

To: Cabinet – 9 August 2023
Council – 2 October 2023

Report of: Executive Director (Development)

Title of Report: Northfield Hostel Site - 10 Additional Affordable Homes

| Summary and Recommendations | |
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| Purpose of report: | To seek project approval and delegations to deliver a development of a further 10 affordable homes at the Northfield Hostel site. |
| Key decision: | Yes |
| Cabinet Member: | Councillor Linda Smith, Cabinet Member for Housing Councillor Ed Turner, Cabinet Member for Finance and Asset Management |
| Corporate Priority: | More Affordable Housing and Meeting Housing Needs |
| Policy Framework: | Housing and Homelessness Strategy 2023 - 2028 |
| Recommendations: That Cabinet resolves to: | |
| <ol style="list-style-type: none"> 1. Grant project approval to the proposals to purchase land; enter into build contracts and any other necessary agreements or contracts and incur associated development cost spends, as set out in this report, and within the allocated Housing Revenue Account (“HRA”) capital budget and business plan, for the purpose of delivering more affordable housing in Oxford at the Northfield Hostel site; 2. Recommend to Council that it approves a virement within the HRA capital budget for scheme costs. The virement will be from the Oxford City Housing Limited (“OCHL”) purchase line into a new scheme line to be profiled to match the build programme across the three years from 2023/24 to 2025/26; 3. Delegate authority to the Executive Director (Development) in consultation with the Cabinet Member for Housing; the Head of Financial Services/Section 151 Officer; and the Council’s Monitoring Officer to enter into agreements for the purchase of land; build contracts; and any other necessary agreements or contracts to facilitate the development (including a Development Services Agreement with OCHL) within the identified budget, for the provision of additional affordable housing. | |

| Appendices | |
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| Appendix 1 (Confidential) | Summary of Development Scheme Appraisal, including valuation and cost information |

Introduction

1. The Council continues to develop a supply programme to deliver more affordable housing through multiple work streams, including the delivery of homes through the Council's housing company – 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 2027), 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 HRA, and OCHL. It seeks to secure Council-side approvals and delegations to enable the development of the next scheme in the direct-delivery programme, providing further new affordable housing into the HRA.
3. It is proposed that the Council enters into a Development Services Agreement (“DSA”) with OCHL and purchases the completed affordable homes at the Northfield additional site, and holds the affordable housing stock within the HRA on completion.

Background

4. This site is adjacent to the Northfield Hostel site. Northfield Hostel is a 51-home all-affordable scheme which received project approval at Cabinet on 9 September 2020, with an amendment to the HRA budget in March 2023.
5. Oxfordshire County Council sold the Northfield Hostel site to the Council in June 2022 on condition that the smaller neighbouring site was part of a hybrid planning application (21/03328/OUTFUL) with the affordable housing element delivered solely by the Northfield Hostel site.
6. The opportunity has now arisen for the purchase of the secondary site which has been an option previously sought by the Council. This will allow delivery of a further all-affordable scheme of 10 new homes. Ultimately, this will result in an all-affordable scheme of 61 homes across two sites supported by Homes England grant.
7. The site was formerly a small sports facility for the adjacent hostel which provided residential accommodation for boarding students attending the ‘specialist’ Northfield School on a different site nearby. In 2014 the hostel facility was closed by Oxfordshire County Council, and both sites have been fenced off and unused since that time. The site lies adjacent to the southern bypass at Littlemore, and is accessed from Sandy Lane West, and Bampton Close. See image below (Image 1) for a site plan.

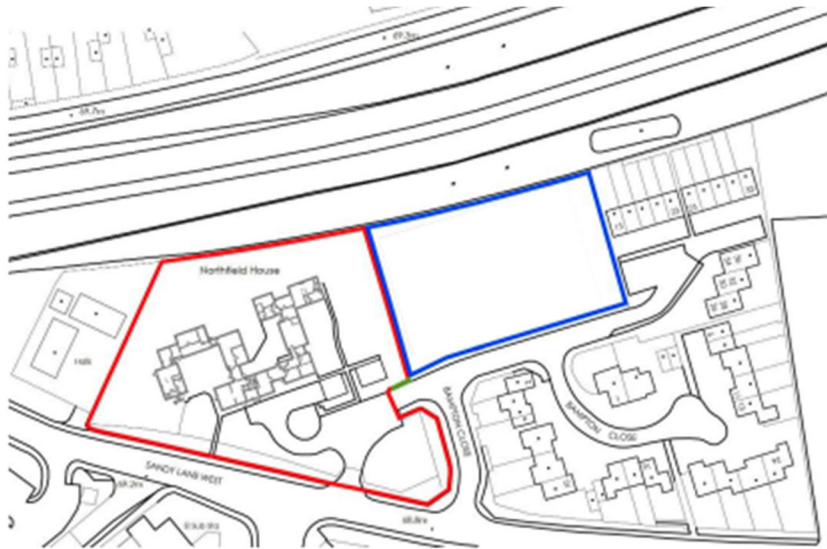


Image 1: Site Plan.

Blue line: Northfield Hostel site additional – Land proposed to be purchased by Oxford City Council

Red line: Northfield Hostel - Land previously purchased by Oxford City Council

Proposal

8. The scheme currently has outline planning consent for 10 homes, and is presently owned by Oxfordshire County Council.
9. Like the Northfield Hostel site, it is proposed that these units will be developed as an HRA scheme using a DSA with OCHL to deliver the homes.
10. The Northfield Hostel additional site proposal is for a 100 per cent affordable housing development of 10 houses. This is presently modelled as six homes for Social Rent and four for shared ownership but at least 50 per cent to be at Social Rent.
11. Officers are drafting Heads of Terms relating to the purchase of this secondary site which provides the clarity under which a sale might be achieved. The sale is proposed as an agreed ‘off-market’ sale with Oxford City Council only. Both authorities consider that this has provided sufficient rigour to the valuation process, outside of any market testing exercise.
12. An independent ‘red-book’ valuation has also been commissioned by Oxford City Council on the site. Initial feasibility work is being undertaken in support of the application with additional budget required for further technical design and other elements (included in the scheme appraisal).
13. Additional scheme information relating to the financial appraisal is provided in (commercially sensitive) Appendix 1 to this report
14. A further detailed planning application is anticipated for late 2023 and is expected to propose delivering 10 new affordable houses of which at least 5 would be at Social Rent (see paragraph 10). The site already has outline planning permission for 10 x 3- and 4-bed houses. The proposed homes and tenures are detailed below:

| Size | Social Rent | Shared ownership | Total |
|---------------|-------------|------------------|-----------|
| 3-bed house | 2 | 4 | 6 |
| 4-bed house | 4 | 0 | 4 |
| Totals | 6 | 4 | 10 |

Next steps

15. Details of the budget envelope and cost breakdown is contained within Appendix 1. This is compiled using assumed build costs and densities. The option of using OCHL as the site developer is the most viable delivery approach for the Council. Detailed design and due diligence work will need to continue and will impact on cost.
16. Ideally the scheme will progress quickly and in tandem with the Northfield Hostel site where demolition is expected to start in August 2023. Aligning the schemes will allow for site cost savings and relatively quick delivery, targeting completion in Quarter 4 2025/6.
17. This report proposes to secure delegations and authorities for the land deal, DSA and build contracts and proposes a revision to the HRA capital programme to allow for this forecast spend.

Financial implications

18. 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.
19. The decision to proceed with any development or purchase will be supported by a development scheme appraisal/ financial modelling to ensure that financial parameters and requirements are met for OCHL and the HRA. Please see Appendix 1 for financial information.

Budget virement and profile

20. For budget purposes, this report seeks the recommendation (to Council) to approve a virement within the HRA capital budget for scheme costs. The virement will be from the OCHL buy-back line into a new scheme line to be profiled to match the build programme across the three years from 2023/24 to 2025/26. The overall impact of this on OCHL is set out in the confidential appendix.

| Year | 2023/24 | 2024/25 | 2025/26 | Total |
|----------------------|---------|---------|---------|---------|
| Spend profile | £1.4m | £2.432m | £2.432m | £6.265m |

Legal issues

21. 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.
22. The Council has Homes England Investment Partner status and is a Registered Provider.
23. 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

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.
26. The Council recognises and encourages employers who pay the Oxford Living Wage.

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| Report author | Dave Scholes |
| Job title | Affordable Housing Supply Corporate Lead |
| Service area or department | Housing Services |
| Telephone | 01865 252636 |
| e-mail | dscholes@oxford.gov.uk |

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| Background Papers: | None |
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