

Report to Cabinet

21 March 2024

By the Cabinet Member for Finance and Resources

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Local Authority Housing Fund Round 3 ("LAHF R3") in 2024-25 and 2025-26

Executive Summary

On 7 March 2024, the Department for Levelling Up, Housing, and Communities (DLUHC) confirmed it would be launching a third round of the Local Authority Housing Fund (LAHF R3), to the value of £450 million, to run over the financial years 2024-25 and 2025-26.

The third round of the Local Authority Housing Fund (LAHF R3) will:

- support local authorities to acquire good quality, and better value for money Temporary Accommodation (TA) for families owed a homelessness duty.
- continue to provide resettlement housing for those on the Afghan Citizens Resettlement Scheme (ACRS), expecting these homes to become available to support wider local authority general housing and homelessness responsibilities after the resettlement needs of the eligible cohort have been addressed.

DLUHC has allocated the Council £1.029m in grant for 5 homes; two temporary accommodation, two standard resettlement homes and one large resettlement home. The Council can return unspent funding to the Government should it wish or be unable to deliver all the housing. The Council's contribution is expected to be £1.276m.

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 resettlement homes and 2 temporary accommodation homes and 1 large (4+bed) resettlement home.
- ii) Approve capital spend of £2.305m in the 2024/25 capital programme.
- iii) Approve the revenue grant income and spend of £8,000 in 2024/25.

Subject to Council approval, Cabinet is also recommended to:

- iv) Approve the acquisition by Horsham District Council of up to 5 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) & iii) Full Council must approve the capital budget.
- iv) 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
- Cabinet 25 January 2024
- <https://www.gov.uk/government/publications/local-authority-housing-fund-round-3/local-authority-housing-fund-round-3-prospectus-and-guidance#how-lahf-r3-funding-is-allocated>

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 On 7 March 2024, the Department for Levelling Up, Housing, and Communities confirmed it would be launching a third round of the Local Authority Housing Fund (LAHF R3), to the value of £450 million, to run over the financial years 2024-25 and 2025-26.
- 1.2 The third round of the Local Authority Housing Fund (LAHF R3) will:
 - support local authorities to acquire good quality, and better value for money Temporary Accommodation (TA) for families owed a homelessness duty. This will reduce the usage of Bed & Breakfast accommodation and will enable local authorities to grow their housing stock, creating sustainable assets to help manage local housing pressures.
 - continue to provide resettlement housing for those on the Afghan Citizens Resettlement Scheme (ACRS). We expect these homes to become available to support wider local authority general housing and homelessness responsibilities after the resettlement needs of the eligible cohort have been addressed.
 - Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.

2 Relevant Council policy

- 2.1 Supporting People and Communities - improving access to affordable housing.

3 Details

- 3.1 The capital grant allocation offer was for £1.029m. With this funding the Department for Levelling Up, Housing and Communities (DLUHC) expects the Council to provide a minimum of 5 homes:
 - A minimum of **2** homes for the Temporary Accommodation (TA) element
 - A minimum of **2** homes for the resettlement element
 - **1** homes for the large resettlement element (4+bed)
- 3.2 The funding includes £21k per property for any additional spend required on getting these homes into use.
- 3.3 DLUHC have removed the requirement for local authorities to match fund a specific percentage on each home, with full fungibility across the fund elements (TA & resettlement). The Council must agree to deliver the minimum number of TA homes and resettlement homes in exchange for their funding allocation, providing maximum flexibility and simplifying delivery.
- 3.4 Round 3 differs from earlier rounds by:

- Increasing the programme timeframe to a full two years, increasing scope for a wider range of delivery options, including new supply.
- Introducing a 10% new supply uplift to support the growth of overall housing supply.
- Providing revenue funding to local authorities to support programme delivery. The Council will receive £8,000 in revenue funding.

3.5 DLUHC has used a median property price in the area of £440,000. The Grant offered is set out below, alongside which an estimate of the Council's contribution based on the median property price. The standard sized houses are 40% grant funded. The large resettlement home is 50% grant funded. A non-ringfenced additional £21k grant per property is grant funded, that can be spent on things like refurbishments, energy efficiency measures, legal costs, decoration, furnishings, or otherwise preparing the property for rent.

#	Type	Grant	£21k	HDC	HDC %
2	Standard temp	£352,000	£42,000	£528,000	60
2	Standard resettlement	£352,000	£42,000	£528,000	60
1	Large (4+ bed) resettlement	£220,000	£21,000	£220,000	50
	Sub-totals	£924,000	£105,000	£1,276,000	55
	Grant / Council totals	£1,029,000		£1,276,000	
	Total Expenditure	£2,305,000			
	Number of units		5		
	Average	£205,800		£255,200	£461,000

3.6 The objectives of the LAHF R3 are:

- Reduce local housing pressures by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
- Reduce emergency and temporary accommodation costs.
- Provide sustainable housing to those on the Afghan Citizens Resettlement Scheme (ACRS) at risk of homelessness, so that they can build new lives in the UK, find employment and integrate into communities.
- Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.
- Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.

3.7 To facilitate delivery of new housing, an additional 10% uplift is added to the grant per property for each unit which the local authority agrees will be delivered as a new home. For this uplift, new homes refer to:

- homes that will be delivered in FYs 2024/25 or 2025/26 as direct new developments
- 'off-the-shelf' new build homes purchased from developers
- conversion of use (which delivers an extra residential unit)

- change of use (which delivers an extra residential unit)

3.8 This could produce a further £92,400 of funding, reducing the amount that the Council would need to contribute. However, this has not been factored into the business case, on the basis that water neutrality has drastically reduced the opportunities for new buildings in the district. The Council will however explore all opportunities to deliver new homes where appropriate.

4 Next steps

4.1 We must complete our validation form by 28 March 2024 to express our interest in taking up the allocation to DLUHC. The formal Memorandum of Understanding will only be returned when Council have approved the recommendations contained in this report on 24 April 2024. The DLUHC deadline for signed MOUs is 31 May 2024.

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

5.1 Due to the timing of the announcement, the paper was unable to be included in the forward plan for the requisite 28-day period. The Chairman of Overview and Scrutiny Committee was informed of the late addition to Cabinet papers. Neither the Housing, Communities & Wellbeing Policy Development Advisory Group nor the Finance & Resources Policy Development Advisory Group have met to consider the scheme. However, the groups were emailed instead. Initial feedback from both PDAGs indicates a broad support of the initiative.

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 funding and not provide further homes. This has been rejected at this stage in favour of accepting the 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 and also increasing TA stock to reduce homelessness.

7 Resource Consequences

7.1 Capital spend of £2.305m in the 2024/25 capital programme, albeit £1.029m (44.6%) 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 2024/25, 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 grant and the £21,000 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 2.5% yield based on a total purchase cost of about £461,000 but is a return of 4.5% on the average £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%. As part of the allocation, the Council must include one four-bedroomed home. It will depend on what is available on the market and at what price as to whether we are able to purchase any further four-bedroomed homes.

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.