



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	EXECUTIVE - 19 APRIL 2023
Subject	LOCAL AUTHORITY HOUSING FUND
Wards affected	All
Accountable member	Cllr Geoff Saul – Executive Member for Housing and Social Welfare Email: geoff.saul@westoxon.gov.uk
Accountable officer	Frank Wilson – Group Finance Director - Publica Email: frank.wilson@publicagroup.uk
Report author	Frank Wilson – Group Finance Director – Publica Email: frank.wilson@publicagroup.uk
Summary/Purpose	To confirm the preferred method of delivery of up to sixteen new affordable homes utilising the Local Authority Housing Fund Allocation previously approved by the Executive on 8 February 2023
Annexes	Annex A – Options Appraisal summary Annex B - Outline proposal Cottsway Housing
Recommendation(s)	<p><i>That the Executive resolves to:</i></p> <ul style="list-style-type: none"><i>a) Accept the proposal from Cottsway Housing to fulfil the requirements of the Local Authority Housing Fund on behalf of the Council in respect of the delivery of 16 additional affordable homes;</i><i>b) Passport the funding received by the Council to Cottsway Housing underpinned by a funding agreement setting out the relevant grant terms;</i><i>c) Request the Chief Executive to establish a regular strategic forum to allow the Executive Member for Housing to improve the strategic engagement with our largest Registered Social Landlord in the district.</i><i>d) Request officers to update the Executive on a regular basis on progress against delivery of these homes and subsequent use for other housing purposes.</i>

Corporate priorities	<ul style="list-style-type: none">• A Good Quality of Life for All• Working Together for West Oxfordshire
Key Decision	YES
Exempt	NO
Consultees/ Consultation	Cottsway Housing; Blenheim Follow up from previous Executive and Council decision

1. BACKGROUND

- 1.1** In February 2023 the Executive considered a report which set out the new Local Authority Housing Fund aimed at providing housing initially for Afghan and Ukraine families but, subsequently, that stock being recycled into the general affordable housing stock or emergency housing provision.
- 1.2** The Executive resolved to approve that the Council signed a Memorandum of Understanding with the Department of Levelling Up, Housing and Communities to provide a total of thirteen affordable housing units under the scheme and receive funding of £1.813m for this purpose.
- 1.3** Several options for the delivery of these homes were considered but the Executive asked that officers conduct further due diligence to determine which option would best meet the needs of residents and taxpayers of the district.
- 1.4** Subsequent to the Executive meeting Council approved appropriate capital funding to enable any of the options being considered to be utilised.

2. MAIN POINTS

- 2.1** As set out in the report of February 2023 the options open to deliver the housing under this funding scheme are:-
 - Provide Directly;
 - Provide by wholly owned LA Housing Company;
 - Provide via existing Teckal Company (Publica);
 - Provide via Housing Association Partners;
- 2.2** The February report set out the risk and opportunities of these respective approaches and provided a high level options appraisal assessment. This assessment is re-provided at Annex A in an updated form based upon the additional due diligence completed.
- 2.3** The revised option appraisal shows a clear advantage in respect of the RSL option and this is considered in more detail in section 3 below.

3. RSL DELIVERY

- 3.1** Annex B sets out a delivery proposal from Cottsway Housing within which they set out how they will not only deliver against the parameters of the government funding framework but will actually deliver further value.
- 3.2** In headline terms, for the grant sum offered by government they will deliver a further 3 houses under the scheme which will then add further to the stock of affordable homes for use in the district.

3.3 In addition they undertake to :-

- Use our (their)skills, experience, and connections to source the homes at the best price possible which will enable us to provide more than the 13 homes
- Fund the purchase of the 13 homes plus any additional homes in conjunction with using the c£1.8m of grant funding
- Work closely with WODC to identify and agree the homes to purchase
- Ensure the homes purchased meet the requirements of the Local Authority Housing Fund prospectus and guidelines
- Ensure the homes meet the size and specification requirements to meet the standards required for affordable housing
- Agree a lettings plan with WODC to ensure homes are allocated in line with grant guidelines
- Manage and maintain the homes
- In agreement and where required or appropriate, potential to swap out homes with existing Cottsway properties on sites to prevent them being grouped together.

3.4 This option therefore does not require the Council to utilise its own resources to fund the scheme, does not require the Council to borrow to finance its share of the scheme, and, does not require the Council to use off site s. 106 contributions to finance the scheme leaving them available to deliver yet further affordable units with Cottsway or other partners.

3.5 The location of these properties will depend upon a number of factors including demand from Ukraine and Afghan refugees, supply and availability of housing and general impact on communities. It is likely therefore to be focussed in schemes currently being developed in Witney, Carterton and potentially Chipping Norton.

3.6 A funding agreement is being prepared which will bind Cottsway to the requirements of the scheme and ensure compliance.

3.7 The key disadvantage of utilising the RSL approach is that direct control of the asset will not be achieved. The Council should seek to mitigate this through enhanced engagement with Cottsway (in this case) on a regular basis and develop a stronger partnership with them as the major RSL in the district.

4. ALTERNATIVE OPTIONS

4.1 The option appraisal at Annex A sets out that all the other options do not offer the overall benefits of the RSL approach and in financial terms (set out in section 6) they would require very significant capital investment by the Council and additional revenue costs for a number of years.

4.2 The option to set up a local authority housing company could not realistically be achieved in the timeframe set out by the government for this scheme so this option could only be

delivered in conjunction with the other alternate options and suffers from the same disadvantages in this case.

5. FINANCIAL IMPLICATIONS

5.1 The two principal options of RSL delivery and direct delivery are set out below in financial terms:-

	RSL Option	Direct / Alternate Option
Capital Cost (Net of Government Grant)	£ NIL	£ 1.8m
S 106 Funding Required	£ NIL	£ 0.5m
Annual Initial Revenue Cost	£ NIL	£13,000
Breakeven Revenue	Immediate	Year 8
Average Revenue return on investment over 30 years	Not Applicable	1%

5.2 Not included within this financial assessment is any knock on implications for the housing team of directly managing and maintaining the stock which will be zero with the RSL option but could be significant with direct delivery. A provision of 10% of rental income is included for management in the direct delivery model which would enable a 0.5 FTE post to be created. There is also the potential for an impact on the property team who would need to arrange works and whilst provision is made for maintenance works no provision is made for procuring and managing any such works.

5.3 Provision has been made by the Council for any of the options to be chosen but if the RSL option is approved those capital and section 106 resources can be released for alternate utilisation.

6. CONCLUSIONS

6.1 It is clear from the due diligence that provision via the RSL route is a lower cost and lower risk approach rather than direct delivery. It will also add additional value through the provision of additional affordable units.

6.2 The RSL route does not offer as much control of the assets so this should be mitigated by strengthening the strategic relationship with Cottsway.

7. LEGAL IMPLICATIONS

7.1 The RSL approach reduces the legal burdens surrounding the establishment of a local authority housing company.

7.2 A legal agreement will be put in place to ensure the grant funding passported to Cottsway meets the requirements of the scheme.

8. RISK ASSESSMENT

8.1 The use of the RSL approach de-risks several aspects of the scheme as they have a strong business model which supports the provision of affordable housing. Direct provision would require the Council to build up the capacity to do it itself or procure a partner to provide this service on its behalf.

8.2 Specifically the risks around the following activities will be mitigated via an RSL approach:

- Voids
- Maintenance risk
- Rent collection and bad debts

9. EQUALITIES IMPACT

9.1 This housing will, in the first instance be set aside for refugee utilisation as per the scheme requirements. Thereafter lettings will be controlled by an agreed letting strategy which will be reviewed for equality compliance.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

10.1 The scheme will utilise existing stock (or stock being currently built) so will have a neutral impact on the climate and ecological emergencies.

11. BACKGROUND PAPERS

Executive February 2023

(END)