

LOCAL AUTHORITY HOUSING FUND: PURCHASE OF FURTHER PROPERTIES

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Portfolio: Communities and Housing
Finance

Wards Affected: All

Purpose of the Report:

To seek pre-emptive agreement for financing and purchase of further general use Temporary Accommodation (TA) properties under the Government's Local Authority Housing Fund (2) (LAHF) scheme, which reopened in January 2024 to invite further expressions of interest from Authorities.

Recommendations:

Should an allocation of LAHF be made available to the Council:

1. Cabinet to delegate to the Director of People and Communities to accept the Government offer to the Council of LAHF funding for the purchase and refurbishment of further properties to be used as general needs temporary accommodation.
2. Cabinet to recommend to Council to delegate to the s151 officer the addition of up to £235,000 to the LAHF capital budget to enable the provision of matched funding, to be funded via Broadland Growth general reserves monies.

1. Summary

- 1.1 On the 8th January 2024, DLUHC wrote to Council officers to reopen expressions of interest to either round of the Local Authority Housing Fund (LAHF), covering a range of opportunities for either resettlement or general needs temporary accommodation properties, to be utilised in accordance to the existing terms of the fund, particularly completion of properties purchased by 29th March 2024.
- 1.2 An expression of interest to access this fund, specifically the provision of general use temporary accommodation, was submitted on the 19th January, subject to formal council acceptance of any subsequent offer.
- 1.3 As of 31st January 2024, DLUHC have yet to respond with a formal allocation offer, however given the timescales for completion officers are seeking pre-emptive approval from Cabinet.
- 1.4 Based on the current and projected demand for housing options and the success of the officer project team in conveying properties to time and under budget, officers advise that the Council takes advantage of this offer.

2. Background

- 2.1 The Government published and made available funding to enhance local authority housing options, firstly in December 2022 (round 1 - £500m) and latterly in June 2023 (round 2 - £250m). This is in direct response to ongoing pressures for short and longer term affordable housing driven by both migration and local homelessness pressures.
- 2.2 Whilst the council was not eligible for round 1, they successfully bid for resources for round 2, enabling the provision of 6 resettlement properties and 3 general use temporary accommodation properties. Details of the terms and funding of this decision can be found in cabinet papers from September 2023.
- 2.3 Government has reopened expressions of interest to apply for further funding to either of the LAHF rounds 1 and 2. As explored in previous cabinet papers, LAHF open up a range of options for acquiring or developing different types and tenures of property. Officers consider that the Council's ability to provide additional flexibly used temporary accommodation to both local and refugee populations is a strong advantage to meeting demands in a cost-efficient way. Therefore, an expression of interest has been submitted to LAHF round 2 for the potential further acquisition of 2 general use temporary accommodation properties.
- 2.4 Round 2 of the LAHF provides a grant of up to 40% (a maximum of £120k per property) of the median property value in the district, in addition to a £20K per unit refurbishment grant. Local Authorities are expected to provide the remaining costs.

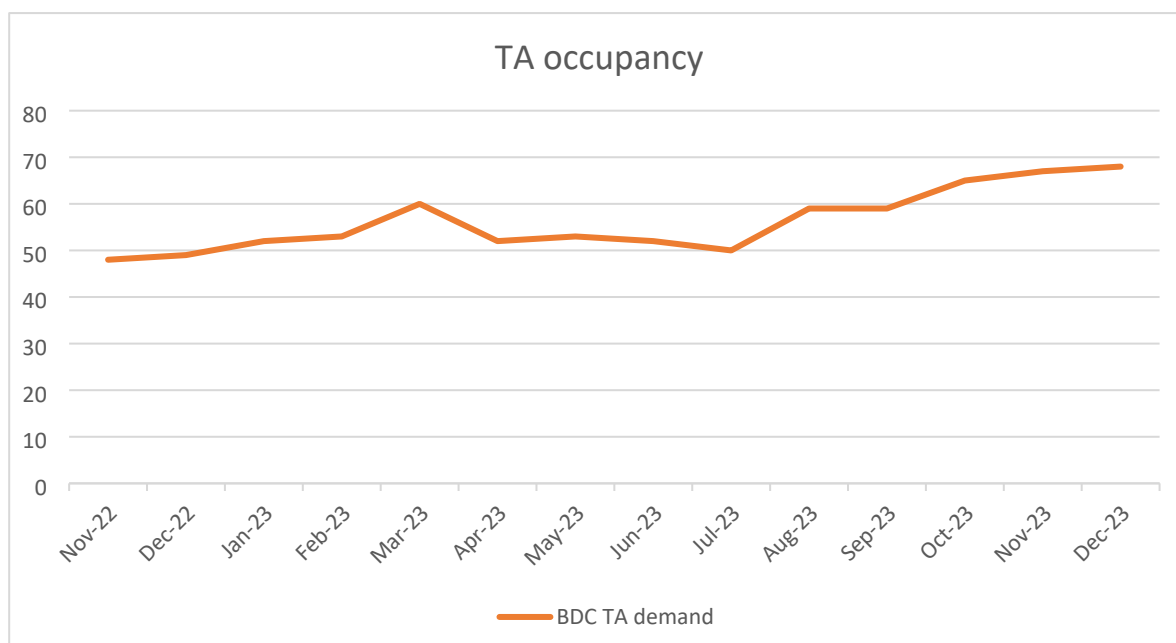
- 2.5 The basic model assumes stock acquisition and although Central govt. allows for variety in delivery mechanisms it is expected that homes acquired will:
- be held and monitored for use for 5 years.
 - be affordable.
 - are 2 bedroom+ - ideally 4 bedroom or more
- 2.6 Councils accepting LAHF monies are expected to acquire properties by 29th March 2024 although they are not expected to be occupied by this date. Although DLUHC have yet to make a formal offer following the expression of interest (EOI). The short completion time means it's imperative that a Cabinet decision is given in the intervening period.
- 2.7 As a consequence of the expression of interest (EOIs), it is expected the Government will offer:

LAHF 40% funding per property (maximum)	£120,000
Based on property value	£300,000 each
Total indicative LAHF property grant 2 properties	£240,000
Refurbishment/legal costs funding@ £20K per unit	£40,000
Total indicative LAHF allocated	£280,000

- 2.8 In accepting LAHF, Councils are required to sign a Memorandum of Understanding (MoU) in order to receive funding.

3. Current positions/findings

- 3.1 The One Team is working hard to deliver its programme of TA acquisition, initially self-funded (see cabinet paper November 2022) and then via LAHF round 2 (see cabinet paper September 2023). Whilst TA is not a long-term solution for residents, as with many councils nationally this authority continues to experience exceptional pressure on its homelessness budgets. In house TA represents a cost-effective solution of the taxpayer and better quality product for our vulnerable residents.



3.2 In discharging its housing duties, demand has continued to steadily grow for TA, due to growth in need and a challenged housing sector providing fewer options. Whilst demand is also projected to drop again in the medium term, this projection is very much tied to economic conditions and the extent to which housing becomes more affordable within the district.

3.3 As the table below shows, there is a greater proportion of households needing support with a need for relief of homelessness, this is more likely to require temporary accommodation. The two most frequent categories of *Domestic Abuse* and *Family or friends no longer willing to accommodate* attest to the variety of households needing relief of homelessness, from single people, couples and families with children.

	BDC			
	April to June 2023		2022/23	
Reason for loss of last settled home for households owed a prevention/relief duty:	Prevention	Relief	Prevention	Relief
Family or friends no longer willing or able to accommodate	27%	22%	21%	24%
End of private rented tenancy - assured shorthold	62%	9%	49%	9%
Domestic abuse	0%	31%	2%	46%
Total households (inc. categories not displayed here)	45	58	135	217

3.4 Demand from the asylum system could have a significant medium-term impact on overall homelessness, with the potential for individuals and families currently based within the district in contingency hotels to be eligible for housing support once granted refugee status.

3.5 The provision of an additional two 4 bed houses of multiple occupation to be used flexibly as temporary accommodation would have an equivalent revenue impact versus the use of B&B of saving up to £180,000 less property management costs

and voids, through reduced costs and better accessing claims against housing benefit on the resident's behalf. The cost of these properties is expected to be approx. £700,000 including purchase and refurbishment costs (excluding any government LAHF allocation).

- 3.6 Whilst properties funded under the LAHF are required on a longer-term basis to offer housing solutions, and certainly as a minimum for the 5 year period those assets will be monitored by Government, the council also holds a number of self-funded properties. These could relatively quickly be liquidated should there be a lack of demand or should the capital programme of the council require an injection of funding.

4. Match funding and Value for Money

- 4.1 Should an allocation be made available it is proposed to accept the funding and:
- i. Sign the updated Memorandum of Understanding (MoU)
 - ii. Fund the remaining costs of property acquisition and costs to bring the properties into use using Council funds.
 - iii. Seek the best value for money opportunities to acquire properties.
- 4.2 Due to the progress made with acquiring properties under the current LAHF funding, below the Government's outlined medium value, it is expected that the current programme will show an estimated budget surplus of BDC funding of approx. £213,000. This is subject to final refurbishment costs although current indications suggest these will be lower than the £20,000 budgeted per property meaning further surplus. Therefore, the budget will only require a top up of up to £235,000 to match and accept the government's latest LAHF offer.
- 4.3 As explored in previous papers, the viability of these properties against the LAHF criteria of affordable rents is only marginal. However, when the offset of costs against the equivalent cost and income through housing benefit of bed and breakfast is considered, the decision will make a significant contribution to operating budgets in the short term. In addition, the ability to acquire an asset which will likely increase in value over time, at around 60% of the assets value, could be considered an excellent investment.

5. Other options

- 5.1 Cabinet may choose to decline the opportunity for further acquisitions under the LAHF scheme.
- 5.2 Cabinet may choose to recommend an alternate source of matched funding via loans.

6. Issues and risks

- 6.1 **Interdependencies** – interdependencies should also be noted with other discussions happening in relation to:

- The intended role of Broadland Living Ltd to manage these properties on the Council's behalf (as outlined in the Cabinet Papers from October 2023)

6.2 **Financial implications**

6.3 **Financial viability** – Housing Associations and stock holding Local Authorities would usually work on an assumption that rents would cover the property acquisition/build and property management and maintenance costs over a long period of time i.e., 50-60 years. This is on the assumption that the Local Authority/provider will be owning the property in the long term and providing it for affordable housing.

6.4 The viability for this project is based on the rents covering acquisition, interest payments, property management and maintenance within a 50-year period.

6.5 There is a cost to the Council in accepting the LAHF allocation. In terms of the temporary accommodation, this should also be balanced in terms of the cost of nightly B&B accommodation, which can be a net cost to the Council of £325 per week for one household.

6.6 **Staff resource needed to deliver project** – This project is short term and requires a dedicated staff resource to give the project momentum and complete on the purchase of the properties by the end of March 2024. There is a risk associated with delivery as timescales are extremely short. The length of time currently taken in conveyancing could be protracted and therefore exchange and purchase completion may be difficult to achieve in the timescales. Properties being purchased will need to be chain free or empty and ready to be sold. Progress made with the current LAHF property acquisitions should give the Council confidence that conveyance within required timelines is achievable.

6.7 **Legal Implications** – support from the Council's legal providers is an intrinsic part of this ongoing project.

6.8 **Equality Implications** - An Equalities Impact Assessment was completed and appended to the cabinet papers of September 2023 and underpins this decision. The assessment has been reviewed and does not need updating for the purposes of acquiring additional TA properties under the LAHF.

6.9 **Environmental Impact** - The Council is mindful of the need to provide homes that are economically and environmentally efficient. However, the government LAHF guidance acknowledges the impact this may have on the need to purchase properties at speed. The Council will need to ensure there is balance of energy efficiency with swift delivery.

Crime and Disorder - There are no known crime and disorder impacts.

6.10 **MoU and delivery timescales** – DLUHC have been tasked with spending all available Round 1 and Round 2 LAHF monies by the end of March 2024. Councils with a further allocation will be expected to sign an amended MoU and commit to completing on property purchases by 29th March. However, it is unlikely that

DLUHC will seek to reclaim funds on properties that have not completed by this date but are going through the sales process.

- 6.11 Disbursement of funds from DLUHC will be made prior to end of March 2024. Therefore, the decision to be made by Cabinet is time crucial in order to meet the requirements.

7. Conclusion

- 7.1 Against the backdrop of a housing crisis, the Council has a unique opportunity to facilitate an offer of homes available to support those in urgent housing need, using central govt. funding.

- 7.2 Purchase of properties will:

- prevent homelessness and provide safe and quality temporary housing for families
- potential to be used in the longer term for general housing needs.
- support the Council in meeting its statutory duties.
- prevent use of costly external temporary accommodation for those families
- create additionality in the housing system, reducing pressures on the social housing register.
- Provide an attractive investment opportunity for the Council

8. Recommendations

Should an allocation of further LAHF Round 2 funding be made available to the Council:

1. Cabinet to delegate to the Director of People and Communities to accept the Government offer to the Council of LAHF funding for the purchase and refurbishment of further properties to be used as general needs temporary accommodation.
2. Cabinet to recommend to Council to delegate to the s151 officer the addition of up to £235,000 to the LAHF capital budget to enable the provision of matched funding, to be funded via Broadland Growth general reserves monies.

Background papers

Cabinet Report - Local Authority Housing Fund: Purchase Of Properties September 2023

Cabinet report - Property Management Review – Phase 1 August 2023 (BDC only)

Cabinet report - Council and Registered Provider Status August 2023.

Cabinet report – Best in Class Housing Temporary Accommodation November 2022