

To: Cabinet
Date: 13 September 2023
Report of: Executive Director (Communities and People)
Title of Report: Local Authority Housing Fund - Round 2

Summary and recommendations	
Purpose of report:	To seek approval to make available the required budget provision and the necessary project approval and delegations to enable the Council to proceed with entering into the national Local Authority Housing Fund Round 2.
Key decision:	Yes
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing
Corporate Priority:	Deliver more affordable housing and support thriving Communities
Policy Framework:	Housing, Homelessness and Rough Sleeping Strategy 2023 – 2028

Recommendations: That Cabinet resolves to:	
1.	Approve the Council becoming part of the Local Authority Housing Fund Round 2 in order to deliver 4 new affordable homes;
2.	Recommend to Council the allocation of £1,863,100 capital budget from the Housing Revenue Account for the Council's investment to purchase the properties as part of Local Authority Housing Fund Round 2, with £1,069,860 being funded from HRA borrowing and the rest covered by grant of £793,240; and
3.	Delegate authority to the Executive Director (Communities and People) in consultation with the Cabinet Member for Housing, the Head of Financial Services/Section 151 Officer, and the Head of Law and Governance/Monitoring Officer to enter into agreements and contracts to facilitate the purchase by the Council of housing (to be held in the HRA) within the identified budget and within this project approval.

Appendices	
Appendix 1	Local Housing Authority Fund: Round 2 Prospectus and Guidance
Appendix 2	Risk Register
Appendix 3 (Confidential)	Memorandum of Understanding

Introduction

1. The Department for Levelling Up, Housing, and Communities (DLUHC) have launched a national £250m Local Authority Housing Fund - Round 2 (LAHF R2), to support local authorities in providing accommodation to Afghan families settled in the UK legally under various government schemes, following the Taliban takeover of Afghanistan and to support wider homelessness pressures.
2. Oxford City Council entered into Local Authority Housing Fund – Round 1 to purchase 6 properties from the open market, through a combination of central government grant funding and Council investment for Ukrainian & Afghan households. This was approved at Cabinet on 19 April 2023 and full Council on 17 May 2023. Progress to date has been positive, with the team working hard to secure properties, with several exchanged on already and other offers accepted which are going through the conveyancing process. Therefore, the Council are set to meet the delivery target by the deadline of November 2023, with the properties being utilised to house homeless Ukrainian and Afghan households.
3. Oxford City Council was allocated funding for LAHF R2 and invited to make an application to DLUHC to purchase an additional 4 properties which has been approved. As a condition of the fund, Local Authorities will need to meet part of the funding to purchase the properties, with the rest provided as grant from the fund.
4. LAHF R2 will help the Council achieve its corporate priorities, to *deliver more affordable housing and support thriving communities*, and allow the Council to access funding to both address the immediate pressures of supporting refugee communities to find permanent accommodation, as well as adding to our stock of council housing for the future.
5. This report seeks Cabinet approval to join the LAHF R2, and to recommend to Council for the approval of the necessary capital budget to purchase the homes and give the necessary delegated powers to complete the acquisitions. Appendix 1 details the Local Housing Authority Fund: Round 2 Prospectus and Guidance for reference.

Background to Local Authority Housing Fund Round 2

6. The UK has welcomed around 24,000 Afghans nationally who have fled the county following the Taliban takeover, due to the risk they will be persecuted due to supporting the former government and the British presence in the country. Of those who have resettled c. 7000 are still living in bridging hotel accommodation.
7. The government has recently announced their intention to end bridging hotel usage and notices have been given to Afghan households who remain in bridging hotels

which will expire in August 2023, at which point they will be required to leave the hotels.

8. Locally, Oxford City Council has supported 48 families under refugee resettlement schemes from Syria, Afghanistan, and other countries and in doing so those families have successfully made Oxford their home. Supporting refugee resettlement is aligned to the Council's strategy, and taking part in these government schemes helps ensure grant funding is received to adequately house and support these families as they settle in the City.
9. Refugee households face the same challenges as the broader population of the City, with an expensive private rented sector, and high demand for social housing with long waits for offers. As outlined in the Council's new Housing, Homelessness and Rough Sleeping Strategy the Council has plans to tackle these challenges, and as part of this has tailored plans for housing refugees.
10. Access into the private rented sector will be the most important option for many refugee households and work across Oxfordshire is underway to support access into the sector with support with deposits and rent in advance, but the opportunity from LAHF R2 is that it will allow the Council to purchase 4 properties to offer as affordable social housing for Afghan refugees as well as assisting with wider homelessness pressure.

Local Authority Housing Fund Round 2 investment

11. The Government announced the creation of LAHF R2 in March 2023. The objectives of the fund are to help resettle Afghan refugees who have arrived under the Afghan resettlement schemes (ARAP/ACRS) currently in bridging hotels, as well as easing the wider homelessness pressures by increasing the supply of temporary accommodation. There are two elements to the fund, the 'resettlement' element with the properties used to help settle Afghan households and the temporary accommodation ('TA') element, with properties to be used by the Council as temporary accommodation for any household in housing need.
12. Being part of LAHF 2 will provide a significant amount of grant funding to enable us to purchase more homes to rent at an affordable rate, to help meet the wider corporate commitment to refugee resettlement as well as reduce emergency, temporary and bridging accommodation costs. The fund also brings the benefit that once the household chooses to move on from the accommodation, the unit will return to the Council's housing stock for re-letting open to anyone in general need, so that the Council will be able to meet wider housing needs into the future.
13. Oxford City Council were allocated grant funding with DLUHC specifying the Council should purchase 4 properties and DLUHC invited the Council to submit an application form by the deadline of 5 July 2023. The application was subsequently approved which means in principle the DLUHC is willing to support the purchase of 4 properties as outlined in this paper, subject to Cabinet and Council approval.
14. All properties delivered through the fund have to be exchanged on by 29 March 2024 due to DLUHC funding conditions, and therefore officers have developed a plan that can be delivered by this deadline. DLUHC is committed to funding any exchange of contracts the Council enters into by 29 March 2024.
15. The 4 properties will be acquired from the local housing market, and all will be between 2-4+ bedrooms with 3 of these properties allocated to the 'resettlement' element for Afghan households and 1 for the 'TA' element to be used as temporary

accommodation for wider homelessness pressures. All properties will be let on a social rent as a lifetime secure tenancy. DLUHC has approved this proposal and agreed to release funds, subject to the Council making the necessary part investment and meeting the terms of the fund.

16. As with other affordable housing provisions, there is a requirement for Local Authorities to part finance a portion of the required capital. For both the 'resettlement' & 'TA' element the government funding equates to 40% of total capital costs plus £20,000 per property. The Council's proposed investment will come from the Housing Revenue Account.

Options available

17. Recommendation - Oxford City Council to agree to join the fund and make budget provisions so it can purchase 4 properties. This is the number of properties that can be acquired based on modelling from previous HRA acquisition programmes, data around available stock on the open market, conveyancing & refurbishment timeframes and for the Council to meet the DLUHC deadline to deliver the properties by 29 March 2024. The purchased properties will be used to support eligible Afghan households and wider households requiring temporary accommodation, as well as delivering a long-term investment for Oxford City Council that will help realise its corporate objective to deliver more affordable housing and support thriving communities.
18. Do nothing – Under this option, the Council would not accept the grant funding that has been made available and therefore the Council would not be able to purchase additional properties, for the eligible cohort, with substantial contribution by the government. Therefore, under the 'do nothing' option, the potential benefits referenced in this report will not be realised. The Council will need to consider other accommodation offers to support refugee groups, with possible implications including having to house Afghan families in expensive temporary accommodation for longer.

Environmental implications

19. There are few environmental considerations arising directly from this report. Any property purchased into the HRA will need to comply with the Decent Homes Standard, Housing Health & Safety Rating System (HHSRS) or it will be required to go through the voids process to carry out works via Property Services to ensure it achieved the required decency standard prior to letting. If the EPC is below C rating, then the property shall form part of the Property Services Energy investment programme

Financial implications

20. As a requirement of the fund the Council is required to part fund or finance some of the required capital. For both the 'resettlement' & 'TA' element 40% of capital costs are covered by grant, plus £20,000 per property to allow for refurbishment and other costs. This means the Council is forecast to invest up to a total of £1,863,100 on the purchase of the 4 properties, with £1,069,860 being funded from HRA borrowing, and the rest covered by grant of £793,240.
21. Payments from our grant allocation are due to be transferred as per the DLUHC payment schedule. See Table 1 which details the grant allocation and Table 2 for the borrowing required.

22. As a prerequisite to enter into the fund, Council Officers were required to sign a Memorandum of Understanding (MoU) with DLUHC by the deadline of 14 July 2023, a copy of which can be found in appendix 3. This is a commercially sensitive document and as such is confidential and marked not for publication. The MoU does not commit the Council to the scheme.
23. Financial modelling has been completed by the Council on the impact of schemes on the Individual Interest Cover Ratio (ICR) and overall impact on the Housing Revenue Account. The impact of the bid on the HRA is positive due to the Council gaining more income from the rents from having these properties than it will lose in the interest charges on the debt to purchase them, due to the relatively generous grant arrangements. The purchases collectively achieve an initial ICR value of 1.20 which is well above the interim minimum requirement of 1.10 and overall has a negligible impact on the current ICR of the HRA.
24. All the units purchased will need to be brought up to decorative order and a budget has been set for all 4 properties to allow for identified refurbishment works contracted through Oxford Direct Services prior to the unit being ready to let in order to meet HRA standards. In order not to have an impact on the general void and operational works, all properties will be inspected prior to entering into a sale contract to ensure the properties purchased are in good decorative order. The Council will take steps to ensure all properties purchased are of a standard that would not require levels of investment beyond the budgeted envelope for the programme.

Table 1

	Tranche 1 allocation	Tranche 2 allocation	Total allocation
Total funding	£237,972	£555,268	£793,240

Table 2

Bids	LA Housing Fund		
	Resettlement	TA	Total
No. of Units	3	1	4
Total Cost	1,397,325	465,775	1,863,100
Borrowing Required	802,395	267,465	1,069,860

Legal issues

25. The agreement with DLUHC is clear it does not create any legal or binding obligations on the Council. If the Council were to fail to acquire the properties by 29 March 2024, for reasons such as market conditions, the only consequence the Council would face is to risk losing the grant funding.

Level of risk

26. See Risk Register attached under Appendix 2

Equalities impact

27. The LAHF R2 and proposal to purchase 4 homes is aligned to and forms part of the effort to deliver the Council's Housing, Homelessness and Rough Sleeping Strategy which has been subject to a full equality impact assessment. 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 housing to better meet client needs.

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Background Papers: None