

Report to Cabinet

26 January 2023

By Cabinet Member for Finance and Parking

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Local Authority Housing Fund 2022-23 and 2023-24

Executive Summary

Government has announced a £500m scheme to support authorities who are helping with providing accommodation to families fleeing conflict in Ukraine and Afghanistan. As well as helping to fulfil the UK's humanitarian duties to assist those fleeing war, the fund will create a lasting legacy for UK nationals by providing a new and permanent supply of accommodation for local authorities to help address local housing and homelessness pressures.

The Council is proposing to accept the allocation of £2.656m funding from Government and add £3.21m of its own funding to provide 14 standard homes and 2 larger homes by the 30 November 2023 deadline.

The Council can also passport part or all of the funding to Registered Providers should the Council not be able to provide the total number of homes. Registered Providers are able to help meet the demand provided they add the relevant share of the match funding as well. The Council can also return unspent funding to the Government should it wish or be unable to deliver all the housing from the allocation.

Recommendations

That Cabinet recommends to Council to:

- i) Proceed with (i) the application for, and, (ii) receipt of the grant allocation for the Council to provide or facilitate the provision of 14 standard properties and 2 larger homes ("the Housing).
- ii) Approve capital spend of up to £5.866m in the 2023/24 capital programme; the amount to be added being based on whether the Council decide to or is not able to proceed with the full amount and / or passporting to a Registered Provider/s.
- iii) Delegate to the Director of Resources, in consultation with the Cabinet Member for Finance and Parking and Cabinet Member for Housing and Public Protection, the decision to provide the Housing through whichever means, or work with Registered Provider/s to provide the Housing and in both instances, to enable the use of the grant funding to be maximised.

Reasons for Recommendations

- i) To use the grant to help purchase / provide more affordable homes for the district.
- ii) Full Council must approve the capital budget.
- iii) Further work is needed at this stage to establish whether the Council can source sufficient properties at the right price.

Background Papers - <https://delta.communities.gov.uk/document-repository/public/download?uri=/document-repository/Local-Authority-Housing-Fund-Prospectus-Final.pdf>.

Wards affected: All

Contact: Dominic Bradley, Director of Resources, 01403 215300

Background Information

1 Introduction and background

- 1.1 In late December 2022, the Department of Levelling Up, Housing and Communities (DLUHC) announced a new £500m Local Authority Housing Fund which will run over the financial years 2022-23 and 2023-24.
- 1.2 The aim is to support the local authorities who will be facing the greatest challenges in providing move on and settled accommodation for people fleeing conflict in countries such as Ukraine and Afghanistan.
- 1.3 As well as helping to fulfil the UK's humanitarian duties to assist those fleeing war, the fund will create a lasting legacy for UK nationals by providing a new and permanent supply of accommodation for local authorities to help address local housing and homelessness pressures.

2 Relevant Council policy

- 2.1 A great place to live - creating well balanced communities that meet residents' needs

3 Details

- 3.1 Horsham has provisionally been identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with the following indicative allocation: Main element: £2,024,400 in funding. With this funding DLUHC expects the Council to provide a minimum of 14 homes. The funding also includes £20k per property for any additional spend required on getting these homes into use, such as any refurbishment which is not part of the 40% grant.
- 3.2 Bridging element: £632,539 in additional funding. With this funding DLUHC expects the Council to provide a minimum of 2 larger 4+ bed home(s) to be allocated to households currently residing in bridging accommodation e.g. currently in a hotel. Again, this funding includes £20k per property for any additional spend required on getting these homes into use, such as any refurbishment which is not part of the 50% grant.
- 3.3 The expectation is that the Council must part fund some of the total required capital, with the expectation of a 40:60 split in the main scheme and a 50:50 split in the bridging scheme, both excluding the additional £20k per property. The expectations are set out in the table below.

Year	Grant 40%	Grant +£20k ph	HDC 60%	Bridging 50%	Grant +£20k ph	HDC 50%
Q4 2022/23	£523,320	£84,000	£784,980	£177,762	£12,000	£177,762

2023/24	£1,221,080	£196,000	£1,831,620	£414,777	£28,000	£414,777
Sub-totals	£1,744,400	£280,000	£2,616,600	£592,539	£40,000	£592,539
TOTAL	£4,641,000			£1,225,080		
Min homes	14			2		
Av £ per unit	£331,500			£612,540		

3.4 The objectives of Local Authority Housing Fund are to:

- Ensure recent humanitarian schemes (Afghan and Ukraine schemes) which offer sanctuary, via an organised safe and legal entry route, to those fleeing conflict, provide sufficient longer term accommodation to those they support.
- Support areas with housing pressures which have generously welcomed substantial numbers of Ukrainian refugees so that these areas are not disadvantaged by increased pressures from these arrivals on the existing housing and homelessness systems.
- Mitigate the expected increased pressures on local authority homelessness and housing resources which arise from the eligible cohort (as defined at section 3.2 of the Prospectus) as sponsorship/family placements/bridging accommodation arrangements come to an end by increasing the provision of affordable housing available to local authorities to support those in the cohort who are homeless, at risk of homelessness, or in bridging accommodation;
- Reduce emergency, temporary and bridging accommodation costs;
- Deliver accommodation that as far as possible allows for the future conversion of housing units to support wider local authority housing and homelessness responsibilities to UK nationals (i.e. after usage by this cohort ends);
- Utilise accommodation solutions to enable effective resettlement and economic integration of the eligible cohort;
- Reduce pressures on the existing housing and homelessness systems and those waiting for affordable housing.

3.5 Whilst DLUHC has set a general framework with the objectives of the fund, it also wants to provide as much flexibility to local authorities as possible to shape local delivery according to local circumstances. While DLUHC assume most delivery will be via stock acquisition, local authorities will have the flexibility to choose their delivery route. This could include refurbishment or conversion of buildings, acquiring new build properties from developers, building new homes, or passing on the funding to enable Registered Provider delivery.

3.6 The timeframe is extremely short. The Council must deliver the delivery target by 30 November 2023. With this in mind, the Head of Property and Facilities has already put out feelers with local estate agents in the district to ascertain whether it is

achievable in terms of the capital values and number, type, EPC rating (C or above) and town centre type locations specified. The estate agents have indicated that they think this is quite possible.

4 Next Steps

- 4.1 The initial validation return to DLUHC needs to be returned by 25 January 2023. The formal Memorandum of Understanding will only be returned once Council approval is obtained on 22 February 2023. The deadline for returning the MoU is by 1 March 2023 which will enable the first stage funding payment in March 2023 and being part of the scheme.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 The Finance and Parking Policy Development Advisory Group considered the proposal at the meeting on 16 January 2023. They were broadly supportive of the initiative, but uncertain that the Council can find the number of properties at the right price in the tight timeframe. Council will be updated at the meeting on 22 February 2023 with progress on any prospective purchases and any discussions with Registered Providers as to the feasibility in respect of these areas of the project.
- 5.2 The Housing and Public Protection Policy Development Advisory Group has also been briefed on the scheme via email. In addition, the Liberal Democratic opposition group has also been briefed at its group meeting on 18 January 2023 and the group are supportive of this initiative.
- 5.3 The Monitoring Officer and the Director of Resources were consulted to ensure legal and financial probity.

6 Other courses of action considered but rejected

- 6.1 The Council could choose not to take the allocated funding and not provide any homes. This has been rejected at this stage in favour of accepting the funding, and then working through the delivery either alone, or with other Registered Providers to ensure the delivery of as many homes as possible in the timeframe to help fulfil the UK's humanitarian duties to assist those fleeing from war.

7 Resource consequences

- 7.1 Capital spend within the 2022/23 financial year is unlikely, so the full effect of £5.866m is placed into the 2023/24 capital programme, albeit £2.656m (45%) is funded by Government grant.
- 7.2 Capital expenditure can have a revenue impact from the Minimum Revenue Payment (MRP), although this is not the case if the expenditure is funded from reserve, rather than internal or external borrowing. The Director of Resources will determine the best source of funding as it will depend on the level of capital receipts and other capital expenditure during 2023/24, otherwise reserves will be used. At 31 March 2022, the Council had approximately £20m of useable general fund reserve, which is in excess of the £6m minimum level of general fund reserves.

More detail on the level of reserves can be found in appendix H of the budget report on this Cabinet agenda.

- 7.3 Eligible costs funded by the standard 40% and bridging 50% schemes and the £20,000 per property could include the purchase price, stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent and potentially irrecoverable VAT incurred on these items.
- 7.4 The Council can passport funding to Registered Providers, or return unspent monies to Government. Once spent, the grant is not repayable provided the conditions of the grant have been met.
- 7.5 The Council will be able to charge LHA rates of £276.16 pw for a three-bedroom house in the Horsham, Southwater and Billingshurst areas. This equates to around £14,360 p.a. less management fees and sinking fund of approximately 20% gives a net income of around £11,500. This is a 3.5% yield based on a total purchase price of about £331,500 but is a return of 6.1% on the £186,900 that Horsham would be directly funding. The equivalent return on a four-bedroom larger home using a similar methodology is 5%. A two-bedroom house would give a 4.85% return.

8 Legal considerations and implications

- 8.1 Section 31 of the Local Government Act 2003 enables central government to make a grant for any purpose, capital or revenue, to any local authority. A grant made pursuant to this section will be (i) for such amount, and, (ii) paid on such conditions as may be determined by the relevant minister.
- 8.2 Section 1(1) of the Localism Act 2011 provides that a local authority has power to do anything that individuals generally may do. The Council has the power, therefore to accept and receive grant funding.
- 8.3 The Council should (i) comply with the terms of and conditions attached to the grant, and, (ii) complete any legal documentation which is required to give effect to the receipt and use of the said grant.
- 8.4 The grant funding will be managed in accordance with the Financial Procedure Rules (inter alia paragraph 4e.33 External Funding) contained in the Council's constitution.
- 8.5 The Council will comply with any applicable statutory provisions relating to:
 - (i) Facilitating the provision of the Homes. Central government guidance provides that the grant can be passported to Registered Providers; and/or
 - (ii) Providing the Homes. Section 120 of the Local Government Act 1972 enables local authorities to acquire property for any of its functions or for the benefit, improvement or development of its area. In addition, section 9 of the Housing Act 1985 enables a local housing authority to provide housing accommodation by erecting houses, converting buildings into houses or by acquiring houses.

9 Risk assessment

- 9.1 The Council may not be able to deliver the number of houses that are required in the timeframe available, or that it will cost more than envisaged per property. This is mitigated by the fact that the Council can return unspent funds.
- 9.2 There may be implications from the acceptance of grant funding should these houses be managed through the Council's Housing Company. The best way of funding and managing the homes will be worked through during the set up period and risks mitigated where possible.

10 Procurement implications

- 10.1 The Council will ensure that it has a compliant procurement process for the appointment of the Estate agents who will do much of the legwork in sourcing the properties and may be paid a small fee upon successful purchase of a house within the scheme. Should we disseminate the money to a third party, as a lead authority, we would be responsible for ensuring that appropriate procurement is also carried out using any expenditure from these funds, reporting and monitoring on this to Government.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1 In the short term, the homes would be for use by families fleeing conflict from Ukraine and Afghanistan, but it is hoped that there will come a time that these families can return home once the sanctuary is no longer needed. The support in areas suffering housing pressure is so that these areas are not disadvantaged by increased pressures from these arrivals on the existing housing and homelessness systems.
- 11.2 The homes would then be available for use in the future to support wider local authority housing and homelessness responsibilities to UK nationals. This would help to reduce the number of people on the housing waiting list and would be done in accordance with the Council's existing criteria and priorities. Therefore, an Equalities Impact Assessment is not required.

12 Environmental implications

- 12.1 The search criteria for the houses contains a minimum EPC rating of C, with the option of undertaking any improvement work at the same time as any refurbishment of the property if needed, to improve this rating further.

13 Other considerations

- 13.1 There are no GDPR/Data Protection or Crime & Disorder implications from this report. The sensitivities of people who are already on the housing waiting list have been considered, as they may be feeling that those fleeing conflict have been prioritised ahead of them the queue. However, the Council has a role in helping to fulfil the UK's humanitarian duties to assist those fleeing war. Longer term, the fund will also create a lasting legacy for UK nationals by providing a new and permanent

supply of accommodation to help address local housing and homelessness pressures.