

Report to Cabinet

25 Jan 2024

By the Cabinet Member for Finance and Resources

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Local Authority Housing Fund Round 3 (“LAHF3”) in 2023-24

Executive Summary

On 5 January 2024, Government invited local authorities to express their interest in increasing their delivery of the Local Authority Housing Fund in 2023/24, across either the LAHF1 or LAHF2 scheme.

The Council has expressed an interest in replicating LAHF2 and has applied for an allocation of £0.76m funding from Government and will add £1.02m of its own funding to provide 2 large resettlement homes and 2 temporary accommodation (“TA”) homes by the 29 March 2024 deadline.

The Council can return unspent funding to the Government should it wish or be unable to deliver all the housing.

Recommendations

That Cabinet recommends to Council to:

- i) Proceed with the application for, and receipt of, the grant allocation for the Council to provide or facilitate the provision of 2 large resettlement homes and 2 temporary accommodation homes.
- ii) Approve capital spend of £1.78m in the 2023/24 capital programme.

Subject to Council approval, Cabinet is also recommended to:

- iii) Approve the acquisition by Horsham District Council of up to 4 properties using the funds earmarked for this initiative, provided that any such acquisitions are undertaken in consultation with the Cabinet Member for Finance & Resources, and Cabinet Member for Housing, Communities & Wellbeing.

Reasons for Recommendations

- i) To apply for, receive and use the grant to help purchase / provide more affordable homes for the district.
- ii) Full Council must approve the capital budget.
- iii) Subject to Council approval, to avoid the requirement to seek Cabinet’s approval for the purchase by Horsham District Council of each individual property that would otherwise be required to give effect to this initiative.

Background Papers

- Cabinet 20 July 2023
- Cabinet 26 January 2023
- Cabinet 23 March 2023
- <https://www.gov.uk/government/publications/local-authority-housing-fund-round-2/local-authority-housing-fund-round-2-prospectus-and-guidance>

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 On 5 January 2024, Government informed local authorities that whilst take up was strong, there was likely to be some underspend on the first two Local Authority Housing Fund schemes. The first two rounds of funding (£750m) were designed to meet the housing requirements of Ukrainian and Afghan families fleeing conflict, and to assist local authorities in meeting the needs of people facing homelessness in their area.
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC) have invited local authorities to express their interest in increasing their LAHF delivery across LAHF1 and / or LAHF2.

2 Relevant Council policy

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

3 Details

- 3.1 The Council has expressed an interest in receiving capital grant funding (under section 31 of the Local Government Act 2003), with a request for an allocation of £760,000 in funding. With this funding Department for Levelling Up, Housing and Communities (DLUHC) expects the Council to provide a minimum of 4 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 The expectation is that the Council must part fund some of the total required capital, with the expectation of a 40:60 split excluding the additional £20k per property. This is the same funding scenario and split as we received for LAHF2. The expectations are set out in the table below.

Year	Grant 40%	Grant +£20k ph	HDC 60%
Tranche 1	£204,000	£24,000	£306,000
Tranche 2	£476,000	£56,000	£714,000
Sub-totals	£680,000	£80,000	£1,020,000
TOTAL		£1,780,000	
Min homes		4	
Av £ per unit		£445,000	

- 3.3 The objectives of the LAHF2 are:

- 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 TA to those owed homelessness duties by local authorities;
- Reduce emergency, temporary and bridging accommodation costs;
- Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.

3.4 Replicating LAHF2 scheme is favoured as it will combine the provision of sustainable housing to those on Afghan resettlement schemes as well as supporting the Council to acquire good quality, and better value for money TA for families owed a homelessness duty. This will reduce the usage of Bed & Breakfast accommodation and will enable the Council to create sustainable assets to help manage local housing pressures on an ongoing basis.

3.5 Whereas in Round 2, the Council was allocated the funds to secure three resettlement homes and one TA, the expression of interest requested funds for delivery of two resettlement homes and two TA as the pressures on local housing are rapidly increasing.

4 Next steps

4.1 An initial expression of interest was submitted to DLUHC to register our interest in accepting the grant on 9 January 2024. DLUHC has undertaken to respond confirming any allocation within two weeks of submission. The formal Memorandum of Understanding will only be returned once Council approval is obtained. The deadline for delivery (minimum exchange of contracts for purchase) of additional units is 29 March 2024.

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

5.1 The Housing, Communities & Wellbeing Policy Development Advisory Group met on 11 January 2024. The Finance & Resources Policy Development Advisory Group considered the proposal at the meeting on 15 January 2024. [Both PDAGs 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.](#)

5.2 The Monitoring Officer and the Director of Resources & Section 151 officer, the Head of Finance & Performance (deputy Section 151 officer), the Head of Housing & Community Services and the Head of Property & Facilities were all consulted to ensure legal and financial probity.

6 Other courses of action considered but rejected

6.1 The Council could choose not to take part in the additional funding and not provide further homes. This has been rejected at this stage in favour of requesting the additional funding, and then working through the delivery 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 and also increasing TA stock to reduce homelessness.

7 Resource Consequences

- 7.1 Capital spend of £1.78m in the 2023/24 capital programme, albeit £0.76m (43%) 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 2023, the Council had approximately £26m of useable general fund reserve, which is in excess of the £6m minimum level of general fund reserves.
- 7.3 Eligible costs funded by the 40% grant 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 will be able to charge Local Housing Allowance rates of £276.16 per week for a three-bedroom house in the Horsham, Southwater and Billingshurst areas. This equates to around £14,360 per annum, less management fees and sinking fund contributions of approximately 20% gives a net income of around £11,500 per annum. This is a 2.6% yield based on a total purchase price of about £445,000 but is a return of 4.5% on the £255,000 that the Council would be directly funding. The equivalent return on a four-bedroom larger home using a similar methodology is 5.8%. We would aim to try to spread the budget in such a way to include one four -bedroomed home, but it will depend on what is available on the market and at what price.

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 providing the TA. 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.

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 be instrumental in sourcing the properties and may be paid a small fee upon successful purchase of a house within the scheme. Should the Council, as a lead authority, forward any related funds to a third party, the Council would be responsible for ensuring that any third parties are procurement compliant and this would be reported to Government.

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

- 11.1 In the short term, the accommodation would be for use by families fleeing conflict from Afghanistan, but it is hoped that there will come a time that these families can return home once the sanctuary is no longer needed. Providing TA for use by Afghani families will help to ensure that other families on the homeless register are not disadvantaged.
- 11.2 The TA would then be available to supplement the Council's present TA housing stock for use by the homeless. 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 arising 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. 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.