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OXFORD CITY COUNCIL

To:	**City Executive Board**
Date:	**16 October 2018**
Report of:	**Head of Housing**
Title of Report:	**Investment in the National Homelessness Property Fund**

Summary and recommendations	
Purpose of report:	For the City Executive Board to note that the Council is making a further £5m social investment in the National Homelessness Property Fund (NHPF)
Key decision:	Yes
Executive Board Member:	Councillor Linda Smith, Deputy Leader
Corporate Priority:	Meeting Housing Needs
Policy Framework:	Housing and Homelessness Strategy 2018 to 2021

Recommendations: That the City Executive Board resolves to:

1. **Note** that officers have used the authority previously delegated to them to agree to a further £5m investment in the National Homelessness Property Fund (NHPF); and
2. **Endorse** this approach,, by which the Council is taking further action to help meet the housing needs of homeless households in Oxford, through improved access to suitable and affordable private rented accommodation.

Appendices	
Appendix 1	Initial Equality Impact Assessment
Appendix 2	Risk Register

Introduction and Background

1. This report is further to the City Executive Board report of 30th July 2015, which awarded Project Approval to this initiative, with delegated authority to the Head of Housing and the Head of Financial Services to enter into contractual arrangements, and further to the report to Council of 23rd September 2015, which allocated £5m for the social investment in the 'Real Lettings' (now the NHPF) initiative to be made. Agreements were signed in December 2015 to action this.
2. City Executive Board and Council in February 2018 allocated a further £5m of capital investment for this purpose and officers have agreed to invest this in the NHPF also, using the same framework terms as previously agreed.

National Homelessness Property Fund

3. The NHPF is an initiative operated by Resonance (fund managers) and St Mungo's (national homeless charity). The national fund currently stands at approx. £38m (to the end of Dec 2017). Bristol, Oxford and Milton Keynes Councils initially invested £5m each, which was 'match-funded' by a £15m investment from Big Society Capital. Bristol subsequently invested a further £5m, with the remaining £3m investment coming from various trust funds and individual investors. The Real Lettings (London) Funds now stand at over £100m following a £15m investment from the GLA, in addition to other investors including the London Boroughs of Croydon, Lambeth and Westminster who have committed £45m between them.
4. In summary, the model is that the Council secures an investment return as a social investor (approx. 2 to 3% per annum, plus any capital growth if/ when realised). The investment is used to acquire property for the property fund that is brought up to at least Decent Homes standard and is rented at LHA rates. St Mungo's manage and maintain the property, giving the Council nomination rights for households that would otherwise be homeless. Tenants are given an Assured Shorthold Tenancy and St Mungo's are commissioned to support households with employment, training and money management, to assist move-on (elsewhere in the PRS) over 2-3 years. The property fund operates for a 7 year period – initially proposed as 2 years acquisition and 5 years operation.
5. To date, 47 units have been acquired in the Oxford locality (against a target of 50 – comprising of 45 two beds and 5 one beds). The initiative has been unable to secure many units in Oxford City itself however, and has had to secure units across the Oxford BRMA (Broad Rental Market Area), plus Banbury. Various constraints impact on this. The cost of housing in Oxford being the main factor (the financial model requires a net yield of over 3% per unit), but also including property space and specification requirements; accessible locations with regular and affordable public transport links to Oxford; and the requirement for properties to be mortgagable.
6. Having access to these additional units of accommodation in Oxfordshire has resulted in fewer families being accepted into temporary accommodation, that could have cost far more to the Council and with less settled outcomes for homeless households. A review of the scheme shows positive outcomes being achieved, and good working relationships.

Second Round of Investment

7. Officers consider that this option provided a straight forward opportunity, with agreements and structures already in place to support rapid delivery. Activity to date has affirmed financial modelling and sensitivity analyses that was previously undertaken. It would continue to allow the Council's Options Team to have access to a suitable and affordable PRS locally, predominately for low-waged working families that require a home in, or close to the city, reducing pressure on temporary accommodation (especially following implementation of the Homelessness Reduction Act).
8. Further match-investment funding from Big Society Capital is no longer on offer, so the £5m investment this time has no guarantee of attracting further investment. This reduces the 'value for money' of the scheme compared to previously, and would not allow for further revenue savings to be made beyond those in the MTFP. Resonance continue to seek further investment however, with the fund value continuing to rise. A further investment from Oxford City Council will attract a greater distribution of any future non-area-specific investment, into Oxford as the scheme grows.
9. Officers have changed the property specification to require that the majority of property acquired is in Oxford, or the next nearest urban areas (and within five miles), which is as the financial model allows. A market analysis suggests that £5m would now (with market forces at work and changing area of operation) acquire up to 20 units (across a 1, 2 and 3 bed mix) over an acquisition period from autumn 2018 to summer 2019. The mobilisation with the NHPF team can start immediately.

Alternative Options

10. Officers have re-considered other approaches that the Council could take to invest this funding for similar purposes, but have discounted these. These included:
11. Direct acquisitions itself (whether in the General Fund or as a loan to OCHL). Whilst the Council may be able to buy property at similar value, this would need to be leased to a third party to manage and receive nominations (as St Mungo's do for the NHPF), in order to use Assured Shorthold Tenancies (ASTs) - that the Council cannot issue – as entry-level PRS accommodation, with a reasonable throughput of households positively moving on. This will take time and resource capacity to achieve and, as such, will not be able to proceed quickly. The Housing Company could issue ASTs, but RRTB receipts could not be used for this purpose under current regulations, which reduces the value for money.
12. Alternative investment products (Council and private company partnerships) are possible, but would require more project resource capacity to consider and investigate further, and this is likely to delay any implementation.

Financial Implications:

13. The scheme is deemed suitable for the use of Retained Right to Buy (RRTB) receipts at 30% of the investment, and has contributed to the Council meeting these spend targets (spend within three years of receipt).

14. Despite the changes to the business case and model, as outline above, this approach is still considered viable and cost effective. When taken overall, this is part of a £25m investment commitment from the Council, to date, comprising of this £5m investment, along with the previous investment in the NHPF (£5m from the Council and £5m+ match investment), plus £10m in acquiring property for use as homeless temporary accommodation. This is budgeted to achieve £400,000 of revenue savings over the term of the MTFP. This assumption is still expected to be achieved in full.

Legal issues

15. Agreements concerning the investment and the nomination rights were agreed in December 2015. Agreement for this second round of investment has been made on the same basis as already agreed.

Equalities impact

16. This is attached as Appendix 1.

Level of risk

17. A Risk Register is attached as Appendix 2.

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Background Papers: None