

<b>SUBJECT:</b>	<b>LOCAL AUTHORITY HOUSING FUND</b>
<b>DIRECTORATE:</b>	<b>HOUSING &amp; INVESTMENT</b>
<b>REPORT AUTHOR:</b>	<b>PAULA BURTON – HOUSING STRATEGY &amp; INVESTMENT MANAGER</b>

## **1. Purpose of Report**

- 1.1 To advise Executive about the Local Authority Housing Fund, explain its benefits and process.
- 1.2 To advise the Executive of the Council's allocation under the Local Authority Housing Fund and request authority to proceed with the purchase of properties utilising this funding alongside a contribution from the Council.

## **2. Background**

- 2.1 During 2022 the United Kingdom welcomed more than 150,000 Ukrainian into homes and communities under the Homes for Ukraine and Ukraine family schemes. Around 23,000 Afghans who worked with the UK Government and Armed Forces have also been welcomed. Working in partnership with other public sector and charity organisations, help is being provided to support those that have arrived from Ukraine and Afghanistan to find housing in the private sector.
- 2.2 The Department for Levelling up, Housing and Communities (DLUHC) have introduced a £500 million capital fund, the Local Authority Housing Fund (LAHF) for local authorities in England that are facing challenges to provide accommodation for those families with housing needs. This funding has been allocated under section 31 of the Local Government Act 2003 using a formula that has a blended grant per property model. It is left to local authorities to determine how the accommodation will be delivered using this grant.
- 2.3 The LAHF was announced in January 2023 with confirmation of funding being received in February 2023 which has resulted in the requirement to fast track the approval process.

## **3. City of Lincoln Council Allocation and Funding Requirements**

- 3.1 The Council is one of 182 local authorities that were allocated the funding. A new approach is being trialled by DLUHC that allocates the funding and rather than having to bid for the funding, it was up to the Council to justify why they were unable to fulfil the expectation if they did not consider themselves able to.
- 3.2 The total allocation is £767,500 is split into the following elements:

Fund	Amount	Expectation	How calculated/allocated
Bridging Element	£159,500	To provide a 4+ bedroomed home to be allocated to households currently in bridging accommodation	50% of the average lower quartile property price plus £20k per property for other costs (e.g., refurbishment, stamp duty, legal fees etc)
Main Element	£608,000	To provide a minimum of 8 homes (size not specified but expected to be 2 or more bedrooms and in line with local need)	40% of the average lower quartile property price plus £20k per property for other costs (e.g., refurbishment, stamp duty, legal fees etc)

- 3.3 The remainder of the cost of the properties must be covered by existing capital receipts or borrowing. This is in the same way that CoLC currently purchase additional properties. Whilst we are informed that Right to Buy receipts cannot be used to match fund it may be possible to use Section 106 monies received. We are in the process of verifying this.
- 3.4 The funding can be used to deliver new properties or purchase properties off plan or from the open market. It is expected that all homes delivered will be low cost/affordable housing. The type of tenancy/licence issued and its duration is for the local authority to choose and once the initial tenancy/licence has expired/ended the property is then to be used as local authority housing and homelessness responsibilities for the remainder of their lifetime or ownership of the Council.
- 3.5 The LAHF will be paid in the form of two grants under Section 31 of the Local Government Act 2003 and paid in two instalments on agreement of a Memorandum of Understanding between City of Lincoln Council (CoLC) and DLUHC.

The first payment will be for 30% of the total amount and will be made in February/March 2023. Once 60% of this amount has been spent the second payment for the remaining 70% of the funding will be made in May or July 2023 depending on when the 60% of the first instalment has been used. All funding must be used or allocated and in the process of a contractual agreement by the end of November 2023.

This process has had a short turnaround time from CoLC being notified of the funding in January to confirmation of the funding in February to enable the allocation to be split across two financial years.

#### **4. Proposed Eligibility and Allocation of Properties**

- 4.1 Those households on the following schemes are eligible for the housing:
- Afghan Citizen Resettlement Scheme (including eligible British Nationals under this scheme) (ACRS)
  - Afghan Relocations and Assistance Policy (ARAP)
  - Ukraine Family Scheme (UFS)
  - Homes for Ukraine (HFU)

- Ukraine Extension Scheme (UES)

The number of properties that CoLC have had identified for funding has been calculated using data available to DLUHC based on the number of households within the area that require or will require accommodation.

The housing need for the city has been checked and it is confirmed that there are currently a small number of households within the identified cohort requiring accommodation but there are also an increased number of households that are expected to require housing by the end of the year.

The Council will allocate the properties made available through this scheme in order of priority using the Homelessness Reduction Act and Lincoln Allocations Policy criteria.

- 4.2 There is a shortage of affordable housing available within the city and the legacy of this scheme will result in additional affordable housing being delivered for the city. It is proposed that this housing will be allocated based on the current need at the end of the first tenancy.

## **5. Proposed Next Steps**

- 5.1 A Memorandum of Understanding has been completed and returned to DLUHC and they have confirmed that the funding has been allocated and was awarded on 28<sup>th</sup> February 2023.
- 5.2 The timing for the new developments within Lincoln are not available within the funding timescales so the only option for obtaining the properties is to purchase and repair properties or to swap properties out of the council housing stock and replace them with properties funded out of the LAHF. The preferred option is to obtain new properties either within Lincoln or close to the city boundaries, if necessary.

Properties on the open market are constantly being evaluated for purchase for council housing stock or emergency and temporary accommodation. Since the LAHF was announced these properties have also been and are being assessed for the LAHF criteria.

## **6. Monitoring of the Scheme**

- 6.1 A condition of the funding is that the delivery of the scheme be monitored every two months by DLUHC via a suite of performance indicators and survey questions. It is possible to provide this data using our systems.

## **7. Strategic Priorities**

### **7.1 Let's reduce all kinds of inequality**

This funding contributes to reducing inequality by providing accommodation for families living in temporary accommodation or unsettled accommodation that is likely to be of a high cost to the families or the public purse.

## 7.2 **Let's deliver quality housing**

The delivery of this accommodation will increase the amount of affordable housing available for the city's residents through the legacy of this funding.

## 8. **Organisational Impacts**

### 8.1 **Finance (including whole life costs where applicable)**

The costings detailed in the tables below are based on an assumption of the purchase of 1 four bedroom property, 4 three bedroom properties and 4 two bedroom properties. Average market purchase prices have been used alongside average affordable rent costs.

#### Capital Implications

The table below assumes the purchase of 9 properties of varying average purchase prices, average repair costs have been assumed at £10,000 per property and other purchase costs include stamp duty, legal fees and any other associated costs of purchase. The grant amount totals £767,500 with the remaining funding split between prudential borrowing and S106 Affordable Housing funding.

	<b>2023/24 £</b>
Purchase Price	1,519,000
Repair Works	90,000
Stamp Duty Land Tax	45,570
Other Purchase Costs	32,850
<b>Total Scheme Cost</b>	<b>1,687,420</b>
Grant Funding	767,500
Prudential Borrowing	919,920
HIP Resources	90,000
S106/DRF Financing	211,120
<b>Total Funding</b>	<b>1,687,420</b>

#### Revenue Implications

Following an assessment of the revenue implications of the scheme, including the cost of depreciation, repairs and borrowing, offset by affordable rents on the properties, it is estimated that the scheme would generate a revenue surplus to the HRA. The tables below show the revenue implications for the different types of housing.

## 2 Bed (4 properties)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Scheme costs	15,432	15,508	15,584	15,664	15,744
Scheme Income	(19,392)	(20,360)	(20,972)	(21,600)	(22,248)
	<b>(3,960)</b>	<b>(4,852)</b>	<b>(5,388)</b>	<b>(5,936)</b>	<b>(6,504)</b>

## 3 Bed (4 properties)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Scheme costs	26,912	26,984	27,060	27,136	27,216
Scheme Income	(25,728)	(27,016)	(27,824)	(28,660)	(29,520)
	<b>1,184</b>	<b>(32)</b>	<b>(764)</b>	<b>(1,524)</b>	<b>(2,304)</b>

## 4 Bed (1 property)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Scheme costs	6,970	6,989	7,008	7,028	7,049
Scheme Income	(8,160)	(8,568)	(8,825)	(9,090)	(9,362)
	<b>(1,190)</b>	<b>(1,579)</b>	<b>(1,817)</b>	<b>(2,062)</b>	<b>(2,313)</b>

The final revenue and capital implications of the scheme will not be confirmed until the actual purchase prices and cost of repairs are known. Although provision will be made in the capital programme as set out above, this will be subject to a final adjustment on completion of the scheme. The revenue implications will not be included in the HRA budgets/MTFS until the properties are purchased and costs finalised.

Executive will be advised as to any changes in the total scheme cost and will be provided with quarterly monitoring updates setting out the acquisitions and expenditure to date as part of the Quarterly Financial Performance Report.

All purchases will be subject to a viability assessment by the Housing Strategy & Investment Team and the Financial Services Team and will be approved for purchase by the Director of Housing & Investment and the Chief Finance Officer, under the existing delegated authority arrangements,

### 8.2 Legal Implications including Procurement Rules

8.3 Legal Services will facilitate the purchase of the properties. The funding will be assessed for subsidy control compliance (previously state aid).

### 8.4 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

## 8.5 Land, Property and Accommodation

The purchase of these addition 9 units will add to the Council's existing housing stock offering much needed additional affordable housing which can be utilised for future housing needs and is not ringfenced for LAHF use after the initial letting.

## 9. Risk Implications

### 9.1 (i) Options Explored

The risk of being unable to fulfil the requirements of the funding within the timescale given is mitigated as DLUHC have advised that there is the option of returning funding that is not used or agreeing a delivery delay.

### 9.2 (ii) Key Risks Associated with the Preferred Approach

As above in 9.2.

## 10. Recommendation

- 10.1 It is recommended that the Executive accept the capital funding for the provision of additional local authority housing and authorise the Director of Housing and Investment, in consultation with the Chief Finance Officer, to approve the acquisition of nine properties and reflect the resulting budget implications in the Housing Investment Programme and the Housing Revenue Account.

**Is this a key decision?** Yes

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** None

**List of Background Papers:** None

**Lead Officer:** Paula Burton, Housing Strategy & Investment Manager  
Email address: paula.burton@lincoln.gov.uk