

Cabinet Report



Listening Learning Leading

Report of Deputy Chief Executive – Transformation and Operations

Author: Adrianna Partridge

Telephone: 07717 355143

E-mail: adrianna.partridge@southandvale.gov.uk

Wards affected: All

South Cabinet member responsible: Cllr Maggie Filipova-Rivers

Tel: 07850 141623

E-mail: Maggie.Filipova-Rivers@southoxon.gov.uk

To: CABINET

Date: 3 July 2023

Delivery and management arrangements for council-provided LAHF housing

Appendix 2 and 2a are not for publication on the basis they contain information which is exempt as defined by paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 as amended

Recommendations

It is recommended that Cabinet:

- a) Note the approach proposed for the delivery and management of the properties under the LAHF scheme, noting the risks, and approves officers to proceed.
- b) Note the proposed phase one staffing structure for the delivery and management of these properties alongside those purchased or managed under other arrangements.
- c) Subject to approval of recommendation a), to recommend to Full Council to proceed the allocation of a capital budget envelope of £4.6 million, being the council's share of the purchase costs of properties bought under the LAHF scheme.
- d) To approve a virement from contingency of up to £100,000 to cover potential unbudgeted revenue expenditure.
- e) To delegate authority to the Head of Development and Corporate Landlord in consultation with the Heads of Finance, Legal and Democratic and Housing and Environmental Services to approve the freehold or leasehold acquisition of property under the LAHF scheme following appropriate due diligence.
- f) Note the financial and other risks presented by the decisions above as set out in this report.

Purpose of Report

1. To provide an overview of all of the work being undertaken in relation to providing homes under Government schemes. A glossary of all the acronyms used and an where necessary an explanation as to their meaning or a description of the scheme has been included within this report as **Appendix Four**.
2. To brief Cabinet on the proposed framework to deliver the target number of 23 homes, that meet the eligibility criteria outlined within the Local Authority Housing Fund (LAHF) prospectus. Cabinet will recall that this is in accordance with the signed Memorandum of Understanding (MoU) officers were authorised to enter into with the Department of Levelling Up Housing and Communities (DLUHC), and which sets out the basis for the use of the grant funding. Having made significant progress, officers now seek Cabinet approval to progress to the delivery phase.
3. To outline the projected capital and revenue implications and potential risks and benefits of proceeding with the scheme. Given the capital funding and potential borrowing requirement necessary for the LAHF scheme, Cabinet will need to make recommendation to Full Council so that agreement can be sought for appropriate financial allocations to be made to allow the scheme to proceed.

Corporate Objectives

4. Local authorities have been pivotal in supporting the UK's humanitarian duties to assist those fleeing war. The council's response supports the Corporate Plan themes of improved economic and community well-being and homes and infrastructure that meet local needs.

Background

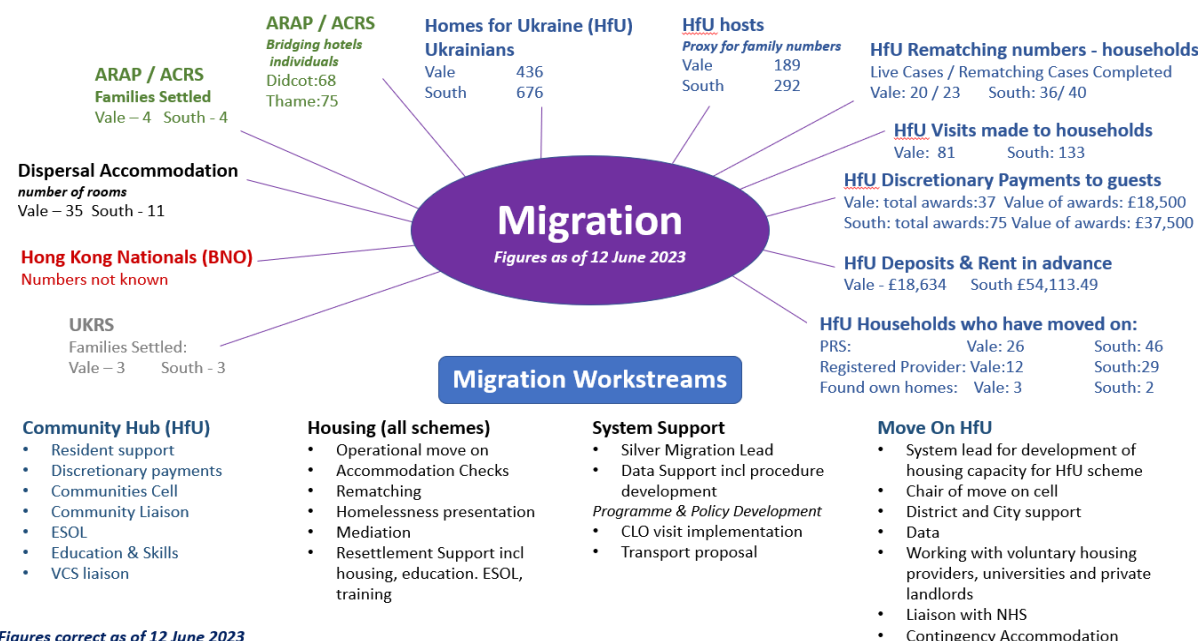
6. On 8 December 2022, Council approved a Housing Delivery Strategy and associated action plan. The aims of the Housing Delivery Strategy are:
 - Providing homes to meet current and future local need
 - Delivering housing that is truly affordable
 - Valuing and supporting council and community led housing initiatives
 - Planning for well-designed net zero carbon housing.
7. Within the associated action plan there are a series of actions to increase social housing across the district, including the appointment of a Housing Delivery Manager (now in post) and creation of a Housing Delivery team.
8. In February 2022 Council approved the inclusion within the capital programme of up to £5 million for affordable housing schemes funded from Section 106 receipts. Of this sum, Council agreed in December 2022 that up to £2 million of this sum could be for the direct purchase of housing.
9. On 9 March 2023, Cabinet members received an update on DLUHC's £500 million capital fund – the Local Authority Housing Fund (LAHF). The purpose of this fund is for local authorities in England to acquire and/or refurbish property in order to provide sustainable housing for families with housing needs who have arrived in the UK via the Ukrainian and Afghan resettlement and relocation schemes only. As a result of this, Cabinet approved acceptance of the proposed DLUHC grant of £3,756,708 (total allocation) to deliver 23 homes that meet the eligibility criteria outlined within the LAHF prospectus. Authority was delegated to the Deputy Chief Executive Transformation and Operations to sign the Memorandum of Understanding (MoU) with DLUHC. The MoU has been completed and consequently, officers have now developed a specification for the type of properties required, taking account of price, location, type of construction and energy performance and access to public transport services. This is to ensure as far as possible that they are suitable for the scheme. Officers have also mapped out the management and support arrangements that would need to be in place to deliver the scheme.
10. Following the MoU being entered into the initial grant payment of £1,127,012 has been received. Further payments are dependent on progress reporting against benchmarks and the council successfully utilising the funds to purchase properties as set out in the MoU in **Appendix One**.

Context

11. Cabinet will be aware that the council, alongside partners, residents, community groups and voluntary sector organisations, have undertaken significant and proactive vital work to help provide safe shelter and support to refugees and asylum seekers across a number of Government schemes. These are Homes for Ukraine, Afghan Relocations and Assistance Policy scheme (ARAP), Afghan Citizens Resettlement scheme (ACRS), UK Resettlement Schemes, the Hong Kong British National (Overseas) visa scheme and unaccompanied asylum seeking children.
12. In addition, the Oxfordshire migration partnership is also supporting a range of Home Office contingency and dispersed accommodation pathways. Officer teams, co-

ordinated through the council's Community Hub, continue to provide a wraparound support offer to settle individuals and families in the district, distribute government grants, provide housing and homeless advice and assistance, offer community integration support and support access to schooling, language lessons, access to medical services, benefits and support into employment.

13. An outline of the current numbers across the schemes within South Oxfordshire and the Vale of White horse district are detailed below in **Figure One**.



14. All local authorities who have welcomed arrivals in their districts are facing significant challenges in securing settled accommodation for these households, which unless alleviated will further impact existing housing pressures.
15. At the end of April 2023, the HO announced its timetable for the intended closure of bridging hotels across the UK which has added to the urgency and the need for officers to work at pace to ensure that homes can be provided for families. As Cabinet will be aware from Government announcements, families at the two bridging hotels within South Oxfordshire have received their three months' notice from the Government and have been given a timeframe to move out by the end of August 2023. Should no alternative accommodation be found before the 31 August 2023, then all families may present as homeless to either council, as families who are here under both ARAP and ACRS schemes are eligible to do so.
16. In addition, whilst host numbers are still positive for Oxfordshire across the Homes for Ukraine scheme, some guests have now been with their hosts for 14 months (the original commitment was for 6 months). The Government has also made its commitment clear to increase capacity to welcome new arrivals across a number of schemes.
17. Therefore, it is against this challenging timeline and housing and homelessness pressure, that officers recommend progressing with the LAHF property scheme as a matter of necessity and urgency.

Framework approach

18. In the following sections of this report, officers have outlined their proposal for the property, management and support arrangements required to deliver the LAHF scheme, along with the legal, financial and risk implications on a thematic basis.
19. It should be noted that any legal and financial implications are written on the basis that this report is in the public domain. What is set out below is therefore a summary of the legal position. Officers have taken extensive external legal advice from Trowers and Hamlin solicitors which is subject to legal advice privilege and privilege could be waived if details were set out here. Therefore, if any member wishes to receive more detailed legal advice this will be provided by the Head of Legal and Democratic in private session.
20. As stated in the March 2023 Cabinet report, the council transferred its housing stock as part of a Large-Scale Voluntary Transfer (LSVT) in 1997 and has since been reliant upon external organisations to deliver and manage social housing. As a non-housing stock local authority, approval to progress with the scheme means the council will take on the role of direct landlord.
21. At the time of the decision to adopt the Housing Delivery Strategy in 2022, the opportunities regarding the use of the Local Authority Housing Fund (LAHF), were not known. The report at that time identified a number of steps to fulfil their statutory landlord duties as required under current primary and secondary legislation and with the Social Housing Regulators Home Standards. This includes the need to register with the Regulator for Social Housing (RSH) and work to the standards they prescribe. This is therefore new work to the councils and there are opportunities and risks associated with entering into this work in a position of urgency and at pace which have been outlined within this report.
22. There are two resource phases proposed to deliver the accommodation workstream, which are covered in more detail below. The first phase, which has already commenced in order to undertake the necessary scoping, feasibility and assessment work, has been to set up the programme infrastructure to support the purchasing of properties and related survey work, the identification of a maintenance and repairs offer, an allocations process, and on-going wrap-around support and tenancy management arrangements. The first phase is being led by the Deputy Chief Executive (Transformation and Operations) and managed by the Programmes Service Manager.
23. The second phase will be housing delivery and housing management on a business as usual (BAU) basis to manage properties and their tenants in a steady state. It is anticipated that this phase will be managed by the Deputy Chief Executive (Place) and the newly established Housing Delivery Team.

Local Authority Housing Fund (LAHF) - Purchase of properties

24. Local authorities were allocated capital funding under section 31 of the Local Government Act 2003 on the basis of a formula, set out in the LAHF prospectus. For the 'main element' the prospectus refers to the average lower quartile property price in the council area and for the 'bridging element' the prospectus refers to the estimated lower quartile property price in the council area.

25. South Oxfordshire District Council (SODC) was contacted on 21 December 2022 with an indicative allocation of:

- £3,108,000 in funding to provide a minimum of 21 properties for households that meet the eligibility criteria outlined in section 3.2 of the Prospectus ('the main element').
- £648,708 in additional funding to provide a minimum of 2 four+ bed properties to be allocated to households currently in bridging accommodation ('the bridging element').

26. DLUHC stipulated, that as with other affordable housing provision, they expected councils to part fund or finance some of the required capital. They stated that for 'main element' housing, government funding equates to 40 per cent of total capital costs (average £128,000 grant per property) plus £20,000 per property. For 'bridging element' housing, government funding equates to 50 per cent of total capital costs (average £304,354 grant per property) plus £20,000 per property. 30 per cent of the funding provided by DLUHC will be paid in Q4 2022/23 and 70 per cent in 2023/24 (the 2023/24 funding is paid incrementally once the local authority has spent 60 per cent of their 2022/23 funding).

27. Following receipt of the signed MOU, South received the first payment from DLUHC of £1,127,012 on 28 March 2023.

28. To support the search of suitable properties, the housing and community hub team have worked with property officers to create a property specification to assist in identifying properties which will meet the needs of the currently intended tenants and the LAHF requirements. Property will be acquired, owned and managed by the council, and therefore at this stage the search has focused within the district area. Alongside cost, size and type, officers are also taking into consideration the location and access to support and amenities, and the ability to be available within the timescales set out within the MoU with DLUHC. Unfortunately, it is not always possible to purchase Accessible properties (Accessible housing refers to housing where the design and layout is free of barriers to enable independent living for persons with disabilities), however access to and within properties is always assessed and any adaptations or modifications required to meet specific tenant needs will be considered as and when required.

29. A number of properties have already been reviewed in the district which broadly meet the criteria, and some of them have been deemed suitable to be inspected. Consideration is now being given as to whether the council should progress in making offers, but of course this is subject to Cabinet approving progression of the scheme and full Council approving the overall financial element. The current mortgage rate levels have depressed the market, which can be an advantage to the council in securing properties at a lower cost, particularly as it is a no chain, cash purchaser. However, it has also resulted in a lower availability of properties on the market as sellers are struggling to find purchases.

30. Subject to agreement to proceed with the LAHF scheme, and prior to the exchange of contracts and completion of the specific purchase, final approval for each purchase will be sought from the Head of Development and Corporate Landlord, in consultation with the Heads of Finance, Legal and Democratic and Housing and Environment in accordance with the constitution.

Financial modelling and implications for purchasing property under the LAHF scheme

31. DLUHC grant will provide approximately 40 per cent of the capital cost of purchasing the properties. The council will need to fund the balance of the purchase cost and £4.6 million has been included as a growth item in the capital programme for 2023/24 to cover the council's share of the purchase costs. For the purposes of financial modelling it has been assumed that this cost will be funded from prudential borrowing.
32. DLUHC has not provided any specific funding for the management, financing and operational running costs of these properties and these revenue costs will need to be covered by rental income paid by the tenants.
33. A range of assumptions have had to be made to establish the likely financial impact on the revenue budget of the costs of providing a landlord function for these properties. These include principal and interest costs on borrowing, rental income, repairs & maintenance costs, rent collection, staff costs, insurance costs etc. These are set out in more detail in the financial model in **Confidential Appendix Two** and are based on the council buying the full 23 properties for which funding has been provided.
34. The financial modelling also assumes that Stamp Duty Land Tax (SDLT) will not be payable because the councils will become registered with the Regulator of Social Housing as Registered Providers and the use of LAHF funding falls within the exemption category for SDLT announced in the recent budget.
35. In setting the budget for 2023/24, it was assumed that the rental income would offset the borrowing and running costs for the properties. This modelling however shows an annual estimated net revenue cost of circa £184,000 at today's prices. This is an approximation only as each property will come with its own purchase price and remedial costs, and rental levels, based upon Local Housing Allowance rates, will depend upon location within the district. It is assumed that all property will be purchased within the Oxford LHA rate area.
36. This estimated cost however needs to be compared against the alternative scenario of families being accommodated in hotels/B&B. The cost per hotel room for providing external temporary accommodation for these families ranges from an estimated £17,000 pa to £28,000 pa. This equates to £391,000 pa to £644,000 pa if all the families rehoused in these properties would have otherwise remained in temporary hotels.
37. Sensitivity analysis has been done on these figures to model the costs of a 10 per cent increase in purchase price, to model different interest rates on borrowing and to model different levels of bad debt provision. This is also included in the financial model set out in **Confidential Appendix Two A**.
38. Based upon the financial model, that properties will not become occupied until 2024, and that the occupation will be phased, officers believe that the deficit for 2023/24 will be less than £20,000 per council, but are asking for a supplementary estimate of up to £100,000 per council for resilience if required.
39. In the long term, it is expected that this housing will become available for general needs or, if not required, could be sold. It should be borne in mind that whilst DLUHC has funded 40 per cent of the purchase price, the houses will be a 100 per cent council

owned asset and there is no clawback of grant funding should the house be transferred into general needs use or sold at some future date.

40. This financial model has been further developed to show the annual costs over 50 years. The stated aim of the fund is to create a lasting supply of affordable housing for the general population, and the expectation is that the stock will be made available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed, although there is nothing in the guidance that prevents sale of the housing at a future date. Therefore, should the usage of the properties change, or there is a significant change in the financial position, officers will report back to Cabinet for a decision which could include a decision to divest itself of the property.

Legal implications

41. The regulation of social housing is governed by the Housing and Regeneration Act 2008 (the 2008 Act) which defines social housing as Low Cost Rental and Low Cost Home Ownership housing with some additional property held by private registered providers of social housing as at 2 April 2010.
42. Local authorities that provide social housing will need to be registered by the Regulator of Social Housing pursuant to section 114 of the 2008 Act and the Housing and Regeneration Act 2008 (Registration of Local Authorities) Order 2010/844.
43. Legal Services, in conjunction with Property colleagues, will carry out all the normal due diligence check which form part of the conveyancing process. In order to take advantage of the public subsidy exemption from Stamp Duty Land Tax which is normally payable on property purchases, the council will need to be registered as a registered social landlord/local authority registered provider with the Regulator of Social Housing (RSH). It should be noted that registration is required in any event if the council provides or intends to provide social housing. Officers are in the process of making the necessary application for registration.

Management of fixtures and fittings

44. Fixtures and fittings will be provided for LAHF properties by the Community Hub using government grant funding. This means that the provision can be aligned to the scheme rather than the property or family to enable a flexible approach to make best use of fixtures and fittings between properties and/or families as part of the transitional arrangements and move on package.

Repairs, maintenance and compliance

45. Statutory compliance surrounding the management of housing property is complex. The councils have a duty, as a landlord, to repair, maintain and ensure compliance in its properties. The council will need to ensure they fulfil their statutory landlord duties as required under current primary and secondary legislation and thus, comply with the Regulator for Social Housing Home Standards.
46. The council does not have in house expertise in this area and would need time to develop the necessary expertise to achieve the longer term aim of in house delivery set out in the Housing Delivery Strategy. The tight delivery timescales for this programme mean that in the short term in house delivery is not an option. As such, officers are in

the process of making arrangements to procure the necessary services, but Cabinet will note that the timetable has been set by Government and is extremely challenging. Therefore, any procurement process will need to be conducted with this in mind and that, if approved the council will need access to these services prior to the bridging hotel arrangement coming to an end on the 31st of August.

47. Although the risk of challenge is low, if someone were to challenge the likelihood they would succeed is high. If there was a successful challenge to such a VEAT notice, officers believe that this would stall the ability to provide repairs and maintenance services whilst a full procurement was undertaken. This is likely to take at least nine months (probably longer) to procure and mobilise, and during that time properties would not be able to be safely occupied.
48. The financial modelling has taken account of the likely costs arising from the use of partnering arrangements in the short-term.
49. Council officers will work together to take all necessary steps to ensure that the service is in place and will comply with council standing orders.

Allocations and tenancy management

50. Afghan and Ukrainian families will be allocated to LAHF transitional housing under the statutory duty to provide temporary accommodation to homeless families, utilising specific government funding to provide housing for this purpose. The duty to provide temporary accommodation is normally ended when the family move to longer term settled accommodation.
51. Management of the tenancies in the short term will be undertaken by an experienced partner using the same procurement arrangements as outlined for repairs, maintenance and compliance.

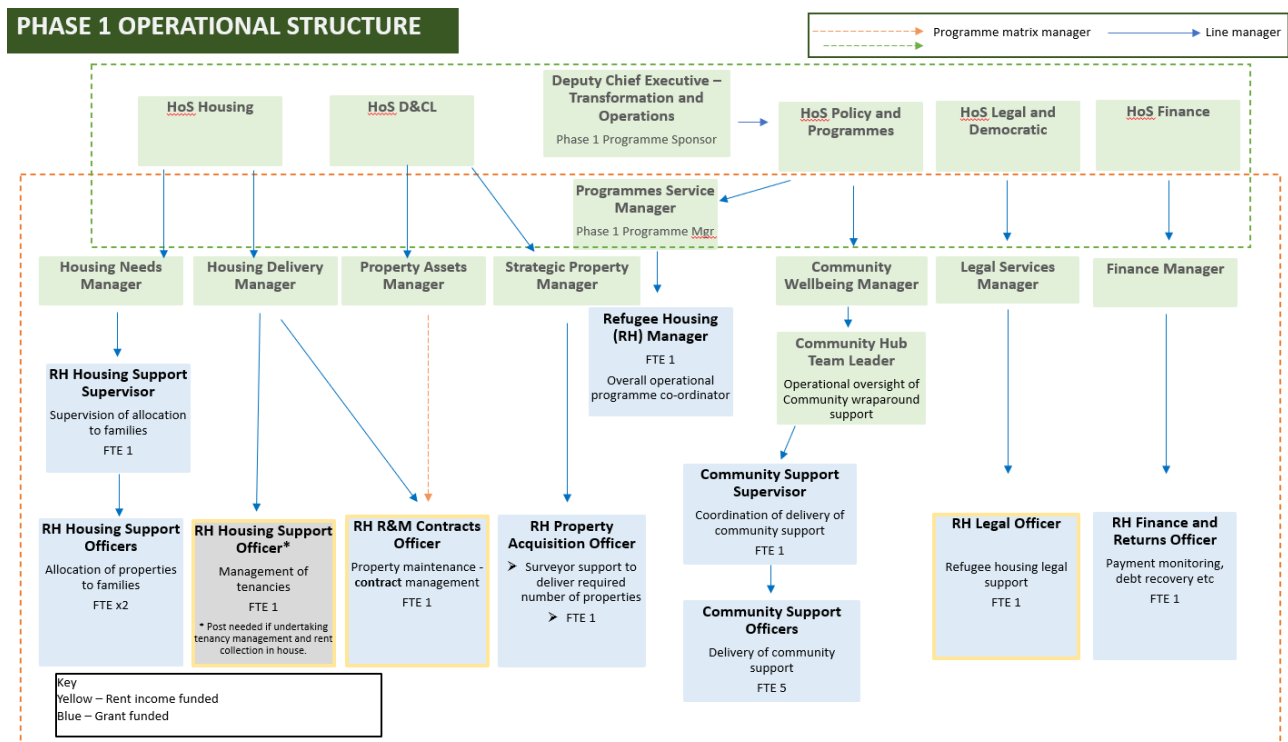
Community wraparound support

52. Community wraparound support for households will be provided by the Housing and Community Hub teams. From the outset there will be a firm emphasis on the properties being let short-term and transitional while officers support households into more settled arrangements. Housing Support Officers will provide initial housing allocation, property and services inductions before working with households to find longer term more sustainable housing. Community Support officers will provide initial support including orientation and induction into the area, support into local services including schools, health, benefits and employment and then signpost and support adults into training, ESOL access and employment opportunities so that families will be financially able to move on. The level of support will flex according to the needs of the individuals which will range from a high level of English and employability to illiteracy in their own language. Staffing resource will be required for this as set out in **Figure Two** below.
53. Resource and the community wraparound arrangements will be grant funded from the Flexible Housing Fund, Homelessness Assistance Fixed Tariff, Local Authority Caseworker and Relocation Support Funding and Homes for Ukraine top up funding as outlined in below in section 55 and in more detail in **Appendix Three**.

Resource requirements

54. Following an assessment of all the required workstreams to deliver the LAHF programme, and taking into consideration current community response requirements across the schemes as presented in **Figure One**, officers have determined the initial staff resource requirement as outlined in **Figure Two** below. It is anticipated that for the duration of phase 1, the identified roles will be line managed within their subject matter workstream, but oversight and team co-ordination will be managed by the Refugee Housing Manager which will report directly Programmes Service Manager. Should agreement to progress with the schemes be given, recruitment will commence in accordance with the council's HR policies.

Figure Two – proposed staffing resource requirements and reporting lines



55. Resource requirements for this programme will be funded from a variety of sources as set out in detail in **Appendix Three**. Grant funding arrangements are complex, however they can be summarised into two funding streams:

- Funded from rental income – Rental income at LHA rates provides an income stream, some of which may be used to employ the staff necessary to run the housing related elements of the service. Posts that could be funded in this way are outlined in yellow in **Figure Two** above.
- Funded from government grant funding – There are a significant number of grant funding schemes available, and officers monitor the grant landscape on an ongoing basis as criteria and eligibility windows are complex. From the various funding pots available now outlined in **Appendix Three**, the posts identified in blue in **Figure Two** above can be funded. Officers will continue discussions with the HO about all available funding mechanisms.

56. Governance arrangements have been put in place to ensure that all funding/costs allocations and use is maintained and can be monitored and reviewed to ensure that grant funding criterion is met at all times.

Equality implications

57. In preparing this report, due consideration has been given to the councils' statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. Equality Impact screening/assessments will be undertaken to assess if a full Equality Impact Assessment EIA is required. This will be an ongoing process to review our approach on an ongoing basis to ensure that we are complying with best practice.

Climate and ecological impact implications

58. The council has set an ambitious target to reduce carbon emissions, aiming to be carbon neutral within its own operations by 2025. Action B7 of our Climate Action Plan sets out our intention to agree an energy efficiency standard for new asset acquisitions. The recently published Oxfordshire Net Zero Route Map and Action Plan suggests that 100% of properties in Oxfordshire will need to be EPC B or above by 2045 to reach the UK net zero by 2050 target. Furthermore, any property purchased through the Local Authority Housing Fund will need to meet the national Minimum Energy Efficiency Standards for rental properties which is currently set at EPC E but is expected to be strengthened to at least EPC C by 2030.
59. The climate impact of housing is closely linked to the level of insulation, quality of the structure and the type of heating system, which in part will be informed by the age and the building regulation requirements in place at the time it was built. Newer properties are generally much better insulated than older ones. Following the principles of minimising energy use and achieving net zero set out in the councils Housing Delivery Strategy, the energy performance of houses and expected costs of retrofitting will be assessed prior to purchase to inform whole lifetime costs (particularly for older properties). Where necessary and viable, works required to improve the energy performance of a property, such as improving insulation or replacing the heating system, will be undertaken to reduce the carbon footprint of the building as well as reducing the energy costs to tenants.

Financial implications

60. Any council decision that has financial implications must be made with the knowledge of the council's overarching financial position. For South, the position reflected in the council's medium-term financial plan (MTFP) as reported to full Council in February 2023 showed that it is due to receive £644,000 less in revenue funding than it plans to spend in 2023/24 (with the balance coming from reserves), with this budget gap expected to continue in future years. However there is great uncertainty over this caused by a lack of clarity from government.
61. The future funding gap is predicted to increase to over £8.5 million by 2027/28, based on current cautious officer estimates of future funding levels. Whilst it is anticipated that overall funding for the council will remain relatively unchanged in 2024/25, the lack of certainty on future local government funding from 2025/26 onwards means the level of funding, and the resulting estimated funding gap, could be significantly different from

current officer estimates in either a positive or negative way. Every financial decision, particularly those involving long-term funding commitments (i.e. those beyond 2024/25), needs to be cognisant of the potential for significant funding gaps in future years.

62. The financial implications of the individual workstreams have been detailed in the report. Note that there is an existing budget for temporary accommodation costs and that a decision to proceed with these scheme is expected to either reduce a potential overspend on this budget or to result in an underspend, with the reduction in temporary accommodation costs expected to be greater than the cost of funding the scheme.

Legal Implications

63. All legal implications have been set out in summary form in the body of the report. As stated above, should Cabinet require more detail, this will be provided in private session by the Head of Legal and Democratic.

Risks

64. A comprehensive risk register is being maintained for this programme to manage risk. The key risk in the initial phase have been outlined above within each relevant workstream, but overall the main risk is not being able to mitigate homelessness pressures effectively through being able to acquire suitable properties in appropriate locations at affordable prices within the LAHF scheme within the programme timescale dictated by Government. To seek to mitigate this risk, officers have developed a comprehensive framework to manage delivery of the programmes, whilst reducing the financial and legal implications to the council as far as possible.
65. The operational phase of the programme when properties are occupied contains risks around compliance with legal standards and duties. In order to mitigate these in the short term a partner with experience of repairs and maintenance and compliance in social housing is being sought to deliver these services on our behalf. This will enable the council to deliver a compliant service within the immediate programme delivery timescales.
66. Extensive modelling has been undertaken to understand the financial implications of the programme and the multiple different funding criteria for all the grants available. However, elements of the financial modelling are necessarily based on assumptions around the numbers, sizes and locations of properties. There is therefore a risk that the predicted rental income based on the number of properties will not materialise, leading to a revenue funding shortfall which may not be able to be covered by grant funding. Careful financial monitoring will be undertaken by the programmes team and overseen by the Head of Finance and regularly reported to Cabinet.
67. The LAHF programme is intended to be transitional accommodation. The council will need to ensure that it pro-actively manages and supports families into settled accommodation, to mitigating adding further to the risk of homelessness. The proposed resource structure outlined in **Figure Two** above, seeks to ensure that sufficient resource is in place to assist in securing and support families to move on.

Conclusion

68. In this report, officers have outlined their proposal for the property, management and support arrangements required to deliver the LAHF scheme, along with the legal,

financial and risk implications on a thematic basis. Officers recommend progressing with the LAHF property scheme as a matter of necessity and urgency.

Appendices

Appendix One – Signed DLUHC MoU

Appendix Two – Confidential LAHF financial model

Appendix Two A – Confidential Sensitivity Analysis

Appendix Three - Scheme Funding Sources Overview

Appendix Four – Glossary of refugee accommodation abbreviations

Background Papers

None