

Signed off by	Head of Housing
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To	Executive
Date	Thursday, 23 March 2023
Executive Member	Portfolio Holder for Housing and Support

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	Local Authority Housing Fund
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<p>Recommendations</p> <p>It is recommended that:</p> <p>The Chief Finance Officer be authorised to:</p> <p>(i) Agree to and sign the Memorandum of Understanding with DLUHC in order to secure grant funding from the Local Authority Housing Fund and comply with the associated terms.</p> <p>The Head of Housing be authorised in consultation with the Chief Finance Officer, Strategic Head of Legal & Governance, Executive Member for Housing & Support, Deputy Leader and Executive Member for Finance & Governance, and Executive Member for Investment & Companies, to:</p> <p>(ii) Use up to £0.600 million of Local Authority Housing Fund (grant funding), to purchase and refurbish up to 4 properties, to be retained in the Council's ownership, for use as temporary accommodation and let to households that meet the criteria set out by DLUHC;</p> <p>(iii) Release up to £1.050 million from the Housing Delivery Strategy Revenue Reserve as match funding when purchasing the 4 properties that will be retained in the Council's ownership;</p> <p>(iv) Authorise a capital grant of up to £0.110 million, from the Housing Delivery Strategy Revenue Reserve, to partner Registered Providers (RPs), Raven</p>

Housing Trust and Mount Green Housing Association, to support delivery of 2 x 4 bed properties at an affordable rent level;

- (v) Obtain any necessary surveys, planning consents, quotes and tenders as required to carry out refurbishment work; and**
- (vi) Appoint and enter contracts as required, with legal advisors, consultants, suppliers and builders.**

The Head of Housing be authorised in consultation with Chief Finance Officer, Strategic Head of Legal & Governance, Executive Member for Housing & Support, Deputy Leader and Executive Member for Finance & Governance, and Executive Member for Investment & Companies, to:

- (vii) Enter into Memoranda of Understanding with partner Registered Providers, Raven Housing Trust and Mount Green Housing Association, to enable them to participate in the proposed purchase and refurbishment of properties under this programme, and to ensure delivery compliance;**
- (viii) Provide capital grants, funded from the Local Authority Housing Fund, to Registered Providers to enable them to assist with the delivery of the required properties.**

Reasons for Recommendations

To increase the Council's housing stock through the acquisition of homes to be let as temporary accommodation supported by the Department for Levelling Up, Homes & Communities' Local Authority Housing Fund grant scheme.

The initial lettings of the homes will be to households in need of settled accommodation who have arrived in the UK under one of the recent humanitarian schemes for Ukrainian and Afghan refugees.

The availability of this grant funding is time-limited, and support from partner Registered Providers is required to share the workload, risk and to ensure that the Council can comply with the deadlines set out by DLUHC.

Executive Summary

The Department for Levelling Up, Housing and Communities (DLUHC) is introducing a £500 million capital fund – the Local Authority Housing Fund (LAHF) – for local authorities in England to provide accommodation to families with housing needs who have arrived in the UK via the Ukrainian and Afghan resettlement and relocation schemes.

The fund is to support selected local authorities in England to obtain and refurbish properties to provide sustainable housing for those unable to secure their own accommodation who are here under these schemes. After the first letting of these properties to the target cohort, the properties will be available to be rented out by the Council, or by a Registered Provider (RP) with Council nomination rights, to meet local housing need.

It is proposed that the Council takes up the full allocation from DLUHC and delivers the required total of 12 properties via two routes:

- directly procuring up to 4 properties to be retained and let by the Council; and

- by allocating the remaining LAHF grant funding to RP partners to enable them to procure and let further properties.

The Council will be required to allocate match-funding from its own resources under the terms of the scheme.

Executive has authority to approve the above recommendations

Statutory Powers

1. Section 120(1) Local Government Act 1972 provides the power to acquire, any land inside or outside its area for the purposes of any of its statutory duties.
2. The Council can own up to 199 homes before the requirement to operate a Housing Revenue Account is triggered, the Council currently own 50, significantly below 199 and the Council is therefore still some way off this threshold.

Background

3. DLUHC has set out that their objective is to help fulfil the UK's humanitarian duties to assist those fleeing war. The allocation of LAHF funding will reduce the impact of new arrivals on existing housing pressures and ultimately create a legacy for domestic households by providing a new and permanent supply of accommodation for local authorities to help address local housing and homelessness pressures.
4. Local authorities that commit to delivering housing through this route, may choose the most appropriate delivery mechanism to achieve LAHF objectives and to bring on stream the accommodation as quickly as possible. This could include but is not limited to: refurbishing and or converting existing local authority owned residential or non-residential buildings; acquiring new build properties 'off-the-shelf', including acquiring and converting shared ownership properties; developing new properties, including modular housing on council owned land, and working with and supporting other organisations who want to offer accommodation for this cohort.
5. However, LAHF funding is dependent on properties being delivered by November 2023. To meet these timescales, the only delivery mechanism realistically available is to purchase open market "street properties" and undertake any necessary works to make them suitable for let.

Key Information

DLUHC Local Authority Housing Fund Allocation

6. DLUHC has allocated £1.500 million to this Council in 'main element' funding, representing almost 40% of the capital cost of the purchase of a minimum of 10 homes for eligible households that have resettled locally under one of the Ukrainian schemes or in need of resettling under one of the Afghan schemes.
7. The Council has also been allocated £0.658 million in bridging element funding, representing 50% of the capital costs of the purchase of 2 homes with a minimum of 4 bedrooms to assist in supplying accommodation for households being resettled under one of the Afghan schemes.
8. Therefore, in total DLUHC has allocated funding for the delivery of 12 properties in the borough.

9. Included within the capital funding is £20,000 per property to cover additional costs (such as overheads, refurbishment, furnishings etc).

Partnership Working with Registered Providers

10. DLUHC is encouraging Councils to utilise the support of partner registered providers (RPs) to assist with the delivery of LAHF properties.
11. Officers have held initial discussions with two partner RPs, Raven Housing Trust and Mount Green Housing Association who are both willing and able to support this project should approval be granted.
12. It is proposed that the Council directly procures, refurbishes, retains, and lets up to 4 properties, however it does not have the capacity to deliver the whole scheme of 12 homes without partners by the November 2023 deadline.
13. It is therefore proposed that the remaining 8 properties (including the 2 x 4-bedroom houses) be delivered by the partner RPs.
14. The number of properties directly delivered by the Council will however be kept under review. This will allow the Council to buy less than 4 properties if a partner RP is able to easily secure a greater number of homes or should the Council face staff capacity challenges. The partner RPs have agreed that they can work within this approach.
15. Delivery of the 2 x 4-bedroom houses is a mandatory part of the LAHF allocation. Should the Council not be prepared to, or be unable to deliver these homes, DLUHC will not provide the funding for the smaller homes. The 2 x 4-bedroom properties must be used to meet the 'bridging' element of the requirement for larger Afghan families. It is proposed that the two partner RPs procure one larger property each, to be let as secure tenancies. The Council does not have capacity or expertise to manage secure tenancies, only temporary and emergency unsecure tenancies.
16. Funding of up to £0.110 million for the RPs will be required to ensure that the larger 4-bedroom properties can be let at an affordable rental level as detailed in the Council's Affordable Housing Supplementary Planning Document. This affordable rent level will remain for all future lettings of the 2 x 4-bedroom properties.

Council Delivery

17. On top of LAHF grant funding, the allocation of a further £1.050 million from Housing Delivery Strategy Revenue Reserve will be required to meet the shortfall in the costs of acquiring and refurbishing the properties that are intended to be held by the Council.
18. To deliver 4 properties, officers will follow the processes that are currently being undertaken for the purchasing of Temporary Accommodation as approved by Executive in October 2022.
19. The 4 properties to be delivered directly by the Council would most likely be in Merstham, Redhill or Horley areas due to the comparatively lower property prices.
20. The level of refurbishment required, and costs will be dependent on the properties acquired and the extent of any remodelling necessary.
21. Houses will be targeted rather than flats where possible, due to the service charges and ground maintenance costs associated with flats, which increase longer-term operating costs.

The average service charges for flats that the Council currently owns are £1,100 per annum. However, if there is the opportunity to purchase good value flats within blocks owned by Raven Housing Trust then these will be considered.

22. Post-purchase improvements are likely to be necessary to ensure that the properties are suitable, energy efficient, compliant with health and safety specifications and in a decent condition. The LAHF grant funding allows £20,000 per property to be used for improvements and should the full £20,000 not be spent on one property it can be used to improve another.
23. The Council-owned Temporary Accommodation properties will be let at social rents, in accordance with the Council's rent policy that was adopted by Executive on 26 January 2023. The properties will be subject to survey and a comprehensive long-term programme of maintenance and investment, supported by annual rental income, will be established.

Options

24. Executive has four options:

Option 1 (Recommended Option) – Enter into Memorandum of Understandings (MoU) with DLUHC and with Registered Providers, Raven Housing Trust and Mount Green Housing Association.

Funding be released from Housing Delivery Revenue Reserve and the Council to purchase, refurbish and let up to 4 x two/three- bedroom properties to be used for the 'main' element of the LAHF scheme.

Enter into mirror MoU's with Raven Housing Trust and Mount Green Housing Association for them to provide the remaining required properties between them, including the 2 larger four-bedroom properties mandated by the LAHF. On-lend proportionate DLUHC grant funding to the RPs to allow them to do this.

Allocate funds held in the Housing Delivery Strategy Revenue Reserve to the RPs to allow the 4-bedroom houses to be let at an affordable rental level as detailed in the Council's Affordable Housing SPD.

Option 2 – Enter into the MoU with DLUHC only.

Funding be released from the Housing Delivery Strategy Revenue Reserve and the Council to purchase, refurbish and let all 12 properties (including the two-larger properties).

This strategy would be high-risk to the Council as it would be singlehandedly required to buy and refurbish all properties by November 2023, and does not have sufficient officer capacity to successfully deliver the programme if this option is pursued.

Also, the 2 x 4-bedroom properties will be let as secure tenancies which would require procurement of a Registered Provider to carry out the management; this would be an ongoing revenue cost and unachievable by the November 2023 deadline. The Council does not have the officer expertise to manage secure tenancies.

Option 3 - Enter into the MoU with DLUHC and with Registered Providers Raven Housing Trust and Mount Green Housing Association.

All funding to be passed onto to RP partners for them to deliver the full allocation of 12 properties.

This option is not recommended as RBBC would not utilise any of the benefit of its own planned property acquisitions.

Option 4 – Proceed with none of the options above.

By doing so RBBC or its partner RPs would not partake in an opportunity to receive grant subsidy to add to the local affordable housing stock nor support this Government initiative.

Legal Implications

25. The Council has made a non-binding submission to DLUHC indicating that it will be able to provide the 12 properties required.
26. The Council will be required to enter into a MoU with DLUHC to be authorised by the Council's Chief Finance Officer.
27. Should approval be given to on-lend the LAHF funding to RP partners, the Council will need to enter into mirror MoU's to ensure that its RP partners meet DLUHC requirements in terms of property suitability, monitoring and timescales.

Financial Implications

28. The 10 main element homes will be used to accommodate Ukrainian households that are eligible for housing through homeless legislation following the breakdown of either their sponsor arrangement or family reunion arrangement.
29. Provision of the homes will mitigate the cost of extended use of expensive nightly paid emergency accommodation for some households.
30. It is unknown at this stage how many of the current cohort will present themselves as homeless, but the Council is aware there are currently 91 Ukrainian households living in the borough with sponsors and that at least 40 of these placements will end by November 2023 requiring a rematch to another sponsor or a homeless application. There is little data on the number of family 'reunion households' that are living in the borough but the intelligence the Council does have suggests a minimum of 20.
31. The extra homes could save the Council up to £67,000 during year one, through reduced emergency accommodation expenditure and further savings year on year after.
32. In the event of any of the 10 properties being ready to let with no identified Ukrainian households for the property, an Afghan family from a 'bridging hotel' will be offered the tenancy. The Council is provided with revenue funding of over £20,000 per individual over three years as part of either the Afghan Citizens Resettlement Scheme and Afghan Relocation and Assistance Policy. In return for the funding, the Council have extra support duties to undertake; this will be agreed with the Council's Resettlement team.
Housing Delivery Strategy Revenue Reserve Contribution
33. It is proposed that a contribution of up to £1.050 million from the Housing Delivery Strategy Revenue Reserve be used to support the Council's property purchases as part of this programme.
34. The balance on the Reserve is currently £19.079 million. As this Reserve has been established using historic revenue budget resources there is no associated borrowing requirement.

35. In addition, up to £0.110 million from the Housing Delivery Strategy Revenue Reserve will be used to provide funding support to the RP partners to allow them to rent the 4-bedroom houses at an affordable rent level.

Other Funding Contributions

36. DLUHC has directed that councils are not permitted to combine LAHF grant with Affordable Homes Programme grant or Right to Buy receipts.

Purchase Costs

37. The table below sets out the indicative costs for purchasing 2- and 3-bedroom houses in the lower quartile in the borough. It is anticipated that purchases will not be subject to stamp duty land tax, because the Council is entitled to an exemption as a registered provider in receipt of government subsidy.

Costs	Average 2-bed house £	Average 3-bed house £
Purchase Price	365,000	390,000
Valuation Fees	375	425
Survey Fees	925	925
Solicitor Fees	1,500	1,500
Refurb Fees	10,000	13,500
Furnishings	5,000	6,000
Total Cost per Property	382,800	412,350

Local Authority Housing Fund (LAHF) Grant

38. The table below sets out the grant funding to be distributed between the Council and its RP partners dependent on the quantity and size of homes purchased and refurbished.

39. It is based on the assumption that the Council will be directly purchasing and refurbishing four x 2- or 3-bedroom properties costing up to £0.412 million per property, totalling a maximum of £1.649 million. The LAHF grant for the Council's proposed proportion will be £0.600 million leaving a shortfall of £1.050 million to be match-funded via the Housing Delivery Revenue Reserve. If properties of a lower value are purchased by the Council, then any underspend of will be returned to the reserve.

40. The remaining DLUHC grant funding will be divided between the two RP partners to reflect the required grant allocation for their respective property purchases.

Funding Summary	2-bed estimate £	3-bed estimate £	4-bed estimate £
Main Element	130,000	130,000	
Bridging Element			309,110
Supplementary Funding	20,000	20,000	20,000
Total Grant funding	150,000	150,000	329,110
Total Grant Funding 2-beds (assuming 5 x 2 beds)	750,000		
Total Grant Funding 3-beds (assuming 5 x 3 beds)		750,000	
Total Grant Funding 4-beds (assuming 2 x 4 beds)			658,220
Total grant funding			2,158,220

Anticipated LAHF Funding Allocation ¹	RBBC £	First RP £	Second RP £	Total £
		600,000	779,110	779,110

1. LAHF allocation will be variable depending on the number of properties delivered by each partner.

Equalities Implications

41. No negative implications have been identified. There are many positive benefits for several groups with a protected characteristic. These proposals have the benefit of being located in the borough where all essential services and support services can be accessed easily.

Communication Implications

42. There are no communication implications

Environmental Sustainability Implications

43. The Properties that are considered for purchase will be existing buildings therefore little is known at this stage about their energy efficiency properties.
44. Three major considerations will be taken into account:
- (i) What additional scope 3 emissions will be added to the council's current carbon footprint through the acquisition of these properties and how can they best be mitigated?
 - (ii) What measures will best ensure that the properties are efficiently heated and that costs of doing so are kept to a minimum in light of increasing energy costs and the volatile state of the energy market?
 - (iii) Will the buildings be subject to any specific impacts relating to climate change (such as heat waves and flooding) and what adaptive measures can be adopted to reduce or avoid such impacts?
45. The best way to ensure that the above considerations are addressed is to inspect each property and assess what works, if any, are required to futureproof the buildings both in terms of climate change mitigation and adaptation, keeping in mind the Council's aim to be net-zero for scope 3 emissions as soon as possible after our 2030 target for being net zero against scopes 1 and 2.

Risk Management Considerations

46. Property prices in this area are high and buying homes, rather than building them, can be expensive however this is a proven approach to securing homes quickly.
47. The rising costs of materials will create a challenge when budgeting refurbishment work, this will be mitigated to an extent through a full survey prior to purchase.
48. In order to best meet the targets set by DHLUC the Council propose sharing the property purchasing programme between RBBC and two partner RPs.
49. Within the MoU the Council will be required to monitor and report on milestones to DHLUC. Regular communication with DHLUC will be used to flag any challenges being encountered in the delivery of this programme.

50. A mirror MoU will be entered into between the Council and the RPs to ensure that they comply with the requirements set out in the original MoU between the Council and DHLUC.

Consultation

51. Executive Members have been consulted.

Policy Framework

52. Our Vision: This project helps to meet our vision to make the borough a great place to live, work in, do business in and visit.

53. People Objective: This project helps us to meet our objective to deliver homes that can be afforded by local people and provides a wider choice of tenure, type and size.

Background Powers

54. None.