

To: Cabinet
Date: 13 November 2024
Report of: Executive Director (Communities and People)
Title of Report: Local Authority Housing Fund - Round 3

Summary and recommendations	
Purpose of report:	The report seeks 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 3.
Key decision:	Yes
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing and Communities
Corporate Priority:	Deliver good, affordable homes and support thriving communities
Policy Framework:	Housing, Homelessness and Rough Sleeping Strategy 2023 – 2028

Recommendation(s): That Cabinet resolves to:	
1.	Approve the Council becoming part of the Local Authority Housing Fund Round 3, in order to deliver 5 new affordable homes.
2.	Recommend to Council, the approval of an allocation of £1,910,000 capital budget from the Housing Revenue Account, for the Council's investment to purchase the properties as part of Local Authority Housing Fund Round 3, with up to £1,061,000 being funded from HRA borrowing, and the rest covered by grant of up to £849,000.
3.	Delegate authority to the Interim 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 the project approval.

Appendices	
Appendix 1	Local Housing Authority Fund: Round 3 Prospectus and Guidance
Appendix 2	Risk Register
Appendix 3	Memorandum of Understanding – NOT FOR PUBLICATION

Introduction

1. The Ministry of Housing, Communities and Local Government (MHCLG) have launched a national £450m Local Authority Housing Fund - Round 3 (LAHF R3), to support local authorities to increase the supply of good quality temporary accommodation to reduce homelessness pressures and provide accommodation to Afghan families settling in the UK legally under the government resettlement scheme following the Taliban takeover of Afghanistan.
2. Oxford City Council have previously entered Local Authority Housing Fund – Round 1 and 2 and progress to date has been positive. As part of Round 1 and 2, the Council secured funding to purchase 10 properties in total (6 under R1 and 4 under R2) from the open market, through a combination of central government grant funding and Council investment.
3. LAHF Round 1 was approved at Cabinet on 19 April 2023 and full Council on 17 May 2023. The fund has been successful with the team working hard to secure properties. A total of 7 properties have been purchased and let to Ukrainian and Afghan households who have fled conflict in their respective countries. Through diligent negotiation the Council secured 7 properties from within the approved budget which exceeded the central government target of 6 properties, and the R1 programme is now closed.
4. LAHF Round 2 was approved at Cabinet on 13 September 2023 and full Council on 2 October 2023. Progress to date has been positive, the team have purchased 5 properties and are on course to secure a further 3, funded from underspends from the scheme, again exceeding the central government target. The properties are being let to Afghan refugees and wider homelessness households the Council have a homeless duty towards, reducing the usage of expensive hotels and increasing the supply of good quality temporary accommodation.
5. Oxford City Council was allocated further grant funding for LAHF Round 3 to purchase 5 properties. There are two elements to the fund, the temporary accommodation ('TA') element, with properties used for homeless households and the 'resettlement' element to support Afghan households in need of resettlement.
6. The 5 properties will be acquired from the local housing market; two 1 bedroom properties for the 'TA' element to be used as temporary accommodation for wider homelessness pressures and 3 will be between 2-4+ bedrooms allocated to the 'resettlement' element. MHCLG 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.
7. LAHF R3 will help the Council achieve its corporate priorities, to *deliver good, affordable homes and support thriving communities*, and allow the Council to access funding to both address the immediate pressures of supporting refugee communities to find accommodation, and increasing the supply of good quality temporary accommodation, as well as adding to our stock of council housing for the future.
8. This report seeks Cabinet approval to join the LAHF R3, 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 3 Prospectus and Guidance for reference.

Background to Local Authority Housing Fund Round 3

9. The Council has seen a significant increase in demand for homelessness services in recent years and this in turn has increased the demand for emergency temporary accommodation including expensive hotel accommodation, required to meet the Council's statutory duties. Cabinet approved a report in July 2024, which updated on increasing use of temporary accommodation, with 246 households in temporary accommodation, of which 123 were in hotels and nightly charged accommodation, as of March 2024.
10. Participation in LAHF R3 will allow the Council to increase the number of temporary accommodation properties through the 'TA' element of the fund, reducing its reliance on expensive hotel placements and offering good quality self-contained accommodation to vulnerable homeless households.
11. The UK has welcomed around 29,000¹ Afghans nationally who have fled the country following the Taliban takeover, due to the risk they will be persecuted for supporting the former government and the British presence in the country.
12. Locally, Oxford City Council has now directly supported 57 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.
13. 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 R3 is that it will allow the Council to purchase properties to offer as affordable housing for Afghan refugees from the 'resettlement' element of the fund, as well as assisting with wider homelessness pressures.

Local Authority Housing Fund Round 3 investment

14. The Government announced the creation of LAHF R3 in March 2024, however confirmation of the grant funding allocated to Local Authorities was delayed until August 2024 due to the general election period. The objectives of the fund are to reduce wider homelessness pressures by increasing the supply of temporary accommodation and to help resettle Afghan refugees who have arrived under the Afghan Citizens Resettlement Scheme (ACRS).
15. Being part of LAHF 3 will provide a significant amount of grant funding to enable the Council to purchase more homes to rent at an affordable rate, to help meet the wider corporate commitment to refugee resettlement as well as reduce temporary 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.
16. The properties purchased for the 'TA' element will be let at standard temporary accommodation rent charges. The properties purchased under the 'resettlement' element will be let at an affordable rent to ensure the viability of the scheme. The Council

¹ <https://www.gov.uk/government/publications/afghan-resettlement-programme-operational-data/afghan-resettlement-programme-operational-data>

is unable to let at a social rent level as it would not cover the cost to the housing revenue account, and therefore will be letting it at affordable rent, capped at the local housing allowance, to ensure its viable for the housing revenue account but also affordable for tenants.

17. All properties delivered through the fund must be exchanged by 31 March 2025 due to MHCLG funding conditions, and therefore officers have developed a plan that can be delivered by this deadline. MHCLG is committed to funding any exchange of contracts the Council enters by 31 March 2025.
18. 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 'TA' and 'resettlement' elements the grant per unit is set at 40% of median property prices in the local authority area for capital costs. For 1 'large resettlement' property, the grant per unit is set at 50% of median property prices in the local authority area for capital costs. The Council's proposed investment will come from the housing revenue account.

Options available

19. Recommendation - Oxford City Council to agree to join the fund and make budget provisions so it can purchase 5 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 MHCLG deadline to deliver the properties by 31 March 2025. The purchased properties will be used to support households requiring temporary accommodation and eligible Afghan households, as well as delivering a long-term investment for the Council that will help realise its corporate objectives to deliver good, affordable homes and support thriving communities.
20. 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, as well as not being able to reduce the usage of expensive hotel accommodation.

Environmental

21. 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) and meet EPC rating of C or above. The properties will go through voids process to ensure they are brought up to a lettable standard in line with other allocations of housing.

Financial implications

22. 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; for 1x 'large resettlement' property, government grant will equate to 50% of total capital costs. This means the Council is forecast to invest up to a total of £1,910,000 on the purchase of the 5 properties, with up to £1,061,000 being funded from HRA borrowing, and the rest covered by capital grant of up to £849,000.
23. Payments from our grant allocation are due to be transferred as per the MHCLG payment schedule. See Table 1 which details the full grant allocation and Table 2 for a breakdown of the costs.
24. As a prerequisite to enter the fund, Council officers were required to sign a Memorandum of Understanding (MoU) with MHCLG, 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.

25. 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 (HRA). 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 1.65 which is well above the interim minimum requirement of 1.25 and overall has a negligible impact on the current ICR of the HRA.
26. All the units purchased will need to be brought up to decorative order and a budget has been set for all 5 properties to allow for identified refurbishment works contracted through Oxford Direct Services prior to the unit being ready to let 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 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.
27. The amount of grant allocated by the government is £856,225 consisting of £849,000 capital grant, and £7,225 for revenue costs. This is to be received in the following tranches:

Table 1

	Tranche 1 allocation	Tranche 2 allocation	Total allocation
Total funding	£261,925	£594,300	£856,225

Table 2

Bids	LA Housing Fund		
	Resettlement	TA	Total
No. of Units	3	2	5
Total Cost	£1,412,000	£498,000	£1,910,000
Grant Funding	£649,800	£199,200	£849,000

Legal issues

28. The agreement with MHCLG 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 31 March 2025, for reasons such as market conditions, the only consequence the Council would face is to risk losing the grant funding.
29. The Council has a Public Sector Equality Duty under the Equality Act 2010 to have due regard to the need to:
 - Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act;

- Advance equality of opportunity between people who share a relevant protected characteristic and those who don't share it;
- Foster good relations between people who share a relevant protected characteristic and those who do not (which involves having due regard, in particular, to the need to tackle prejudice and promote understanding).

Level of risk

See Risk Register attached, under Appendix 2

Equalities impact

30. The LAHF R3 and proposal to purchase 5 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, for the nine protected groups, 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
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