 Officer; and the Head of Law and Governance/Monitoring Officer, to approve the final terms and enter into the transfer in relation to Goose Green from the General Fund to OCHL;
5. **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/Monitoring Officer, to finalise the scheme design and financial appraisals and enter into agreements and contracts to facilitate the agreed purchase by the Council of the affordable housing (to be held in the HRA) and any associated land, from OCHL, for the provision of the affordable housing on the Meadow Lane, Iffley development (32 affordable homes), and within the identified budget and this project approval; and
6. **Recommend to Council** that it approves a revision to the HRA capital budget of an additional £825,000, with the realignment of budgets and schemes within the HRA new build programme, in order for the schemes listed below to be delivered within the capital programme funded predominantly from borrowing. This additional spend to be profiled into 2024/25.
 - a) Increase Northfield Hostel budget by £3.25m (see paragraph 52)
 - b) Increase Lanham Way budget by £361k (see paragraph 53)
 - c) Reduce East Oxford Community Centre budget by £700k (see paragraph 54)
 - d) Close Juniper Close scheme (see paragraph 55).

Appendices

Appendix 1 (confidential)	Summary of Development Scheme Appraisal (including valuation and cost information – Oxford North)
Appendix 2 (confidential)	Summary of Development Scheme Appraisal (including valuation and cost information – Goose Green, Wolvercote)
Appendix 3 (confidential)	Summary of Development Scheme Appraisal (including valuation and cost information – Meadow Lane, Iffley)
Appendix 4 (confidential)	Summary of Development Scheme Appraisals (including valuation and cost information – Northfield Hostel and Lanham Way sites)

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) – trading as OX Place; 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 four year period (April 2022 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, to facilitate development. 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.

Development programme

3. OCHL continues to deliver an extensive programme of development schemes in accordance with the OCHL business plan.
4. This report relates to two developments in the OCHL programme (Goose Green and Meadow Lane) which are due to enter into contract shortly. Neither of these schemes currently have planning consent.
5. It is proposed that the Council commits to buy the freehold on Meadow Lane and hold the affordable housing stock for both sites 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.
6. This report also proposes to bring forward a further development as a directly delivered scheme within the HRA (Oxford North), entering into a Development Services Agreement with OCHL to oversee and manage delivery of the project on behalf of OCC.
7. Furthermore, the report seeks to revise HRA capital budgets to enable the continued delivery of schemes within the direct-delivery programme which have previously secured project approvals from Cabinet (including East Oxford Community Centre sites; Northfield Hostel; and Lanham Way).
8. Each scheme is detailed below, with additional information from each developments financial appraisal provided in the (commercially sensitive) appendices to this report.

Oxford North development (affordable housing element)

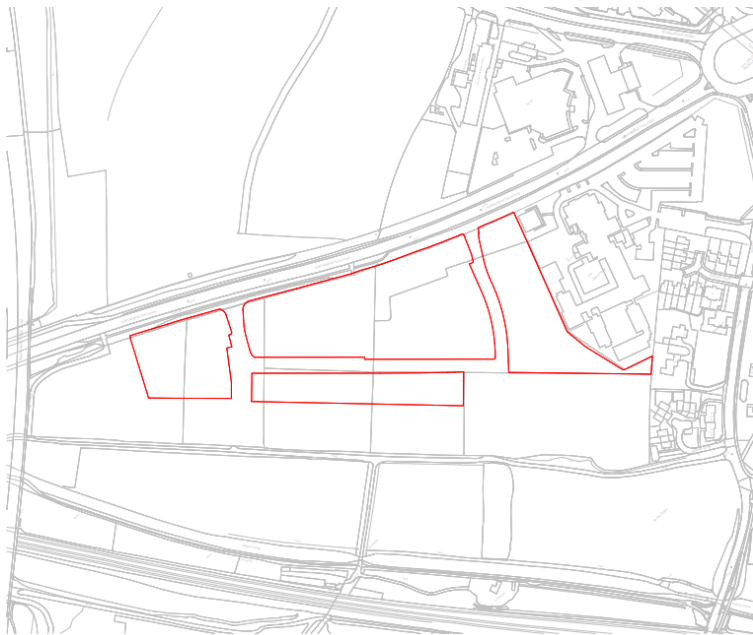
9. The Oxford North development is a mixed (employment and housing) site, forming the substantive part of the area covered by the Northern Gateway Area Action Plan (adopted in 2015). The developer for the entire site is Thomas White Oxford, a company wholly owned by St John's College, Oxford. The 'Canalside' site comprises of 317 new homes, has 65% at private tenure and 35% at affordable

tenures. The scheme secured outline planning consent in March 2021, and the Reserved Matters application was approved in November 2022.

10. The Council /OCHL made a bid for the 111 affordable homes, secured through the s.106 agreement. In December 2022, the contractor confirmed that this bid was successful. The Goose Green development is on Council-owned land adjacent to the Oxford North residential site and with a dependency on the Oxford North development for vehicular access.
11. The 111 affordable homes, on a mainly flatted scheme, would provide 89 homes at Social Rent, and 22 as shared ownership, across a range of one, two, three and four bed property sizes.
12. The proposed scheme mix of the affordable homes (to be purchased freehold and to be held in the HRA) are considered a good balance, securing a diverse range of sizes; best meeting housing need; ensuring effective management and rent/ service charge setting; and ensuring the viability of scheme delivery.

Size	Social Rent	Shared Ownership	Total	Notes	%
1B2PF	25	6	31	1 (SR) & 1 (SO) to M4(3)	28%
2B3PF	2	0	2	2 (SR) to M4(3)	32%
2B4PF	25	9	34		
3B4PF	8	5	13	1 (SR) to M4(3)	32%
3B5PF	7	0	7		
3B6PF	2	0	2		
3B5PH	12	1	13		
4B6PF	7	0	7		8%
4B7PF	1	1	2		
Total	89	22	111		
	80%	20%	100%	5 homes (4.5%) to M4(3)	100%

13. The homes and tenures have been distributed in clusters, but will offer a mixed, sustainable community, with tenure-blind design principles applied to all the homes. All homes have individual outside private space (balcony or patio). The scheme is designed to a high quality, and provides homes that will deliver in excess of 40% carbon reduction than required by the 2013 building regulations (planning policy compliant at the time of submission). This will be further reviewed, but the scheme is all-electric with air-source heat pumps, and Solar PV to the flats. The current design of the homes targets an EPC 'B' rating, but work continues to improve on this score, and if possible achieve an 'A' rating. All of the homes are at, or above, Nationally Described Space Standards, and have private amenity space. There is less than 1:1 car parking to homes on this site. The site plan/'red line' boundary of the development, and more detailed tenure plan are indicated below:



14. The proposal is for the Council to undertake this development directly in the HRA, contracting with OCHL for all development services through a Development Services Agreement (DSA). This approach is considered the best option for delivery of this scheme. It is low development risk – buying the completed homes on a ‘turn-key’ basis from the developer – and so therefore represents the best value for money for the HRA, whilst also providing an appropriate and risk-adjusted surplus to OCHL to reflect the work undertaken to secure this opportunity and manage the development to completion.
15. The target date for the exchange of contracts is the end of March 2023, with the current programme from Hill showing handover of the first affordable homes from February 2025, and up to December 2026.
16. As a mixed-tenure development, with these affordable homes secured through a s.106 agreement, the scheme is not eligible for grant funding from Homes England.
17. 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 scheme meets all the financial requirements of the HRA.

18. This report seeks project approval for bringing this scheme into the HRA direct delivery programme, and delegated authority to enter agreements to facilitate the purchase of the site on completion.

Goose Green, Wolvercote

19. The Goose Green site is owned by Oxford City Council and is an allocated housing site in the Local Plan, situated within the Oxford North/ Northern Gateway Area Action Plan (AAP). The site lies to the rear of existing Council residential properties at Goose Green Close, off Godstow Road. The site is currently occupied by a tenant for grazing purposes, but this is expected to end soon.

20. Feasibility work was undertaken on the site for housing in 2020 but was halted due to concerns from the Local Planning Authority to using the existing Goose Green Close road to access the scheme. This created the need to access any development from the North via the adjacent Oxford North scheme.

21. The Oxford North scheme has now progressed to the point where realisation of this new access point is now possible. The s.106 for the Oxford North scheme requires that developer (Thomas White Oxford) to provide an access into the Goose Green site, and sets out the terms of payment for such an access.

22. OCHL and the Council are keen to now take the opportunity to realise the potential of the Goose Green site for housing development. The site forms a natural extension of the adjacent Oxford North scheme. A development proposal which offers several advantages over a traditional build procurement process has been submitted. Importantly this opportunity is very much time limited, as the planning consent for the adjacent scheme is already secured and the development is expected to start on site from spring 2023. The benefits of a joint development arrangement flow from developing the sites 'as one', so the Goose Green site needs to be ready to develop during the build out of the larger scheme next door.

23. The site does not currently have planning consent, which means there is some planning risk. The submission of the planning application for this scheme is currently targeted for July 2023. The scheme is due to start the pre-application process shortly. As such, this Cabinet report is being presented much earlier in the development process than previously. This provides OCHL with improved contractual certainty from the Council with regards to the purchase of the homes, and enables contracts with developers to be more quickly progressed, which for the reasons stated above are critical, in particular in order to complete the sale of the land.

24. As such, it should be noted that the scheme details (including layouts; unit numbers; size and tenure mixes; etc) are likely to still change. If changes are made, then the development appraisals will require re-assessing. Officers will continue to ensure that all the HRA financial parameters and tests continue to be met.

25. The proposed scheme is 'house-led' and at relatively low density compared to other developments in the delivery pipeline. The Social Rent and shared ownership homes (to be purchased as freehold and held in the HRA) represent a sustainable and balanced mix of homes for this location, securing a diverse range of sizes; best meeting housing need; ensuring effective management and service charge setting; and ensuring the viability of scheme delivery.

26. The proposal for the development comprises 31 homes, but this needs to be tested and agreed through the planning process. To ensure planning compliance under the latest NPPF, this proposal, as a mixed tenure housing scheme, also includes 4 First Homes. It is proposed that there will be 11 homes at Social Rent and 1 home for shared ownership. 15 homes will be for outright market sale.

27. The scheme is designed to a high quality and provides homes that will deliver in excess of 40% carbon reduction below the 2022 Building Regulations (c. 70% below 2013 regs), with the aim to increase the sustainability performance towards net zero if it is viable to do so. This would seek to deliver homes that maximise PVs and heat pumps, where possible, to ensure they are net zero ready and provide low costs to end users. The site plan and boundary of the development is indicated below (with a blue boundary). The darker shading (with the red boundary) indicates the neighbouring Oxford North Canalside homes



28. The proposal is for the Council to sell the land (from the General Fund) and then buy back the completed Social Rent and shared ownership homes into the HRA (as freehold). The best approach to any land which falls outside the unit demises and adopted land is likely to be that it is included within the remit of the wider Management Company that takes on the Canalside scheme, but this is subject to further work and agreement.

29. The agreement with the developer is expected to be conditional upon them achieving planning consent, with the developer funding that process. If it looks as though less than 31 units can be achieved it would be up to negotiation as to

whether to progress the development or not, and any adjustments to the contract terms.

30. The land would need to be transferred from OCC to OCHL to enable OCHL to enter into a contract with the contractor for development. The land transfer is expected to be for the sum identified in Appendix 2 (pending valuation within a close timeframe to the transaction), assuming vacant possession at the time of transfer; clean title; and that an affordable housing buy back contractual provision is also in place. Furthermore, this sale will be conditional on the developer securing planning consent for the scheme, and at the scale and mix as set out in this report, with 11 homes to be sold to the Council as Social Rent and 1 home at Shared Ownership.
31. The target date for formal contract award is March 2023, with a start on site in March 2024. The scheme is expected to complete by September 2025.
32. As a mixed-tenure development, the scheme is not eligible for grant funding from Homes England.
33. 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 proposed scheme meets all the financial requirements of the HRA.
34. This report seeks the approval to enter into a buyback agreement with OCHL to purchase the new affordable homes at Goose Green.

Meadow Lane, Iffley

35. This site at Meadow Lane, Iffley was acquired by OCHL in October 2020, having already been allocated in the Local Plan 2016-2036. The Council provided a site requirements brief in April 2021, which set out a number of key requirements from the development.
36. Consideration to changing the scheme proposal from a mixed tenure scheme, to instead deliver a 100% affordable scheme (with grant) was given in early summer 2022, and the 100% affordable option has now been developed further, with the planning application submitted in December 2022.
37. As such, this Cabinet report is being presented earlier in the development process than previously. This provides OCHL with improved contractual certainty from the Council with regards to the purchase of the homes and enables contracts with developers to be more quickly progressed.
38. However, as such, it should be noted that the scheme details (including layouts; unit numbers; size and tenure mixes; etc) may still change. The site does not currently have planning consent, which means there is some planning risk. This risk is in part mitigated by extensive pre-application work with the Local Planning Authority, and community consultation. If changes are made, then the development appraisals will require re-assessing, but officers will continue to ensure that all the HRA financial parameter tests continue to be met.
39. The proposal for the development comprise 32 homes, but this needs to be agreed through the planning process. The proposed scheme is 'house-led' and at relatively low density compared to other developments in the delivery pipeline. The homes (to be purchased as freehold and held in the HRA) represent a sustainable and balanced mix of homes for this location, securing a diverse range of sizes; best

meeting housing need; ensuring effective management and service charge setting; and ensuring the viability of scheme delivery.

40. The mix proposed meets a very wide range of housing needs providing 19 homes at Social Rent (over 59% of all the homes) and 13 shared ownership homes. Due to a change in the Homes England rules, an initial share of the property from as low as 10% can now be purchased, if that is all that a household is able to afford. This has allowed some three and four bed homes to be provided under this tenure now also, whereas previously on a minimum 25% share, households may not have passed affordability tests.
41. The proposed development also proposes four x 4-bed houses and three x 5-bed houses at Social Rent levels which in particular will meet a small but very acute housing need for larger family homes – especially 5 bed homes that are often not able to be provided on other sites.
42. Two homes are to be provided at M4 (3) (“Wheelchair Standard”) to be adapted/ adaptable for households with mobility needs.
43. The scheme is designed to a high quality and provides homes that will deliver at least a 40% carbon reduction below 2022 Building Regulations (c. 70% below 2013 regs), with the aim to increase the sustainability performance towards net zero if it is viable to do so. These homes will include Air Source Heat Pumps with U-values that ensure that they are net zero ready and the cost of heating the homes is low. The scheme is ‘low-car’ with an electric car club vehicle also provided on the site.
44. The site plan and ‘red line’ boundary of the development is indicated below. The blue boundary indicates the site ownership, and the red boundary is the development site. The remaining area, known as the ‘Memorial Field’ is not proposed to be developed, and is intended to remain undeveloped and as a natural green infrastructure asset, with improved public access arrangements. Ownership will remain with OCHL and OCHL and the Council seek to explore long-term stewardship options for this space going forward as part of this scheme. Vehicular access to the site is from Meadow Lane, with a pedestrian access also provided to Church Way.



45. OCHL have worked with Hill on the later stages of the design and specification, and propose to contract with Hill to deliver the scheme. The proposal is for the Council to buy this site from OCHL as a package on completion.
46. The target date for formal contract award is June 2023, with a start on site shortly afterwards. The scheme is expected to complete by February 2025.
47. The Council will bid for Homes England grant funding under the Affordable Housing Programme 21-26 to contribute funding to this scheme.
48. Appendix 3 of this report provides further information on the development scheme financial appraisal (excluded from publication due to the commercial sensitivity of this information). The proposed scheme meets all the financial requirements of the HRA.
49. This report seeks project approval for bringing this scheme into the HRA capital programme of purchases from OCHL, and delegated authority to enter agreements with OCHL to facilitate the purchase of the site on completion.

Sites in current HRA Capital Budget Programme as Direct Delivery schemes

50. There are currently four schemes in the HRA-direct delivery programme:
 - East Oxford Community Centre Sites (Princes Street & Collins Street)
 - 26 affordable homes (12 at Social Rent and 14 at shared ownership tenure)
 - This has had planning consent since early 2021, and contractors are now appointed for the demolition and the build contract for the new affordable homes

- Northfield Hostel, Sandy Lane West, Littlemore
 - 51 affordable homes (27 at Social Rent and 24 at shared ownership tenure)
 - This also secured planning consent in 2021/22, and an award of contract for the pre-construction works expected shortly (Feb 23)
- Lanham Way, Littlemore
 - 10 affordable homes (5 at Social Rent and 5 at shared ownership tenure)
 - The planning decision and resolution of the s.106 agreement is expected shortly
- Juniper Way
 - 2 homes at Social Rent
 - This project stalled due to difficulties in the ground conditions (mains water pipes) and only one home now appears to be feasible on this small in-fill site, as such the scheme is no longer considered viable for development and it is proposed that this project is being closed. It may be possible to be considered at a later date, as a 'small site' – possibly being viable if grouped together with other local small sites

51. Cabinet has previously approved reports on these schemes to give project approvals; budget provision; and officer delegations to bring the schemes forward. For East Oxford, these were in June 2019 and November 2021. For the other sites, the report was in September 2020. Annual Council budget reports have since amended the HRA Capital Budgets also, to reflect amendments to the programme at that time.

52. A second tender process for the Northfield Hostel scheme established that there will be a construction cost increase due to inflation. An increase of £3.25m is proposed in the HRA capital programme to deliver this project. Viability work undertaken demonstrates that the scheme remains viable and meets the HRA financial tests Council has set in this regard. The February Budget cabinet paper has been updated accordingly. Refer to the table below.

53. Following the tender for the Lanham Way project, the budget for this scheme is likely to increase also by approx. £361k due to inflation. Viability work undertaken demonstrates that the scheme remains viable and meets the HRA financial tests Council has set in this regard.

54. The overall budget envelope for the residential schemes linked to East Oxford Community Centre is likely to reduce by £700k, and this can be actioned now that the Council has increased price certainty for this scheme.

55. Furthermore, the project for residential development at Juniper Close currently has a budget of £1.58m. It is recommended that this project is not viable and should not be progressed due to abnormal infrastructure costs, associated with an underground water main.

56. The project adjustments as set out above, in the HRA direct housing delivery budgets could reduce the pressure on the HRA from Northfield and Lanham from

£3.25m to £825k in overall. See below for predicated underspend on NSAP and RSAP projects.

57. These schemes have been financially assessed through the HRA development scheme appraisal tool. The HRA financial parameters have been met, including a development and admin fee payable to OCHL.

58. Appendix 4 of this report provides further information on the development scheme financial appraisal (excluded from publication due to the commercial sensitivity of this information).

Financial implications

59. This report seeks the required delegations to further develop the programme of affordable housing supply. The Council's Medium Term Finance Plan (MTFP), approved at Council in February 2023, supports the 40 year HRA Business Plan, and makes provision for purchases of affordable housing from OCHL's 10 year development programme of 1,214 properties within an overall budget envelope of £367m (before grant and shared ownership sales), in addition to 89 affordable homes through direct delivery in the HRA.

60. 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 and for the HRA are as follows for each scheme:

- a) a payback period of up to 70 years; and
- b) a positive Net Present Value (NPV) over this period; and
- c) an Internal Rate of Return (IRR) of at least 3%.

61. Meeting these parameters ensure that the HRA business plan remains financially robust. Conversely, not meeting these parameters will impact this position.

Adjustments to each project, as set out, in the HRA direct housing delivery budgets could reduce the pressure on the HRA from Northfield from £3.25m to £825k in overall. This is as follows:

Scheme	Notes	Original Capital Budget 2023-24 to 2025-26	Amended Capital Budget	Change
EOCC	Savings from 22/23 financial year due to increased price certainty and the Catherine St. site adjustment	£6,954,006	£6,254,006	(£700,000)
Northfield	With the build contract of £16m, the estimated total cost will be between £19.65m - £19.350m* Net of BLR funding. With past adjustments from 22/23 budget (as land purchase),	£18,091,448	£21,341,448	£3,250,000

	additional £3.25m are still required to deliver the scheme			
Lanham	Expected total spend: £5,555k exc interest (Based on latest cost forecasts – actual build contract is out to tender – closes in Jan 23) with a budget 22/23 of: £5,194k, so £361k additional budget required.	£4,684,886	£5,045,886	£361,000
Juniper	Closing of the Scheme. Deemed unviable due to large water main cutting the site.	£1,586,000	£ NIL	(£1,586,000)
Sub-Total		£31,316,340	£32,641,340	£1,325,000
NSAP / RSAP Acqs	Underspend Predicted in 2022/23 of £500,000	-	-	(£500,000)
Total	Total Net Increase to HRA Capital Programme			£825,000

Legal issues

62. The activities, as set out in this report, relate to activity for the purpose of developing homes as affordable housing. This is within the Council's statutory powers. The Council has power to acquire land by agreement under section 121 of the Local Government Act 1972. The general power of competence under the Localism Act 2011 and the Local Authorities (Land) Act 1963 enable the Council to develop land it already owns. The Council has power to appropriate land from one purpose to another under section 122 of the Local Government Act 1972.

63. The Council has Homes England Investment Partner status and is a Registered Provider.

64. Any procurement of goods and services for the purpose of developing homes must be carried out in accordance with the Council's constitution and procurement procedures, complying with The Public Contracts Regulations 2015, including ensuring that best value is achieved.

Level of risk

65. 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

66. 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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