



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Signed off by	Head of Housing
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To	Executive
Date	Thursday, 14 September 2023
Executive Member	Portfolio Holder for Housing and Support

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	Local Authority Housing Fund- Round 2
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Recommendations
<p>It is recommended that:</p> <p>The Chief Finance Officer be authorised to:</p> <ul style="list-style-type: none">(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>The Head of Housing be authorised in consultation with the Chief Finance Officer, Strategic Head of Legal & Governance, Executive Member for Commercial & Community Assets, Executive Member for Finance, Governance & Organisations, and Executive Member for Housing & Support, to:</p> <ul style="list-style-type: none">(ii) Use up to £824,800 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;(iii) Release up to £1.033 million from Section 106 reserves as match funding when purchasing the 4 properties that will be retained in the Council's ownership;(iv) Obtain any necessary surveys, planning consents, quotes and tenders as required to carry out refurbishment work; and

(v) **Appoint and enter contracts as required, with legal advisors, consultants, suppliers and builders.**

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 (Round 2).

The initial lettings of three of the four homes will be to households in need of settled accommodation who have arrived in the UK under one of the recent humanitarian schemes for Afghan refugees. The remaining property is permitted under the DLUHC grant funding requirements to be let to a household owed a homelessness duty by the Council.

Executive Summary

In December 2022, The Department for Levelling Up, Housing and Communities (DLUHC) introduced a £500 million 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 Council was allocated £1.500 million of this funding, and in March 2023 the Executive agreed to enter into an agreement with DLUHC, partner with two local Registered Providers, and provide a further £1.160 million from Housing Delivery Strategy Revenue Reserves to deliver the 12 properties required under this programme. The programme is currently progressing.

In June 2023, DLUHC approached the council regarding a second round of LAHF funding with the majority of the additional funding allocated to house families on the Afghan resettlement schemes currently being evicted from bridging accommodation by the Home Office and a smaller percentage earmarked to ease wider local homelessness pressures.

Initial allocations for LAHF round 2 have been made to 230 local authorities facing the highest pressures. Reigate and Banstead Borough Council has been offered £824,800 as an indicative allocation from DLUHC with the expectation of providing three homes for the Afghan resettlement element and one home for other homeless pressures.

The fund is to support local authorities 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 cohorts, the properties will be available to be rented out by the Council as social housing to meet local housing need.

It is proposed that the Council takes up the full allocation from DLUHC and deliver the required total of 4 properties. We intend that in this round we directly procure, retain and let all 4 properties as temporary accommodation. Participation in the scheme will add 4 family size social housing properties into our stock for a maximum contribution from Section 106 reserves of £1.033m, to be owned by the Council.

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 is still some way off this threshold owning less than 60

Background

3. DLUHC has set out their objective to help fulfil the UK's humanitarian duties to resettle Afghans who assisted the UK's efforts in Afghanistan and stood up for values such as democracy, women's rights and freedom of speech, rule of law; vulnerable young people, including women and girls at risk and members of minority groups at risk. The allocation of LAHF 2 funding will enable councils to provide increased support for Afghan households to move from hotels into settled accommodation.
4. Local authorities that commit to delivering housing through this route, can choose the most appropriate delivery mechanism to achieve LAHF 2 objectives. This includes 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. The LAHF 2 funding is dependent on properties being delivered by March 2024. To meet this timescale, the only delivery mechanism realistically available is to purchase open market "street properties" and undertake any necessary works to make them ready for let.

Key Information

DLUHC Local Authority Housing Round 2 Fund Allocation

6. DLUHC has allocated £824,800 to this Council in funding, representing an anticipated 40% of the capital costs (their calculation) of the purchase of a minimum of three homes for eligible households in need of resettling under one of the Afghan schemes and one home for families owed a homelessness duty by the Council.
7. We have been advised that the funding is based on the provision of 2-4+ bed homes as the expectation is that families will be the primary recipients of LAHF funding.

Council Delivery

8. Officers will follow the processes that are currently being undertaken for the purchasing of DLUHC/LAHF round 1 properties as approved by Executive in March 2023.
9. Under the funding instructions, three of the homes must be used to accommodate Afghan households that are eligible for housing through homeless legislation. The Home Office are closing the Bridging hotels that Afghan families have been living in for the last two years and they can approach any Local Authority as homeless. These properties will be used as temporary accommodation to help discharge our homeless duties in this scenario. This will minimise the amount of spend on emergency accommodation. If the Council receive no homeless applications from Afghan households, the properties will be offered to other homeless Afghan households under the national Afghan Relocation Assistance Policy (ARAP) or Afghan Citizens Resettlement Scheme (ACRS). These are the schemes the council has already accommodated four Afghan households under.

Options

Executive has two options:

10. **Option 1 (Recommended Option) – Enter into Memorandum of Understanding (MoU) with DLUHC.**

Funding be released from the Section 106 Reserves and the Council to purchase, refurbish and let all 4 properties.

11. Option 2 – Do not proceed with the option above.

By doing so RBBC 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

12. The Council has made a non-binding submission to DLUHC indicating that it will be able to provide the 4 properties required.
13. The Council will be required to enter into a MoU with DLUHC to be authorised by the Council's Chief Finance Officer.

Financial Implications

14. On top of LAHF grant funding, a maximum of £1.033m from Section 106 reserves will be required to meet the shortfall in the costs of acquiring and refurbishing the four properties.
15. The Council is provided with revenue grant funding of over £20,000 per individual over three years as part of either the Afghan Citizens Resettlement Scheme or Afghan Relocation and Assistance Policy. There are currently over 9,000 Afghan families waiting for housing in bridging hotels nationally. In return for the grant funding, the Council have extra support duties to undertake, this will be undertaken by the Council's Resettlement team.

Purchase Costs

16. The table below sets out the indicative costs for purchasing 3-bedroom houses in lower value areas in the borough. In the first round we were able to secure properties below these values, however many of them have required extensive renovations, and we are noticing that fewer properties are coming onto the market in the lower price brackets. A more conservative figure has therefore been applied for round 2.
17. In light of the renovation costs experienced in recent previous house purchasing programmes, we have increased our estimates for renovation costs to ensure sufficient funds are available. This can be called on for works such as asbestos remediation, rewiring, gas and electrical checks etc where required.
18. The market is very fluid currently with uncertainty regarding mortgage rates affecting prices but also supply. There is a noticeable lack of stock due to fewer households making onward house moves possibly due to the cost-of-living situation, especially in the lower quartile of the market where household budgets may not have surpluses to put towards moving.
19. Unlike round 1, where the capital was calculated by DLUHC on average lower quartile house prices, round 2 has moved to linking grant rates to median quartile house prices. This should provide greater opportunity for the council to access a wider pool of properties than in round 1, and potentially properties requiring less refurbishment work (reducing the void period between purchase and occupation).

20. We propose focussing on 3-bedroom properties in round 2 of this programme due to the requirement for larger housing for Afghan families, and to increase the number of larger family homes in our council owned housing stock.
21. The figures given below are based on four x 3-bedroom properties as this is anticipated to be the maximum budget envelope required. Should the actual properties purchased be smaller, or of lower value, then any residual Council funding will be repurposed back into the Section 106 reserves.
22. 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 3-bed house £
Purchase Price	425,000
Valuation Fees	425
Survey Fees	925
Solicitor Fees	1,500
Refurb Fees	35,000
Furnishings	1,500
Total Cost per Property	464,350
Maximum Budget Envelope (LAHF Round 2)	£1,857,400

Table 1: Indicative Purchase Costs- 3-bedroom houses in Borough.

Local Authority Housing Fund (LAHF) Grant

23. The table below sets out the grant funding to be provided by DLUHC to the Council. DLUHC set out their funding in two parts with the supplementary funding is proposed for renovation, legal, survey fees etc.
24. Funding of £1,032,600 is requested from Section 106 to fund the shortfall for this programme.

Funding Summary	£
DLUHC Capital funding	744,800
DLUHC Supplementary Funding	80,000
Total DLUHC Grant Funding	824,800
Funding required from Section 106 reserves	1,032,600

Table 2: Breakdown of proposed funding sources for LAHF Round 2-RBBC

Equalities Implications

25. 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

26. There are no communication implications

Environmental Sustainability Implications

27. The Properties that are considered for purchase will be existing buildings therefore little is known at this stage about their energy efficiency properties.
28. 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?
29. 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

30. Increase in House Prices: Increase in house prices due to changes in the market. Our current estimates are based on prices indicated on rightmove and our experiences with other street property purchasing programmes. Should the market rise significantly we shall continue with the programme however inform DHLUC and take advice on how to proceed. In order to ensure that our offers are in line with the market and represent value for money, an RICS red book valuation will be undertaken prior to exchange/completion.
31. Substantial works required in individual properties: Issues such as damp, subsidence, roof replacement etc. can add significant costs to refurbishment projects. A condition survey will be undertaken by our appointed surveyor prior to exchange and considered by our/our partner RP's Property Team. A recommended list of improvements will then be considered and priced up so that we can assess the property's viability for this programme.
32. Vendor pulling out at a late stage: This would expose the Council to lost professional fees- i.e. solicitor fees, surveyor fees etc. This is a risk that is hard to mitigate, and we should be aware that this is a real possibility in the current climate of regular increasing mortgage rates.
33. Delays to the programme: This is a notable issue when it comes to conveyancing and house purchasing. We shall continue to communicate with DLUHC/LAHF team (as we have done in Round 1) and advise of any delays to the programme.

Procurement/Contract Management and Subsidy Considerations

34. Any procurement and contract management will be in line with the Council's constitutional requirements.
35. There are no subsidy controls required for this programme as we do not propose to provide grant funding to any external organisations.

Other Implications

36. Selection of the properties, management of the property conveyancing, and liaison and provision of monitoring returns with DLUHC will be provided by the Place Delivery Team with support from Housing, Legal and Finance. Property renovations will be undertaken by the Property Team.

Consultation

37. Executive Members have been consulted.

Policy Framework

38. 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.
39. 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

40. None.