

CABINET

DATE	20 th September 2023
REPORT OF	Councillor Philip. Jackson, Leader, and Portfolio Holder for Economy, Net Zero, Skills and Housing
RESPONSIBLE OFFICER	Helen Isaacs – Assistant Chief Executive
SUBJECT	Local Authority Housing Fund 2 (LAHF2)
STATUS	Open
FORWARD PLAN REF NO.	NOT INCLUDED ON THE FORWARD PLAN – to be considered under the General Exception rules of the Constitution.

CONTRIBUTION TO OUR AIMS

The project recommendations contribute towards the Council plan, focusing on providing accommodation for residents so they can ‘Live in a safe environment, can have their say about things that are important to them and participate fully in their communities’, ‘Enjoy good health and wellbeing’ as well as linking in with existing projects to ‘Reach their full potential through skills and learning’.

The project links to the ‘Strategic Housing Plan’ specifically around ‘preventing and reducing homelessness by diversifying and improving the temporary ‘move on’ accommodation offer for those in genuine housing need’ and could address some of the plan seeks to reduce empty property within the community – Empty Property Strategy.

EXECUTIVE SUMMARY

In a collaboration with the Home Options Service and the Housing team, the Refugee Integration Service would like to accept an allocation of Department of Levelling Up, Housing and Communities grant funding of £504,000 under the Local Authority Housing Fund 2 to purchase 9 properties for the purpose of Afghan resettlement and to meet its homelessness duties.

The report seeks approval to accept the allocation of grant funding and additionally to apply for Council investment via capital borrowing of £486,000 match funding.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approves the Council to enter into such arrangements as may be required by the Department for Levelling Up, Housing and Communities based on the attached prospectus for the Local Authority Housing Fund Round 2.
2. Approves the Council to accept the total sum of £504,000 offered to the Council by the Department for Levelling Up, Housing and Communities under the Local Authority Housing Fund 2 to deliver the programme understanding

the match funding requirements as set out in the report and attached prospectus.

3. Approves the Council to commit match funding of up to £486,000 to deliver the 9 homes. The Council will seek to maximise the Flexible Housing Fund to reduce the overall match funding required from the Council.
4. Authorises the Assistant Chief Executive in consultation with the Portfolio Holder for Economy, Net Zero, Skills and Housing into such arrangements as may be required by the Department for Levelling Up, Housing and Communities and deal with any ancillary matters reasonably arising.
5. Authorises the Assistant Chief Executive in consultation with the Portfolio Holder for Economy, Net Zero, Skills and Housing to accept the grant funding and commit the match funding and deal with any ancillary matters reasonably arising.
6. Authorises the Assistant Director Law and Governance (Monitoring Officer) to complete and execute all legal documentation arising from the above recommendations.
7. Authorises the Director of Law and Governance in consultation with the Portfolio Holder for Economy, Net Zero, Skills and Housing to commence a procurement exercise for property conveyancing and purchasing as set out in this report.
8. Authorises the Director of Law and Governance in consultation with the Portfolio Holder for Economy, Net Zero, Skills and Housing to award such contract and carry out all ancillary actions reasonably arising.

REASONS FOR DECISION

To enable the Council to utilise grant funding specifically to support and enhance the future provision of our homelessness duties. In the short term (2-3 years) the predominant use would be to support Afghan family resettlement and general homelessness prevention. In the long term these properties will become part of the homelessness property portfolio once the Afghan need has been met and will be used to provide quality family properties.

The recommendations will ensure that the opportunity presented by the Local Authority Housing Fund 2 to deliver affordable housing in the borough will be fully realised and will help to relieve pressures on the council's homelessness services.

1. BACKGROUND AND ISSUES

- 1.1 In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) launched the Local Authority Housing Fund: Round 1 (LAHF R1), an innovative capital fund that supports local authorities in England to obtain housing for those who are unable to find settled

accommodation on resettlement schemes. NELC were not included in this first round.

- 1.2 In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250 million 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.
- 1.3 LAHF2 followed the announcement of the Afghan bridging hotel closures resulting in those unable to find accommodation needing to declare themselves homeless.
- 1.4 LAHF R2 supports local authorities to acquire good quality, and better value for money temporary accommodation for families owed a homelessness duty by local authorities. This will reduce the usage of bed and breakfast (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. Funding offers will include two components to reflect both objectives of the fund. There will be a specified targeted number of homes to accommodate the eligible resettlement cohort, and a specified targeted number of homes for general needs temporary accommodation.
- 1.5 The objectives of LAHF R2 were outlined by DLUHC to:
 - Provide sustainable housing to those on Afghan resettlement schemes at risk of homelessness so that they can build new lives in the UK, find employment, and integrate into communities.
 - Reduce local housing pressures beyond those on Afghan resettlement schemes by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
 - Reduce emergency, temporary, and bridging accommodation costs.
 - Reduce impact on the existing housing and homelessness systems and those waiting for social housing.
- 1.6 On the 7th June 2023 we were notified that: North East Lincolnshire had provisionally been identified as eligible for capital grant funding with an indicative allocation of £711,000 in funding. The expectation being that the council would provide a minimum of 8 home(s) for the resettlement element and temporary accommodation element to provide a minimum of 1 home. As with other affordable housing provision, the expectation is to part fund or finance some of the required capital. The Government funding equates to 40% of total capital costs plus £20,000 per property to account for other costs including refurbishment. The grant rate per property for the local authority is £59,000 (based on median property prices in our area £147,500 per property).
- 1.7 After internal consultation and an options assessment through the Council's business development group it is recommended is that we consider a reduced grant funding offer, which would in turn reduce our capital borrowing requirement. This was based upon being able to acquire the 9 required

properties at a lower market rate than DLUHC's 'median property price'. See Option 4, listed below. The project is subject to a full business case being approved by the council's business development group before this goes ahead.

- 1.8 The need for suitable housing to meet the homelessness duties has increased post Covid and due to the cost-of-living crisis. The pressures on the service have seen an increased use of B&B accommodation and the recent strategic need to move away to more cost-efficient accommodation as seen with the leasing of Swan House. The properties will be managed internally via the existing provisions in the Home Options service by the accommodation lead.

2. RISKS AND OPPORTUNITIES

The LAHF2 allocation provides additional financial support to enhance and facilitate the work which is a requirement under the homelessness duties. It feeds into our Council plan.

- 2.1 It supports the commitment to Afghan resettlement schemes and the national pressures for Afghan family needing relocation following the hotel closures.
- 2.2 It supports the Strategic Housing Plan by acquiring properties and facilitating a reduction in B&B emergency accommodation.
- 2.3 It reduces the need to lease properties by having Council housing stock. Due to the size of the properties required for Afghan families it would provide family properties, creating suitable temporary accommodation options for those presenting as homeless. The properties will be allocated via a licence and as supported accommodation so we will not act as a landlord or provide a tenancy agreement.
- 2.4 The properties generate revenue in the form of rent which supports repayment costs. In the future, once repayments have been met, the revenue will contribute towards maintenance and management costs.
- 2.5 Purchasing properties allows the Council to have control over the quality and usage of the properties while being more cost effective. This allows a more efficient process for any refurbishment projects and maintenance removing the reliance on external provider(s)/landlord(s) to complete these.
- 2.6 The opportunity to reintroduce empty properties back in to use and support the empty property strategy. This would contribute to improving our new homes calculation bonus.
- 2.7 The financial borrowing element is the significant factor due to the current interest rates. Option 4 has been selected as this requires less capital borrowing while still providing 9 properties. The revenue generated via rental rates and the additional revenue streams available through resettlement schemes mitigates some of these risks with the backing of a financial and management plan.

3. OPTIONS CONSIDERED

3.1. Option 1: Decline the allocation of grant funding.

Pros: It requires no capital borrowing and incurs no financial risk.

Cons: Potential grant funding is lost to the Place which aligns with the current work happening in housing/home options, an opportunity is lost to acquire 9 properties with a 40% contribution which the council would own. Lose the opportunity to potentially reduce the number of empty homes or void social housing returning in to use.

3.2. Option 2 – Accept the initial allocation of funding.

Undertake the full proposal of 8 properties and 1 temporary accommodation property. The allocated amount of government funding is £711,000. This would require capital match funding at 60% equals £796,500 overall.

Pros: The value of grant funding received would equate to a higher valued investment/asset when the capital borrowing is repaid.

Cons: The capital borrowing costs are greater and revenue costs are not fully recovered due to the value of the properties demanding a higher rental rate greater than LHA rates and may require top up (covered by grant revenue funding).

3.3. Option 3 - Reduce the number of properties under the proposal.

Take on less properties at the same original allocation rates. This minimizes the amount of borrowing and reduces the workload and resources required.

Pros: Decreasing the number of properties also decreases the amount of borrowing. Less risk.

Cons: The remaining amount of grant allocation is lost to the Place or social housing partners.

The opportunity is lost to potentially reduce the number of empty homes or void social housing returning in to use.

3.4. Option 4 - Recalculate and reduce the amount of grant funding.

Under this option, request the grant funding of £36,000 PP meaning the 60% matching funding would be £54,000 PP – This would still fulfil the 9 properties – GF £324,000 and MF (60%) £486,000 – Plus the additional £20,000 PP to be pooled to support resource costs.

Pros: The amount of borrowing is reduced by taking a lower grant rate per property, the 9 properties can be delivered with less risk and reduces management costs.

Cons: The remaining amount of grant allocation is lost to the Place or social housing partners.

The opportunity to potentially reduce the number of empty homes or void social housing returning to use.

3.5. Option 5 - Outsource externally to a social housing provider.

The LAHF2 monies can be issued as a grant as confirmed by DLUHC. The provider could utilise existing housing stock to the value of the 60% as match funding to meet the terms of the grant or provide the investment in monetary value.

Pros: No capital borrowing and the resource and process is outsourced to an organisation already providing this.

Cons: Less control on the timescales for any potential refurbishment, maintaining the properties with repairs, resolving issues.
LA loses opportunity to end costly long leases, access to own portfolio of temporary accommodation under licence to service user, freedoms and flexibility of use and rental revenue.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

4.1. The project has both positive and negative potential implications on the Councils reputation. An action plan will be developed with the communications team to address:

- The initial use for Afghan Resettlement and the public perception of housing Afghan families as a priority. This may attract media attention both positive/negative.
- Community Engagement – Conduct any relevant engagement to highlight the positive impacts of obtaining properties for the proposed purpose and the longer-term impacts on the quality of homelessness for residents.

5. FINANCIAL CONSIDERATIONS

- 5.1. The project will be financed with a grant contribution of £504,000 made up of £324,000 (40% of the property values) and an additional £180,000 (£20,000 per property) to be used to refurbished, resource costs, furnishing, or towards the capital match funding. The capital borrowing will be 60% of the property value at £486,000.
- 5.2. The delivery of the project feeds into the execution of the homelessness duty and the priority to move away from less suitable and unsustainable temporary accommodation, provide a reduction in cost and offers a better value for money alternative.
- 5.3. Cost of borrowing – If borrowing is 10% on top of the capital borrowing, the cost will be in the region of £48,600.
- 5.4. Revenue - Each property would bring in a monthly rental income. As the local authority can charge full market rent for the properties, anticipated income is £575 pcm per property = £62,100 per annum (575 x 12 x 9). There has been

rental increase included of 3.44% per annum. When a property becomes void, the Council will use the properties to discharge their homelessness duty. Secondly, void rents can also be allocated from the additional revenue funding for Afghan resettlement schemes. This ensures that the rental income is met. (See 5.7)

5.5.

Year	Capital Investment	Repayment
Year 1	£534,600 (including interest at 10%)	£31,000 (anticipated income 50% as properties are commissioned and allocated)
Year 2	-£503,600	£62,000
Year 3	-£441,600	£64,133
Year 4	-£377,467	£66,339
Year 5	-£311,128	£68,621
Year 6	-£242,507	£70,981
Year 7	-£171,526	£73,423
Year 8	-£98,103	£75,949
Year 9	-£22,154	£78,561
Year 10	£56,407	£81,264

5.6. Repairs and maintenance costs can be covered through the income received through the programme which provides enhanced payments per family to cover housing costs, support, and other ancillary charges. The additional revenue streams listed in 5.7 also can contribute towards these as well as the additional £20,000 provided per property.

5.7. Additional revenue streams:

- **Flexible Housing Fund** – This can be claimed when an LA actively sources a property and is able to relocate an Afghan family. £7,100 per person as a one off payment, this can be used for (but not limited to) rental top-ups, landlord incentives, resource, LAHF2 pool funding, and capital projects such as stock acquisition or refurbishment.
- **Integration Tariff** - (£20,520 per person over three years) - Available to councils where an individual or family has settled to allow them to provide ongoing integration support. Under normal circumstances this would be used to fund long term leases and housing, there is a case to use a contribution from this to the LAHF2 – Based upon our pledged of 35 people for 22/23 estimated £718,200 over three years.
- **Homelessness Prevention Grant Top Up** - NELC are due to receive a homelessness prevention grant top up amount. The initial suggested use is for Ukrainian housing resources, this is currently being covered via Homes for Ukraine Grant Funding. This top up can be used for all homelessness and prevention needs totalling - £125,978 and can be

pool funded in to LAHF2.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The project will provide family properties into the homelessness prevention portfolio ensuring that families faced with homelessness are provided with suitable and stable housing.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The project will link in with existing provisions through the Refugee Integration Service to provide support on sustainable living which will cover environmental elements of residing in a property including, recycling, energy efficiency. This coincides with the Home Options Service upskilling elements within their homelessness provisions.

8. CONSULTATION WITH SCRUTINY

No consultation with scrutiny has been conducted at this time.

9. FINANCIAL IMPLICATIONS

Section 5 highlights the financial risks and proposed action plan which will be expanded on in the full business case. The project aims to provide a better value for money alternative for future homelessness provisions.

10. LEGAL IMPLICATIONS

10.1. Immediate legal implications arising will be around the terms and conditions of external grant funding and the completion of funding agreements and ancillary documentation. Legal Services will support this process, ensuring the interests of the Council are protected.

10.2. As individual projects arise throughout the delivery phase Legal Services will continue to support colleagues.

10.3. The delegations sought are appropriate to an exercise of this nature.

11. HUMAN RESOURCES IMPLICATIONS

11.1. There are no direct HR implications.

11.2. Project planning has highlighted the need to outsource some of the legal/surveyance work required to fulfil project. May require some additional administrative resource for the rental collection elements or expand on existing internal resources.

12. WARD IMPLICATIONS

Has the potential to affect all wards.

13. BACKGROUND PAPERS

13.1. [10.-Home-Options-Service-10-Year-Lease-of-Swan-House-GrimsbyPDF-](#)

- [140KBicon-namepaperclip-prefixfa.pdf \(nelincs.gov.uk\)](#)
- 13.2. [Bridging accommodation exit for the Afghan Citizens Resettlement Scheme and Afghan Relocations and Assistance Policy: policy guidance - GOV.UK \(www.gov.uk\)](#)
- 13.3. [Local Authority Housing Fund: Round 2 prospectus and guidance - GOV.UK \(www.gov.uk\)](#)

14. CONTACT OFFICER(S)

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