



**OPEN REPORT
COMMUNITY AND ENVIRONMENT COMMITTEE**

Community and Environment Committee – 7 September 2023

LOCAL AUTHORITY HOUSING FUND – ROUND 2

Report of the Director of Housing

Report Author and Contact Details

Robert Cogings, Director of Housing,
01629 761354 or robert.cogings@derbyshiredlaes.gov.uk

Simon Beynon, Housing Strategy Officer (Homelessness and Inclusion),
01629 761306 or simon.beynon@derbyshiredales.gov.uk

Wards Affected

Ashbourne North and Ashbourne South

Report Summary

The government has announced the closure of bridging hotels across England currently housing 13,000 Afghan refugees. Councils are asked to provide housing to support the successful move on of families, some of whom have been in hotels since early 2022. Grant funding through the Local Authority Housing Fund Round 2 (LAHF2) is available in two ways, firstly as a direct grant with 200 councils receiving an allocation and a further 66 who have been asked to submit an expression of interest (EOI) to take up any underspend.

The District Council is one of the 66 authorities and an EOI was submitted in July. Not every Council has taken up their offer of grant and so, from the underspend, DDDC has been offered £292,000 towards the purchase of 2 properties.

Recommendation

That approval be given to the delivery of LAHF2 as set out in the report.

List of Appendices

Nil

Background Papers

Report to Full Council (26 January 2023) – Refugees and Displaced People

Consideration of report by Council or other committee

No

Council Approval Required

No

Exempt from Press or Public
No

Local Authority Housing Fund – Round 2

1. Background

- 1.1 The District Council received an allocation to purchase one ‘bridging’ home in the Local Authority Housing Fund (LAHF) Round 1 programme (the bulk of LAHF1 is for 17 Ukrainian properties). That property was acquired on 23 June and a family has now moved in. The family had been living in a hotel since January 2022. Central government has started bringing to an end, their contracts for the bridging hotels during August 2023. There is considerable work underway across the larger urban councils that have dispersal hotels in their locality, to find people a secure home. Councils are expected to receive these homeless families and accommodate them. Under LAHF2 £250m has been made available to buy larger properties but this will buy less than 2,000 homes.
- 1.2 The District Council was not allocated grant initially through LAHF2, instead officers were advised that if any funding remained, then the authority would be offered £126,000 + £20,000 per property. It appears that some of the 200 councils offered grant did not take up the allocation. As such the grant has now been confirmed and the District Council is expected to enter into a Memorandum of Understanding with DLUHC. The maximum average grant rate per unit is 40% of the costs of acquisition plus the £20,000 top up per property. Therefore, the average grant for purchase costs should not exceed £315,000. This provides some flexibility to go above £315,000 provided the average remains at or below 40%. If the cost of the property is over £315,000, the balance must be funded by the Council using the resources available.
- 1.3 Prior to the submission of the EOI, Leaders of the Progressive Alliance gave their support for the proposal.
- 1.4 The LAHF Round 1 proposal is progressing well with six properties purchased, five further properties in the process of being acquired and seven properties left to be identified. Both LAHF1 and 2 are challenging to deliver given open market values, the need to achieve at least an EPC of ‘C’ for all rented homes and the availability of homes in the right location that can be acquired, updated and occupied by the end of March 2024.

2. Key Issues

- 2.1 Provision of social rented homes is a priority in the corporate plan and supporting refugees is part of the Housing Service Plan. Homes provided under the programme will be let as council homes at a social rent, and available for future generations. The additional two homes would form part of the Council’s target of 50 homes and the rental income delivers against the £200,000 per year rental income target.
- 2.2 The objective of the project is to achieve the purchase of two homes by March 2024 and accommodate two refugee families. The scope of the project is time and resource limited based on the funding available, our

capacity to deliver and the timescale set by the Department for Levelling Up, Housing and Communities (DLUHC). The two homes will most likely be delivered in Ashbourne given the support provided by the Ashbourne Refugee Community Support (ARCS) group and a reasonable supply of appropriately sized homes. The project itself is discretionary but there is an expectation that properties will be in ownership and occupied by end of March 2024.

3. Options Considered and Recommended Proposal

- 3.1 In preparing this report, it is considered that there are a number of options available. The first option is not to proceed with the EOI. There is no statutory requirement for the District Council to take up the EOI offer. However, consultation with political leaders and the ARCS has indicated a strong level of support for the submission of the EOI. Therefore, this first option is not recommended.
- 3.2 Another option would be to go further and bid for more than two units. This is not recommended as it would put undue pressure on what is already a challenging timeline.
- 3.3 Financing the purchase of available homes can be difficult particularly when larger properties are needed for this cohort. The cheapest homes will be S106 homes already secured through market developments. S106 homes are typically sold at around 40% of the open market value to Registered Providers and so they are the least costly option. However, at this moment in time there are no such homes available of the right size and in the right location. When the Council receives an offsite contribution from a private developer to provide affordable housing elsewhere in the district, the contribution is £45,500 per dwelling. One option would be to limit the Council's expenditure to the value of an offsite contribution. However, this figure is well below the 60% (£189,000) contribution required by DLUHC. Sticking to a limit of £45,500 would limit the purchase price to £75,000 and so would not be deliverable.
- 3.4 The minimum bid is two homes: one as a permanent home and one as temporary accommodation. There is no need for temporary accommodation in the district as we do not have any bridging hotels about to close. This point has been clarified with LAHF and they confirmed their offer of funding for 2 permanent homes. This is the recommended option.
- 3.5 There are two rent options for the Council to consider, 'Social Rent' and 'Affordable Rent'. Social rents for 4 bed homes are much easier for tenants to afford than 'Affordable Rent', particularly when they gain employment. The Housing Benefit system does not support the provision of 4-bedroom homes. Any family on full housing benefit would typically struggle to cover the full rent of the property. There are discretionary payments available but these are not intended to be long term support measures. Affordable Rents are even more expensive as they are set at up to 80% of market rents. Comparable 4 bed rental properties in Ashbourne would be significant and

so, to protect the long term affordability of these properties, the best option is to provide them as social rents.

4. Consultation

- 4.1 Given the time between announcement of the LAHF2 on 13 June 2023 and the EOI deadline, consultation has been limited to emails to the Leader and Deputy Leaders, and a discussion with ACRS. ACRS have confirmed that they would support the tenants accommodated. Derbyshire County Council will also provide support to the families via a government funded service.

5. Timetable for Implementation

- 5.1 The timetable is relatively tight with the purchase of two homes required by the end of March 2024. A review of available opportunities in the market suggests the Council should be able to achieve the purchases within the time available.

6. Policy Implications

- 6.1 Provision of social rented homes is a priority in the corporate plan and supporting refugees is part of the Housing Service Plan. Homes provided under the programme will be let as council homes and available for future generations. The additional two homes form part of the Council's target of achieving 50 homes and the rental income delivers against the £200,000 per year rental income target.
- 6.2 Helping to accommodate Afghan refugees has been a national priority since the evacuation of people from Afghanistan. The larger urban and city councils across England need support to help move people out of hotels and into more sustainable homes.

7. Financial and Resource Implications

- 7.1 This project would be delivered through the Council's contract with Nottingham Community Housing Association, who act as the Council's Development Agent. Homes would be purchased from the open market. The exact cost will depend on the selling price of the particular houses, but an indication of costs is given in table 1 below.
- 7.2 Capital and revenue finance (revenue grants that may be used to finance capital expenditure) to support the project is set out in the table below and includes;
- LAHF2 acquisition costs £126,000 per property being 40% of the total value. This limits the average purchase price to £315,000.
 - LAHF2 additional works and fees grant £20,000 per property (which can be added to the acquisition costs)
 - Flexible Housing Fund Grant to support move on from bridging hotels, equal to £7,100 per person. So, a six-person household would attract a grant of £42,600.
 - Homeless Prevention Grant awarded in 2023/24

- Homes for Ukraine funding already provided via Derbyshire County Council.
- S106 income will be required but the amount would be reduced by using the Flexible Housing Fund, Homeless Prevention Grant and Homes for Ukraine funding.

Table 1: Expected costs and proposed financing

LAHF 2	House type	Purchase price £	Legal fees £	Total Cost £	Maximum LAHF Grant £	DLUHC top up £	Flexible Housing Fund £	Homeless Prev'n Grant £	Homes for Ukraine Grant £	S106
1	4 bed 7 person	350,000	3,000	350,300	126,000	20,000	49,700	37,300	37,300	80,000
2	3 bed 6 person	325,000	3,000	325,300	126,000	20,000	42,600	28,350	28,350	80,000

7.3 All of these grants and payments would be contained within 2023/24. Subject to this Committee's approval of this report's recommendations, the capital programme will be updated in November to include the estimated expenditure and financing associated with this project. At the same time the Capital Programme Working Group will also receive and review the detailed business case to ensure consistency with other capital programme schemes.

7.4 Any DLUHC grant funding that is not spent must be repaid. There are no direct revenue costs associated with the scheme. There are no direct savings but rents from 2 x 4 bed houses would generate just under £16,000 per year in rental income.

7.5 The financial risk is assessed as Medium.

8. Legal Advice and Implications

8.1 This is a central government scheme and the legal risk connected to this report has been assessed as low.

9. Equalities Implications

9.1 There are no equalities implications to report other than the positive step of removing two families from long term hotel use. Adding 3 and 4 bed homes to the Council's housing stock will dramatically improve our long-term support for larger families.

10. Climate Change Implications

10.1 There are no climate change implications to report, other than repeating the existing commitment to achieve EPC B on all acquired properties. Given the homes to be purchased will be relatively new, the homes should already achieve EPC B.

11. Risk Management

- 11.1 The main risk with this opportunity is the ability to deliver within the timescale available. Given the Council's work with Nottingham Community HA, the ability to acquire and let properties is now well established. The scheme cannot be added to the capital programme until Council approval is given at November Council when the Capital Programme is updated. However officers will need to begin work to identify properties, make offers and instruct solicitors to begin the purchase process if we are to meet DLUHC's requirements to be in a legal process to acquire by November. The properties must also be let by the 31st March 2024. If officers wait until the November Council before commencing work on the scheme, then there is a significant risk of failing to complete the project in time. This would have a reputational impact with DLUHC and local partners. Another risk associated with support for refugee families concerns negative community feedback.

Report Authorisation

Approvals obtained from Statutory Officers:-

	Named Officer	Date
Chief Executive	Paul Wilson	21/08/2023
S.151 Officer (or Financial Services Manager)	Karen Henriksen	25/08/2023
Monitoring Officer (or Legal Services Manager)	James McLaughlin	30/08/2023