

Local Authority Housing fund (LAHF) Round 3 funding

Cabinet	25th July 2024
By	Ashley Jackson, Head of Housing and Planning
Cabinet Portfolio Member	Helen Whitehead, Cabinet Member for Housing
Key Decision	Yes
Decision classification	Unrestricted
Call in status	Yes
Ward:	Thanet Villages

Purpose of the Report

Thanet District Council has been allocated £619,500 to provide four properties - one for temporary accommodation and three for resettlement - through the third round of the Local Authority Housing Fund (LAHF). The Council has previously been successful with accessing pre-allocated amounts in the first two rounds of funding and this scheme follows a similar pattern.

Recommendation(s):

Cabinet members are asked to agree that:

1. The Council proceeds with the acquisition of the four homes at Westwood Point - being acquired through Vistry for £1,255,000;
2. The properties are provided as per the LAHF Round 3 funding criteria, i.e. one for temporary accommodation and three for resettlement purposes.

1. Summary of Reasons

- 1.1 The Council has been pre-allocated £619,500 from the Local Authority Housing Fund to provide high-quality temporary accommodation for homeless families and deliver housing for those on the Afghan Citizens Resettlement Scheme (ACRS) who supported the UK's efforts in Afghanistan. Thanet is one of 203 local authority areas that has been given funding, the award of which is based on several datasets, including unemployment rate, the number of families in nightly paid bed and breakfast (B&B) temporary accommodation (TA) and the rents in the private rented sector compared to local income levels.

- 1.2 The Council has successfully administered funding for rounds 1 and 2 and by taking the funding for round 3 it is not only supporting a national endeavour and working closely with county council colleagues, but is also able to provide temporary accommodation and homes that will grow its housing revenue account (HRA) stock over time.

2. Background

- 2.1 In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) launched the Local Authority Housing Fund. This was a £500 million capital fund for local authorities in England to obtain accommodation for families with housing needs who have arrived in the UK fleeing the war in Ukraine and families on Afghan resettlement and relocation schemes. The reason for this was to help ensure that those communities who had been generous in welcoming new arrivals were not 'penalised' with longer social housing waiting lists.
- 2.2 Last year, Thanet District Council was awarded £694,000 as part of the second round of the LAHF project (approved by Cabinet members on 16th November 2023) and now it has been awarded £619,500 as part of the Government's £450m two-year expansion to the scheme which aims to provide local authorities with a longer-term pipeline of support and to unlock more new supply and developments.
- 2.3 Given Thanet District Council's proactive acquisitions programme, it has been able to secure the four properties that are required of it through the criteria for round 3. These homes have been secured through Vistry at Westwood Point. Full details are included in the following section of the report.

3. Relevant Issues

Funding remit

- 3.1 The purpose of the funding is to deliver high-quality temporary accommodation for homeless families and provide housing for those on the Afghan Citizens Resettlement Scheme (ACRS) who supported UK efforts in Afghanistan.
- 3.2 The funding has the additional benefit of helping local authorities with TA pressures to use better quality properties rather than what could be seen as poorer and more costly B&B accommodation (50% of the homes acquired through LAHF round 3 are encouraged to be new acquisitions where councils work with developers to obtain brand new homes).
- 3.3 Local authorities have been tasked with delivering a specified target number of homes for the eligible resettlement cohort, and a specified targeted number of homes for TA. In Thanet's case, that is three homes for resettlement and one for TA.

- 3.4 Funding includes a capital component to reflect the homelessness and resettlement objectives of the fund, and a revenue component (such as using local labour for example, to refurbish homes bought off the open market if required) to bolster local authorities' housing delivery capacity.
- 3.5 The funding can be used to bring empty homes back into use, remodel obsolete older persons accommodation, use Modern Methods of Construction (known as MMC), and for simply acquiring second-hand homes off the open market. The Council has autonomy to choose the best method for itself.
- 3.6 The Council's funding needs to be spent on one TA property, two medium-sized (likely to be 2-bedroom or 3-bedroom) resettlement properties and one larger 4-bedroom property for resettlement. All homes delivered will be affordable housing to support wider local authority housing and homelessness responsibilities for the remainder of their lifetime. The Council can determine the precise rent level and tenure of the homes, such as social rent, affordable rent, or a TA rent.
- 3.7 As outlined above, Thanet has been pre-allocated £619,500 for LAHF round 3. We will need to report on progress every two months to DLUHC, who monitor spend. Funds can be reallocated if DLUHC feel that there is doubt that we will deliver on our plans. However, as this report indicates we are able to spend all of our allocation.
- 3.8 A Memorandum of Understanding (MOU), confirming our delivery proposals, will need to be completed and returned to the Department for Levelling Up, Housing and Communities (DLUHC). Due to the popularity of the scheme, DLUHC has yet to issue the MOUs to local authorities who have expressed an interest in participating in the funding round, so these will follow and officers will complete the paperwork. Additionally, the scheme is over-subscribed and so there will be no opportunity to bid for funding that is not taken up by other local authority areas.

Elements of the round 3 funding

- 3.9 For the 'TA-element' property, this can be allocated by the Council on completion to a family owed a homelessness duty by Thanet District Council. For the 'resettlement element' homes, these will be for the ACRS cohort who are currently homeless or at risk of homelessness. Thanet District Council must liaise with Kent County Council on these properties as it has with round 2 funding to enable county colleagues to match residents from the ACRS to the homes that the Council has available. Here, the Council has to deliver two medium-sized dwellings and one larger dwelling.

The homes Thanet District Council is buying

- 3.10 Thanet is purchasing four properties: three x 3-bedroom properties (one for TA and two medium-sized resettlement properties) and one x 4-bedroom property

(again, for the resettlement element). These properties are being acquired from Vistry at Westwood Point. This is the location of the nine properties acquired by the Council with LAHF round 2 funding. The Council has a strong working relationship with Vistry and is confident that these properties will be high quality and will serve the initial purpose required by the funding criteria and then will ultimately be good assets to add into its HRA stock.

Specific information around Thanet's funding

3.11 Payments will be made as follows:

Year 1 allocation - Tranche 1	30% paid by 14th June 2024.
Year 1 allocation - Tranche 2	70% paid by 4th November 2024 (assuming we have spent or committed to spending 60% of tranche 1
Year 2 allocation - Tranche 3	This is paid in one tranche (called tranche 3) by 4th July 2025 as long as the Council can demonstrate it has spent, or committed, 80% of the tranche 1 and 2 funding.
Tranche 4	This will not apply to the Council as it has committed its funding in its acquisition of the Vistry homes but tranche 4 is a later payment that can be made between September 2025 and March 2026 for those who have not committed to spending their funding allocations.

3.12 Thanet needs to ensure it has undertaken a fraud risk assessment for its project and needs to illustrate that we have undertaken all relevant due diligence. The Council is in conversation with DLUHC directly on this point.

4. Recommendations from the Overview and Scrutiny Panel

4.1 The Overview and Scrutiny Panel considered this report at its meeting of 16th July 2024 and made no recommendations.

5. Alternative Options

5.1 This scheme highlights the Council's proactive, commercial approach in being able to acquire properties quickly. It also highlights the Council's social responsibility, particularly in working closely with County Council colleagues to deliver the resettlement units. Therefore, though one option is to not participate in the Local Authority Housing Fund round 3 programme, councillors may want to consider the above points before making that decision.

5.2 Additionally, not participating would require the Council to return the funding to the Government. This would not be viewed favourably by Government with whom

the Council is establishing a strong rapport in respect of its own new-build programme and accelerated delivery programme. This would likely result in a reputational loss for the Council at a time when it is becoming renowned for its ambitious and robust acquisitions programme and the loss of faith from developers who know the Council is proactively seeking out opportunities in the market.

6. Consultation

- 6.1 While stakeholder engagement has been undertaken, no formal consultation has been carried out with specific reference to buying these four properties. As these homes have been subject to formal consultation rounds as part of the planning application process, it is reasonable for the Council to simply acquire this small number of properties from the developer (subject to Cabinet consent), aware that previous consultation has taken place through the planning system.

7. Corporate Implications

7.1 Finance and Resources

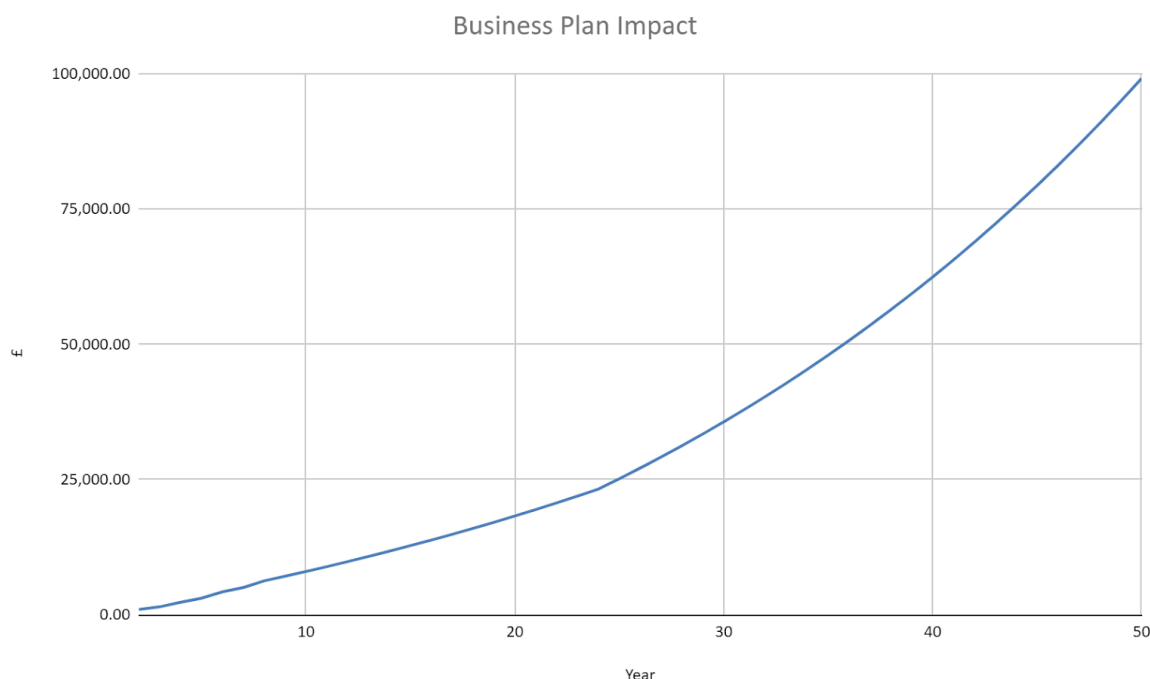
- 7.1.1 The total cost of the proposed units is estimated to be £1.255m. Through our business plan financial modelling we have allowed for costs up to £1.315m (inc. legal/valuations) and the scheme generates a surplus for the HRA business plan from year 1 due to the grant subsidy.

The Council will need to charge affordable rent on these properties though in order to ensure the acquisition is affordable within the HRA business plan as borrowing of £695,500 is required in order to match the grant funding available.

Future surplus can be used to subsidise other parts of the Affordable Homes Programme in the longer term. 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	(40,146)	(41,350)	(42,590)	(43,868)	(45,184)
Revenue Costs					
Management Contribution	640	672	706	741	756
Revenue Repairs	326	342	719	755	1,155
Major Repairs (Capital contrib)	5,640	5,922	6,218	6,529	6,660
Insurance	800	840	882	926	945
Saving before MRP and interest	(32,740)	(33,574)	(34,065)	(34,917)	(35,668)
Interest on debt	32,619	32,619	32,619	32,619	32,619
Net cost/(saving)	(121)	(955)	(1,446)	(2,298)	(3,049)

This shows that the proposed purchase would generate a cash flow surplus in year 1 of £121, 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:



The Council is commissioning further advice from professional experts in this field to review our financial model; assessing whether any improvements can be made, with the overarching objective of maximising the opportunities to acquire properties in both the Housing Revenue account and the General Fund.

In addition, we have sought initial advice concerning Stamp Duty Land Tax (SDLT) liabilities in relation to this purchase. The figures included in the appraisal are based on our initial advice, although final SDLT advice will be taken as part of the acquisition.

7.2 Legal and Constitutional

7.2.1 LAHF R3 is designed to support Afghan Citizens who are part of the Resettlement Scheme and who supported UK efforts in Afghanistan. Objectives of the Fund are set out in Government Guidance and are as follows:

- Reduce temporary accommodation costs.
- Provide sustainable settled housing to those on ACRS so that they can build new lives in the UK, find employment and integrate into communities.
- Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.

7.2.2 Government guidance provides that housing delivered as part of LAHF R3 can include, but is not limited to:

- expanding existing local authority delivery programmes or those of local housing association partners
- increasing the number of affordable housing units in housebuilder-led schemes due to complete in 2024-25 or 2025-26
- bringing empty / dilapidated properties (both residential and commercial units) back into use, including properties owned by a local authority or housing associations
- remodelling defunct specialist accommodation including sheltered accommodation
- 'flipping' forthcoming shared ownership completions into housing
- providing modular housing as part of wider efforts to use MMC to support local temporary accommodation pressures
- commissioning new supply that can be delivered in 2024-25 or 2025-26 from developers
- purchasing existing properties on the open market

7.2.2 Legal input will be required to ensure effective conveyancing and to identify any legal constraints on properties that are considered for purchase. Legal should also be consulted in relation to the MOU although its terms are non-negotiable.

7.3 Council Policies and Priorities

7.3.1 In acquiring these homes the Council is mindful that it aligns with the corporate priority of delivering the housing we need, as well as working efficiently for residents. These homes, once no longer required through the matching system for the Afghan cohort of residents, are then available through the Council's Housing Revenue Account for households in Thanet, as per the Council's Allocation Policy.

7.3.2 In acquiring these homes, where the criteria is set out clearly as to eligibility in the first instance, the Council is making use of subsidy provided by the Government to bolster its housing stock in due course, which is making an efficient use of resources available.

7.4 Risk

7.4.1 Acquisition and development activity has within it inherent risks. Officers strive to identify and manage risk at each stage of projects. The acquisition project will have a risk register that is reviewed throughout the lifecycle of the project by the Housing Strategy & Projects Team. Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project.

7.5 Climate Change and Biodiversity

- 7.5.1 These properties concentrate on delivering a strong, fabric-first approach to energy efficiency, meaning that the thermal qualities of the properties are excellent. These homes will achieve an EPC 'B' rating. Well-insulated buildings are more cost-effective for residents to run and so it is an important consideration for the Council when aligning with a developer to acquire homes.

8. Equality, Equity and Diversity Implications

- 8.1 As previously stated, at all times the Council has due regard to its social responsibility but moreover, its public sector equality duty, which is the need to eliminate unlawful discrimination and consider the potential impact decisions and actions on each of the protected characteristics outlined in the Equality Act 2010. There are no issues identified as a result of the equality impact assessment undertaken as part of this acquisition. The criteria is clear that the homes for resettlement must be allocated to Afghan families through the matching process on which the Council works closely with Kent County Council.

9. Crime and Disorder Implications and Community impact

- 9.1 There are considered to be no impacts in relation to crime and disorder. The properties will be managed by our Tenant and leaseholder Service team, who through normal day-to-day functions will liaise with residents and monitor any matters arising.

10. Subject History

- 10.1 Councillors approved LAHF Round 2 funding in November 2023. This followed the same principles as round 3 funding, set out in this report.

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Appendices

None

Background Papers

None

Report Sign Off

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