

Local Authority Housing Fund Round 2

Cabinet	16th November 2023
Report Author	Ashley Jackson, Housing Strategy and Projects Manager
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Acquisition or disposal of land or property with a value of £750,000 or above
Ward:	All wards

Executive Summary:

In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250m for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures.

Thanet has been identified as eligible for capital grant funding with an indicative allocation of £694,000 in funding to purchase 4 homes for the resettlement element and 1 home for the Temporary Accommodation element.

A Memorandum of Understanding was returned to the Department for Levelling Up, Housing and Communities (DLUHC) in August 2023 which registered the council's interest in the scheme. In order to utilise the grant it will be necessary to match fund the acquisitions with £788,860k of additional borrowing within the HRA capital programme. The properties must be purchased by 31st March 2024.

Recommendation(s):

Cabinet is being asked to:

1. Approve the purchase of the 5 homes in line with the grant guidelines of LAHF R2.

Corporate Implications

Financial and Value for Money

The Council has considered the financial implications of the purchase of the 5 units. The Council will have on-going borrowing and maintenance costs that will be offset via the rental income generated from the purchased units.

The financial modelling undertaken has demonstrated that the HRA business plan will benefit from the proposed acquisitions.

Legal

The grant provided to the local authority is pursuant to section [31(3) and] 31(4) of the Local Government Act 2003, whereby the Secretary of State has determined that the grant will be paid subject to the condition in Annex B of the schedule.

The main condition of the grant is that it will only be used for the purposes that a capital receipt in accordance with regulations made under section 11 of the Local Government Act 2003.

<https://www.gov.uk/government/publications/local-authority-housing-fund/local-authority-housing-fund-grant-determination-capital-2022-23-316497>

The law states that Provided that the use of the property (or at least, that part of it which will be funded with subsidy) is regarded as the provision of social housing (as defined in s68 onwards of the Housing and Regeneration Act 2008), and expenditure is incurred on or after 15/03/2023, the transaction would be exempt from SDLT under s71 of the Finance Act 2003 which would be advantageous to the authority.

In addition to the above, the Council has a general power under section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act. The council is therefore able to accept and receive the funds and utilise it in line with the government guidelines.

Risk Management

The potential risks and implications associated with the grant are as follows

- The target date for completion is challenging and failure to deliver homes within the 2023/24 financial year may lead to funding being clawed back. This can be mitigated by purchasing completed homes on existing developments.

Risks to not taking the funding are

- We risk losing the opportunity to add affordable housing stock to our portfolio.
- We risk not meeting the housing needs of the funds eligible households and fulfilling statutory functions.
- We risk not meeting wider housing and homelessness pressures.
- We risk increasing the use of inappropriate and expensive temporary accommodation in particular bed and breakfast.

Corporate

This proposal supports the Council Corporate Statement 2019-2023 , Communities. Work to prevent homelessness and increase housing options including additional social housing.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

An Equalities Impact Assessment has been completed in respect of this proposal. The assessment indicated that the proposals would help support the needs of a community with protected characteristics on the grounds of race and nationality and help to foster good relations. In the first instance these new homes will be let to qualifying Ukrainian or Afghan (see section 102). Subsequently they will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed.

Corporate Priorities

This report relates to the following corporate priorities: -

- Communities

1.0 Introduction and Background

- 1.1 The United Kingdom has welcomed over 24,000 Afghans who worked alongside the government and risked their lives alongside our Armed Forces, as well as people who assisted British efforts in Afghanistan. In March 2023, the government announced plans to increase support for the remaining Afghan cohort in bridging hotel accommodation to secure settled accommodation.
- 1.2 In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) launched the first round of the Local Authority Housing Fund (LAHF R1). LAHF R1 provided £500m funding for local authorities in England to obtain accommodation for families with housing needs who have arrived in the UK via Ukrainian (for example the Homes for Ukraine scheme) and Afghan resettlement and relocation schemes. TDC was allocated a grant sum of £1.19 million to facilitate the purchase of nine homes in the districts. At least two of the homes were required to have 4 bedrooms. The remainder (up to 7 homes) are required to be 2 or 3 bedroom homes.

- 1.3 In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250m for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures.
- 1.4 LAHF R2 will also support local authorities to acquire good quality, and better value for money Temporary Accommodation (TA) for families owed a homelessness duty by local authorities. This will reduce the usage of B&B accommodation and will enable local authorities to grow their asset base, creating sustainable assets to help manage local housing pressures on an ongoing basis.
- 1.5 Any properties acquired will form part of the Council's Housing Revenue Account and can subsequently be used to accommodate households from the Council's housing waiting list by providing a new and permanent supply of accommodation which will help to address local housing and homelessness pressures.
- 1.6 The fund is aimed to assist Local Authorities buy housing stock, build new homes, convert existing non-residential properties, refurbish dilapidated housing or empty homes and turn them into accommodation for families.
- 1.7 The Council is expected to match fund the balance of acquisitions costs through its own resources. Match funding is included with the additional HRA capital budget for Housing Development, agreed by Council at its meeting on 12 October 2023.
- 1.8 Buying section 106 properties with this funding would not provide any net additional affordable housing units and therefore cannot be done as part of the LAHF programme.
- 1.9 Given the objectives of the fund, those eligible for the homes provided will be those who are homeless, at risk of homelessness or who live in unsuitable Temporary Accommodation (including bridging accommodation) and who also meet the below Definition:
- Afghan Citizen Resettlement Scheme (including eligible British Nationals under this scheme) (ACRS),
 - Afghan Relocations and Assistance Policy (ARAP),
 - Ukraine Family Scheme (UFS),
 - Homes for Ukraine (HFU),
 - Ukraine Extension Scheme (UES)
- 1.8 The Council is required to complete all the property purchases by 31st March 2024.

2.0 TDC Allocation

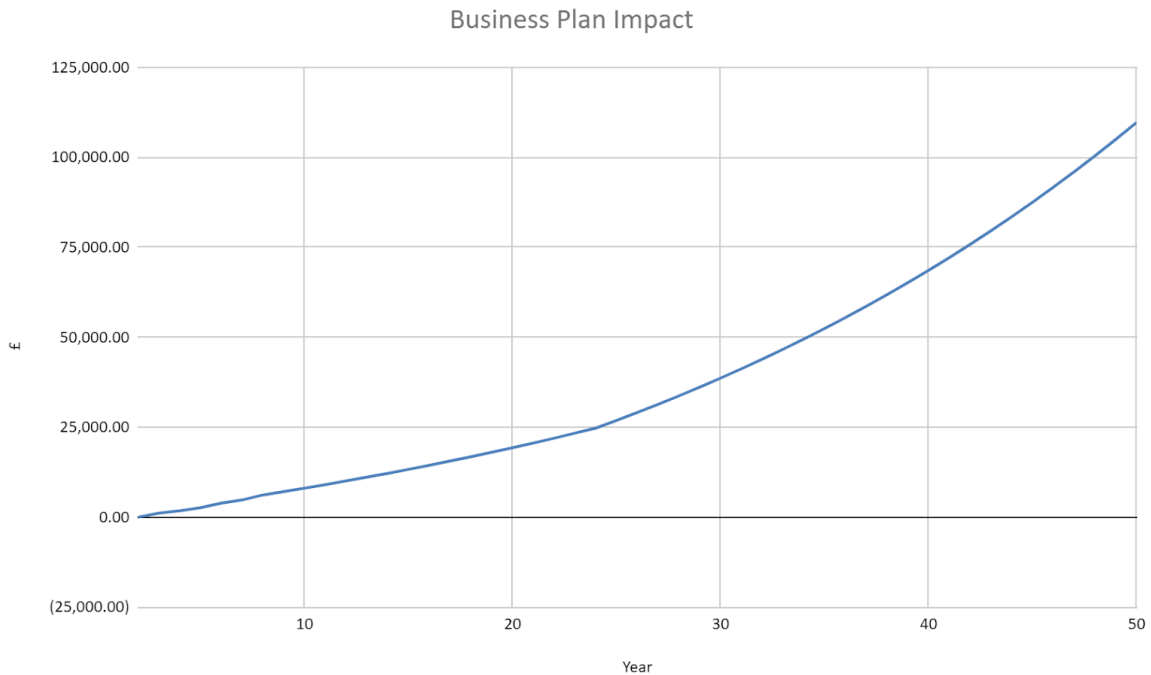
- 2.1 The Council was allocated a grant sum of £694,000 to facilitate the purchase of five homes in the districts. Four of the homes are required to have 3 bedrooms and one of the homes, also a 3 bedroom home is required to be used for Temporary Accommodation.
- 2.2 The council has signed the Memorandum of Understanding which registered our interest in the scheme. This allowed us time to see if there were units available which

would be suitable. It would not have been possible to undertake refurbishments on dilapidated properties, purchase empty properties or purchase non-residential properties, due to such a short timescales for the grant funding.

- 2.3 Discussions have taken place with a local developer currently developing the Westwood Cross site to purchase 5 x 3 bed units. The units will be an 'off the shelf' purchase with no refurbishments or adaptations needed. They are nearing completion and will be ready soon. Grant £694k (46%) and match funding £788,860 (54%) towards the purchase price of £1.41m, with the remainder for associated purchase costs.
- 2.4 Funding these purchases would require match funding from the council's HRA capital programme of £788,860.
- 2.5 The impact of purchasing these properties has been considered against the HRA business plan taking into account forecast revenue costs of borrowing and other revenue costs against forecast rental income and this demonstrates that the properties generate a surplus to the business plan in year 1. If borrowing rates fall by the time the Council needs to borrow £788,860, then the surplus generated would be larger.
- 2.6 Officers have developed a detailed viability assessment tool to assess the viability of individual schemes, which is used to inform a go/no-go decision for individual proposals. It is essential for the viability of the overall HRA programme that only schemes that have a positive impact on the HRA Business Plan are delivered.
- 2.7 To be viable, schemes need to show an overall surplus over a 30 or 50 year timescale, depending on the duration of any borrowing. The assessment tool operates like a mini business plan and takes into account all relevant costs and income, including rent income, capital costs, professional fees and project management, the costs of borrowing and management, maintenance costs and depreciation over the lifetime of the homes. A summary of the income and costs for the proposed purchase are shown in the table below.

Year	1	2	3	4	5
Revenue Income					
Rental income	(46,600.00)	(46,600.00)	(48,600.00)	(49,700.00)	(51,200.00)
Revenue Costs	0.00	0.00	0.00	0.00	0.00
Management Contribution	800.00	800.00	900.00	900.00	900.00
Revenue Repairs	400.00	400.00	800.00	900.00	1,300.00
Major Repairs (Capital contrib)	7,000.00	7,300.00	7,700.00	8,000.00	8,200.00
Insurance	1,000.00	1,100.00	1,100.00	1,200.00	1,200.00
Saving before MRP and interest	(37,400.00)	(37,000.00)	(38,100.00)	(38,700.00)	(39,600.00)
Interest on debt	37,000.00	37,000.00	37,000.00	37,000.00	37,000.00
Net cost/(saving)	(400.00)	0.00	(1,100.00)	(1,700.00)	(2,600.00)

2.8 This shows that the proposed purchase would generate a cash flow surplus in year 1 of £400, with surpluses accumulating then onwards. The project generates a surplus for the business plan and a cash flow summary is shown in the graph below:



3.0 Options

3.1 To agree to:

Approve the purchase of the 5 homes in line with the grant guidelines of LAHF R2.

3.2 Alternatively Cabinet could decide to not participate in the Local Authority Housing Fund R2. This option is not recommended as it would require the council to advise the central government that we are unable to participate in the scheme and the allocated grant funding will not be taken up.

Contact Officer: Ashley Jackson, Housing Strategy & Projects Manager
Reporting to: Bob Porter (Director of Place)

Annex List

None

Background Papers

None

Corporate Consultation

Finance: Clive Bowen (Finance Manager)

Legal: Sameera Khan (Interim Head of Legal & Monitoring Officer)