

Name of Committee:	Cabinet		
Committee Date:	6 September 2023		
Report Title:	Local Authority Housing Fund (LAHF 1 & 2)		
Responsible Officer:	Wayne Layton Executive Head of Regeneration and Economic Development		
Cabinet Lead:	Alex Rennie		
Status:	Non-Exempt		
Urgent Decision:	No	Key Decision:	No
Appendices:			
Background Papers:			
Officer Contact:	Alan Downton, Regeneration and Economic Development alan.downton@havant.gov.uk		
Report Number:	HBC/37/2023		

Corporate Priorities:

Local authorities have been pivotal in supporting the UK's humanitarian duties to assist those fleeing war. The council's response supports the Corporate Strategy themes of providing the homes that people need and building healthy and prosperous communities.

Executive Summary:

This report appraises the Council of the Local Authority Housing Fund (LAHF) launched by the Department for Levelling Up, Housing, and Communities (DLUHC) and the amount of grant funding now available to the Council.

Additionally, it is to seek approval to amend the Capital Programme and incur borrowing for the Council to meet the aims of the LAHF programme and grant conditions.

Recommendations:

That Cabinet recommends to Full Council:

To accept and approve the spend of the additional allocation of LAHF grant funding in the sum of £3.5m bringing the total sum to £4.2m.

To delegate authority for accepting and spending future LAHF grant allocations to the Director of Regeneration and Economic Development, in consultation with the s.151 Officer and the Leader of the Council as Cabinet Member responsible for Regeneration.

To approve PWLB borrowing up to £6m to provide match-funding for the Council's allocation of LAHF grant subject to a satisfactory financial appraisal.

To delegate authority to the S151 Officer to amend the Council's Capital programme to reflect receipt of the additional LAHF grant funding and the agreed PWLB borrowing of up to £6m.

To delegate authority to the S151 Officer to amend the Council's Minimum Revenue Provision (MRP) policy and agrees that borrowing for the purposes of acquiring residential property is expensed over a 50 year period.

To delegate authority to the Executive Head of Regeneration and Economic Development in consultation with the Leader of the Council to enter into a contract with a Contractor to manage and maintain the Council's property portfolio purchased under this fund.

To delegate authority to the Monitoring Officer (or their delegate) to negotiate and agree all legal documents to give effect to the above recommendations.

1.0 Introduction

- 1.1 On 21 December 2022 the Department for Levelling Up, Housing, and Communities (DLUHC) announced a new £500m Local Authority Housing Fund. The funding will be paid in two tranches.
- 1.2 The Council had provisionally been identified as eligible for capital grant funding of £705,888 (under section 31 of the Local Government Act 2003) to provide a minimum of 5 houses for families from Afghanistan and Ukraine who have a right to remain in the UK. These houses must be delivered by 30 November 2023.
- 1.3 On the 30th March the Council were awarded a total amount of £2,117,663. The government then released a second tranche of funding in August 2023 whereby the Council have been awarded a further £1,426,930. Bringing the total amount awarded to the Council in respect of the LAHF grant funding to £4,250,481.

2.0 LAHF Tranche One Funding

- 2.1 The Council has been awarded £705,888 and a further £1,411,775 creating a total of £2,117,663 LAHF. Collectively, these sums are referred to in this report as LAHF Tranche One grant funding. The purpose of the LAHF Tranche One grant funding:
 - 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 social housing resources which arise from the eligible cohort (as defined at section 3.2 of the fund's 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 impacts on the existing housing and homelessness systems and those waiting for social housing.
- Notes that before any borrowing is entered into a separate report will be brought back to Cabinet to approve this borrowing and demonstrating that the borrowing is in line with the principle of the prudential code.

3.0 LAHF Tranche Two Funding

3.1 The government released further funding in August 2023 whereby the Council have been awarded a further £1,426,930. This is referred to in this report as LAHF Tranche Two grant funding. The purpose of the LAHF Tranche Two grant funding is different to LAHF Tranche One funding. The purpose is as follows:

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

4.0 The Business Model

4.1 The Council will acquire properties using a mixture of grant funding PWLB Borrowing and any other contributions that it can secure. The

Council will retain the freehold of these properties. The Council will employ an agent to source property on our behalf and conclude a purchase. Once the property has been acquired the Council will then employ an agent to manage the maintenance of the properties, carry out statutory checks and manage the tenancies.

- 4.2 The Council has completed a tender exercise for the acquiring agent and a preferred contractor has been identified.
- 4.3 The invitation for the management of properties and tenancies has been released and a preferred supplier should be identified by 22nd September with an award of contract 9th October 2023. The Council have carried out soft market testing and are comfortable that the Council will secure a contractor in line with its financial modelling assumptions.

5.0 Project Key milestones

In respect of LAHF Tranche One the Council must use best endeavours to complete on the purchases of the properties by the 30th November. Despite best endeavours, it is unlikely that the Council will meet this deadline and HBC are reporting the progress to DLHUC following the MOU monitoring milestones.

6.0 DHLUC – Monitoring Milestones

6.1 LAHF Tranche One

As set out in the Memorandum of Understanding signed and returned to DHLUC on 15 March 2023.

Date	Milestone
August 2023	MI touchpoint
October 2023	MI touchpoint
30 November 2023	The Council agrees to make best endeavours to deliver the delivery target by 30 November 2023.
December 2023	Final MI touchpoint following 30 November 2023. DLUHC-led evaluation of LAHF begins.

6.2 LAHF Tranche 2

As set out in the Memorandum of Understanding signed and returned to DHLUC on 14th August 2023.

Monitoring touchpoint	Microsoft Form to be submitted by 5pm on the following dates	Section 151 Officer Statement of Grant Usage required?
Touchpoint 1	9 October 2023	Yes, if LA wishes to enable Tranche 2 payment in October 2023
Touchpoint 2*	24 November 2023	Yes, if LA wishes to enable Tranche 2 payment in December 2023
Touchpoint 3	8 February 2023	N/A
Touchpoint 4	8 April 2023	N/A
Evaluation	April 2024 onwards	N/A

7.0 Financials

The table below sets out the amount of funding to be received in respect of the LAHF grant over the two years.

Table 1 – Tranche Two LAHF Grant Profile

No of Bedrooms	Number of Properties	Grant Award
2 - 4	8	£920,000
4+	2	£506,930
Total	10	£1,426,930

The table above sets shows that the Council are asked to acquire up to 8 properties with a 40% grant contribution of £920,000, and 2 larger properties with a 50% grant contribution of £506,930.

8.0 Budgetary Implications

8.1 If the Council proceeds with purchasing property in the principle, then it will have the burden to maintain and operate that property, this will be funded through the rent earned on those properties. There will also be a requirement to set up a sinking fund to properly maintain these properties. Finally, because the Council may have to borrow then the cost of this borrowing will also need to be met from this rental income.

8.2 As part of the next steps the Council needs to procure a third party to manage these properties. The Council currently own 6 residential properties and they are managed by Vivid Housing.

- 8.3 There is no cash limited budget currently within the Council's approved budget to support this and it's a vital principle that any property purchased can support itself through rental income. Before any acquisition is made a full financial appraisal approved by the S151 will be carried out that demonstrates this.
- 8.4 The rent proposed will be an Affordable rent, capped at the Local Housing Allowance (LHA) rate to ensure that the property is affordable for anyone in receipt of Housing Benefit or Universal Credit should they be the proposed tenant.
- 8.5 If following the tender submission for the management of property that it appears that the Council cannot find a financially viable option to fund this project in the principle then it may look to offer a grant to a third party who may be better placed to own and manage these properties and in return the Council will receive nomination rights. It is unlikely that the Council will need to do this.
- 8.6 When the Council takes on borrowing it must make Minimum Revenue Provision (MRP) for that borrowing. This is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. The Council will make MRP for the purchase of residential property by dividing the Principle borrowing amount by 50 years on a straight line basis. In other words if the Council borrows £6m, MRP will equal £6m divided by 50 Years, £120,000 per annum. This will be funded by the rent generated from the acquired properties.
- 8.7 The table below sets out the £9.9m investment on Residential Property that's required to deliver the scheme split between Grant funding and borrowing.

Table 2 – Funding Split

Tranche 1

No of Bedrooms	No of Properties	Funding	Lending
1 - 4	16	£ 1,840,000	£ 2,760,000
4+	4	£ 983,551	£ 983,551
Total	20	£ 2,823,551	£ 3,743,551

Tranche 2

No of Bedrooms	No of Properties	Funding	Lending
1 - 4	8	£ 920,000	£ 1,380,000
4+	2	£ 506,930	£ 506,930
Total	10	£ 1,426,930	£ 1,886,930

Total	30	£ 4,250,481	£ 5,630,481
--------------	-----------	--------------------	--------------------

9.0 Relationship to the Corporate Strategy

Local authorities have been pivotal in supporting the UK's humanitarian duties to assist those fleeing war. The council's response supports the Corporate Strategy themes of providing the homes that people need and building healthy and prosperous communities as outlined below.

- 9.1 Wellbeing: The Health of our Communities. We will enable and deliver interventions to prevent homelessness and rough sleeping.
- 9.2 Pride in Place: creating a great place to live, work and enjoy. We will facilitate the delivery of and improve the quality of affordable housing.
- 9.3 Growth External: Building our Future. We will produce a Local Plan which will deliver sustainable development for our residents and businesses.

10.0 Options

- 10.1 Do nothing – Under this option, the council would not accept the funds from government, neither would it seek to make properties available. The purpose of the fund is to support local authorities in meeting the housing needs arising in their area. Therefore, under the 'do nothing' option, the potential benefits referenced in this report will not be realised.
- 10.2 Take part in the scheme, but to pass the funds available to a partner housing association – Under this option, the council would take part in the scheme but on the basis of passing funds to a housing association for them to own and manage the properties. This option has been considered but has been discounted, given the opportunity that the scheme presents to support the Council's housing objectives.

11.0 Conclusion

- 11.1 The Council are asked to approve the model set out in 4 above whereby the Council retains the ownership of these properties and uses them to house Afghan and Ukrainian refugees in the first instance and then after use them to help ease the financial burden on our use temporary accommodation where we have a duty to house someone who presents to us as statutory homeless.
- 11.2 The fact that the amount of grant funding provided is so high the Council are happy that should the Council need to sell the properties that it could easily cover any outstanding borrowing on these properties. The Council have also set out that it will prudently repay any borrowing over a 50 year term meaning that the amount of borrowing will reduce over this period, where it is likely that the value of property will likely appreciate.

12.0 Implications and Comments

12.1 S151 Comments

Changes to the Council's capital programme are usually approved by Full Council, this report asks for a delegation to amend the programme to accommodate the substantial LAHF Grant awarded. The recommendations also sensibly seek a delegation to Chief Officers and the Leader of the Council to agree and negotiate the spending of this grant (in line with the Grant condition) on the Council's behalf.

This proposal is likely to lead to a safe financial investment (subject to final full financial appraisal) with any borrowing likely to be significantly lower than the value of the properties it is secured against. Only a catastrophic crash in house prices would put HBC at financial risk.

Amendment of the Council's MRP is vital to ensure we met our legal financial requirements and is prudent when borrowing to prevent additional financial pressures in the future.

The Council can only borrow in line with its own Approved Treasury Management Strategy that was approved by Full Council in February 2023. Any borrowing taken must also meet the conditions of the Prudential Code and must be Affordable, Sustainable and Prudent. Therefore, a full financial appraisal will and must be approved by the Section 151 Officer before any borrowing is entered into.

12.2 Financial Implications

The financial implications are addressed in detail in the body of this report.

12.3 Monitoring Officer Comments

There are no significant legal and governance implications arising from this report outside of those aspects already referenced in the body of the report.

Members are reminded that they are under an obligation to exercise their fiduciary duty carefully. The meaning of fiduciary duty can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers.

12.4 Legal Implications

The funds are to be provided by central government to authorities in accordance with the provisions of section 31 of the Local Government Act 2003. Section 31 addresses the power to pay grants to local authorities and states:

A Minister of the Crown may pay a grant to a local authority in England towards expenditure incurred or to be incurred by it.

Section 1 of the Localism Act 2011 confers a general power of competence on the Council that permits the Council to enter into the funding arrangements set out in this report.

Sections 120 - 123 of the Local Government Act 1972 authorise the Council to acquire, appropriate and dispose of land for the purpose of any of their functions. Section 111 of the Local Government Act 1972 contains the Council's subsidiary powers to do anything, including acquiring and disposing of land and incurring expenditure, which is calculated to facilitate, or is conducive or incidental to, the discharge of any of the Council's functions.

- 11.7 Equality and Diversity
- 11.8 Human Resources
- 11.9 Information Governance
- 11.10 Climate and Environment

13 Risks

- a. The key risk for the Council is the change in interest rates. The model has been designed with 5.15% PWLB borrowing rate over a 50 year period. The Council have also applied 3.5% hurdle rate as set out in the Treasury Green Book for business cases when assessing public sector investment. When assessed over a 50 year period the appraisal is positive. The financial services industry suggest that the recent policy to increase interest rates has nearly peaked and as a consequence it will be prudent for the Council's Treasury management team to borrow in line with the approved treasury management policy in so far as it will borrow in the most financially advantageous manner. This means it could borrow on a short term basis then refinance when rates start to lower.
- b. The other key risk is about Government policy around Housing Benefit. The financial model assumes that Housing Benefit will increase by 1% per annum, the Local Housing Allowance Rate has not increased for the past 5 years following a 14% increase, the model assumes that the LHA rate will increase by at least 1% on average over the term. This is a prudent position to take.
- c. The Council are yet to appoint it's contractor for the maintenance of property and tenancies and there is a risk that these may be more expensive than modelled. However the Council have carried out soft market testing with a known local provider and there quote was in line or less than the assumption made by the Council previously.
- d. Finally the maximum loan to value of these properties is 60% Loan to 40% equity, if some of our assumptions were incorrect and that the ownership of property became a burden there is no condition on the

Authority as a result of taking this grant funding that would prevent us from selling the property at anytime.

14 Consultation

- a. No consultation has been carried out with members of the public or temporary accommodation residents in preparing this report.

15 Communications

- a. Write your communications information here.

Agreed and signed off by:		Date:
Executive Head:	Wayne Layton	29 August 2023
Monitoring Officer:	Jo McIntosh	29 August 2023
Section151 Officer:	Steven Pink	29 August 2023