

Enclosure 3: Options for future use of Oxford Street

Option	Financials		Social benefits and opportunities	Risks	Risk mitigation
<p>1. Dispose on the open market and generate a capital receipt</p> <p>Models a. and b. assume the adding of one storey. All models include a lift.</p> <p>All valuations have been carried out on the basis of RICS 'red book' in December 2015. In the low inflationary environment and slightly uncertain property market any movements since December 2015 would be insignificant. Despite the highest 'red book' valuation of £390,000, according to an open market appraisal (by a reputable estate agent) the council could receive an indicative capital receipt of £650K without and £720K with Planning Permission.</p>	Model a.		<p>The capital receipt could be used to subsidise the housing capital programme or repay HRA debt.</p>	<p>To date our Housing Strategy has not supported disposal of HRA assets on the open market.</p>	<p>Open market disposal would not allow any control or benefit from any resultant residential accommodation to be secured for the council other than through Planning obligation should the scheme be greater than 10 units and therefore subject to provision of up to 40% affordable housing required under Planning Policy.</p>
	6 flats and 2 commercial units – with Planning	£390,000			
	6 flats and 2 commercial units – without Planning	£295,000			
	Model b.				
	7 flats with Planning	£250,000			
	7 flats without Planning	£190,000			
	Model c.				
	4 flats and 2 commercial units – with Planning	£130,000			
	4 flats and 2 commercial units – without Planning	£100,00			
	Model d.				
5 flats with Planning	£70,000				
5 flats without Planning	£55,000				

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<p>2.Dispose to a Registered Provider (RP) to develop affordable housing</p> <p>On the basis of best offer received from an RP for provision of homes for Affordable Rent on the site with the RP seeking Planning Consent.</p> <p>100% nominations on first lets, and 75% on subsequent lets (in line with partnership agreement).</p> <p>Notes: Affordable Rents are defined as the lower of 80% of market rents or LHA rates.</p>	<p>The results of the soft market-testing exercise have shown that Housing Association partners are either not interested or would accept the disposal at nil or minimal value, running counter to a 'best consideration' disposal of assets.</p>	<p>To provide 8 flats at affordable rents: 2 x 1 bed flats; 6 x 2 bed flats; 2 x commercial units</p>	<p>Mixed use development providing much needed residential accommodation, services and employment.</p> <p>This option will ensure Housing Strategy priorities are met, in particular addressing the shortage of family homes for rent available to those on the Housing Register.</p> <p>An RP taking on the property will 'de-risk' delivery of Affordable Homes from a council perspective and not impact on council borrowing. Potential for the RTB receipts to be transferred to the RP as long as the redevelopment of the site included affordable housing.</p>	<p>1. Viability does not work out for the HA on such a small site (the reasons the other 4 RPs declined to make an offer)</p> <p>2. The HA decides to sell on the land to generate a capital receipt</p>	<p>1. This will be managed by the RP and their board. Disposal of the site should not be allowed to take place until the RP's board has approved the business case and financial model</p> <p>2. Disposal to the RP would be subject to future social use for housing</p>

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<p>3.Retain and develop for affordable housing</p> <p>Models a. and b. assume the adding of one storey.</p> <p>All models include a lift.</p>	<p>Model a.</p> <p>Total Scheme Cost (TSC)</p> <p>Funded by:</p> <p>Borrowing Supported</p> <p>RTB Receipts</p> <p>Subsidy / (Surplus)</p> <p>Actual Borrowing</p>	<p>6 x Flats 2 x Commercial Units</p> <p>£1.262m</p> <p>£2.349m</p> <p>£0.284m</p> <p>(£1.371m)</p> <p>£0.978m</p>	<p>This option will ensure Housing Strategy priorities are met, in particular addressing the shortage of family homes for rent available to those on the Housing Register.</p> <p>This HRA asset would be retained by the Council under this option.</p>	<p>The costs of development are indicative at this stage and may increase.</p> <p>The commercial units in models a. and c. do not generate the proposed rental income included within the modelling.</p> <p>This option would require borrowing ranging between approximately £ £0.638 - £0.978m,</p>	<p>The initial viability modelling for each scheme shows that the borrowing available from the net rental streams alongside the use of RTB receipts exceeds the indicative scheme costs and therefore would not require additional subsidy from the HRA.</p> <p>Borrowing will only be taken out up to the level required to pay for the scheme, any surplus from the net rental income after borrowing costs will go to the HRA.</p> <p>The cost of borrowing has reduced and based on current interest rates being achieved 2.09%</p>
	<p>Model b.</p> <p>TSC</p> <p>Funded by:</p> <p>Borrowing Supported</p> <p>RTB Receipts</p>	<p>7 x Flats</p> <p>£1.116m</p> <p>£1.577m</p> <p>£0.335m</p>			

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	Subsidy / (Surplus)	(£0.796m)			
	Actual Borrowing	£0.781			
	Model c.	4 x Flats 2 x Commercial Units			
	TSC	£0.923m			
	Funded by:				
	Borrowing Supported	£1. 908m			
	RTB Receipts	£0.182m			
	Subsidy / (Surplus)	(£1.167m)			
Actual Borrowing	£0.741m				
Model d.	5 x Flats				
TSC	£0.911m				
Funded by:					

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	Borrowing Supported	£1.136m			
	RTB Receipts	£0.273m			
	Subsidy / (Surplus)	(£0.498m)			
	Actual Borrowing	£0.638m			
<p>4.Retain and convert into a supported housing scheme for older, disabled former homeless single people</p> <p>This model assumes the creation of 12 accessible studio flats, including an additional storey and a lift</p> <p>Assumes tenure is lease to Housing and Support provider</p>	<p>TSC</p> <p>Funded by:</p> <p>Borrowing Supported</p> <p>HCA Grant</p> <p>Subsidy / (Surplus)</p> <p>Actual Borrowing</p>	<p>£1.492m</p> <p>£0.925m</p> <p>£0.569</p> <p>(£0.002m)</p> <p>£0.923m</p>	<p>This option supports the Council's Rough Sleeper Strategy by increasing the supply of move on accommodation and freeing up spaces in front line high needs hostels.</p> <p>The hostel will assist in improving the health and independence of the tenants.</p>	<p>Concerns from the surrounding community.</p> <p>The costs of development are indicative at this stage and may increase.</p> <p>Right to Buy receipts cannot be utilised for this option.</p> <p>A future supported housing revenue funding shortfall.</p> <p>Potential repayment of HCA grant if the original use is changed to another client group.</p> <p>Risk that lease requirement amount will be too high for Housing and support provider.</p>	<p>Developing a robust stakeholder consultation strategy and good links with the community safety and policing teams.</p> <p>HCA funding of £0.569m to contribute towards the cost of conversion.</p> <p>There is a robust exit strategy, meaning the 12 flats could easily be let to general needs or TA tenants (details in option 5).</p> <p>Repayment would not be required as long as the building is used for affordable housing purposes (confirmed by the</p>

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				HCA) The rents can support an adequate loan.												
<p>5. Retain and convert into a block of temporary accommodation flats</p> <p>This model assumes the creation of 12 accessible studio flats, including an additional storey and a lift</p>	<table border="1" data-bbox="544 504 965 1048"> <tr> <td>TSC</td> <td>£1.186m</td> </tr> <tr> <td>Funded by:</td> <td></td> </tr> <tr> <td>Borrowing Supported</td> <td>£1.940m</td> </tr> <tr> <td>RTB Receipts</td> <td>£0.356m</td> </tr> <tr> <td>Subsidy / (Surplus)</td> <td>(£1.110m)</td> </tr> <tr> <td>Actual Borrowing</td> <td>£0.830m</td> </tr> </table>	TSC	£1.186m	Funded by:		Borrowing Supported	£1.940m	RTB Receipts	£0.356m	Subsidy / (Surplus)	(£1.110m)	Actual Borrowing	£0.830m	<p>This option will support the Council's Housing and Homelessness Strategies; and ease financial pressure on the General Fund of up to £0.132 million pa and provides a return to the HRA</p>	<p>There are no obvious major risks, given the level of demand.</p> <p>One risk will be the strategic consequences of not taking forward one of the other options set out in this report.</p>	<p>Full consideration of all options at committee.</p>
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