



Open

NORTH DEVON COUNCIL

REPORT TO: STRATEGY AND RESOURCE COMMITTEE

DATE: 6TH MARCH 2023

TOPIC: LOCAL AUTHORITY HOUSING FUND (LAHF)

REPORT BY: SERVICE LEAD AFFORDABLE HOUSING / DIRECTOR OF RESOURCES

1 INTRODUCTION

1.1 The Department for Levelling-Up, Housing and Communities (DLUHC) launched the new £500m Local Authority Housing Fund late December 2022. North Devon Council has been allocated £1,001,081 of capital grant funding to provide settled and sustainable housing for those unable to secure their own accommodation who are here under the Ukraine and Afghan Schemes. The housing can also be used for temporary accommodation before the need arises or once the need has been met.

2 RECOMMENDATIONS

2.1 That Members approve the use of the allocated Local Authority Housing Fund of £1,001,081 alongside 60% of capital match-funding from North Devon Council as laid out in section 5 of this report.

2.2 That subject to 2.1 above, Members recommend that Council vary the Capital Programme by £1,001,081 as detailed above and that funds be released, subject to a Memorandum of Understanding with the Department for Levelling-Up, Housing and Communities upon such terms and conditions as may be agreed by the Director of Resources and Deputy Chief Executive and the Senior Solicitor and Monitoring Officer.

3 REASONS FOR RECOMMENDATIONS

3.1 To help move families out of Home Office bridging accommodation into stable homes where they can be enabled to live in a secure home.

3.2 To provide 9 additional units of temporary accommodation until the refugee need arises and once it is matched.

3.3 To reduce the financial costs of providing temporary accommodation.

4 REPORT

4.1 The Department for Levelling-Up, Housing and Communities (DLUHC) launched the new £500m Local Authority Housing Fund (LAHF) late December 2022. The main aim is to support local authorities to help move households out of the Home Office bridging accommodation. As with many areas – NDC is already facing increasing pressures on homelessness services and additionally families will at some point need to leave sponsorship accommodation arrangements so action is needed now.

4.2 NDC has been allocated £1,001,081 of grant funding. The grant can be used for 40% of the capital costs for 9 properties (8 properties to suit the local needs and provision of one 4+bed house), which aim to be delivered by the long stop date of 30th November 2023.

4.3 Officers submitted the validation form earlier this month in order to register interest in the scheme but this is not a commitment to receiving the funding or delivering the programme.

4.4 Members are now asked to approve the approach that Officers have put forward and approve the match-funding to make this happen as outlined below and in section 5.

4.5 Officers originally put forward 3 options ranked in preferred order:

4.5.1 Option 1: The purchase of 3 open market units (2 x two or three bedroom homes and 1 x four bed home) and the construction of 6 modular units.

4.5.2 Option 2: If the modular build element in option 1 cannot be delivered in time, the purchase of 9 units on the open market.

4.5.3 Option 3: If option 1 nor option 2 can be delivered, delivery through a Registered Provider. Officers have spoken with Registered Providers in our area and many are interested in this fund, some via possible stock sale enquiries from developers.

4.6 Following further research into the 3 options; Officers are proposing Option 2 – the purchase of 9 units on the open market as the most viable option at this time. This is because the modular housing option albeit offering a quick construction and installation timeline, will involve obtaining planning and will take more time than the deadlines allow to fully develop and consult.

4.7 The proposed approach would work in the following way:

4.7.1 Utilise the LAHF to increase NDC's temporary accommodation stock (Officers anticipate an increased demand from the Homes for Ukraine scheme, but this has not yet materialised and in the meantime housing stock should be effectively managed to ensure they are not left void).

4.7.2 Use the enhanced stock to immediately increase our efficiency/capacity.

4.7.3 When the demand from clients who are currently in the Homes for Ukraine scheme impacts, NDC would be better placed to meet their housing needs alongside the current increasing demand from the local population.

4.7.4 Moving forwards, NDC is intending to establish alternative housing delivery models. This would allow us to potentially switch a property from temporary accommodation to settled accommodation (a licence to an Assured Shorthold Tenancy) without the tenant being displaced. We already use this model in an initiative to help care leavers, with positive results.

4.8 A fall-back position to option 2, is to continue to deliver via Registered Providers if the above proves too expensive to procure or the timescales affect the deliverability of the scheme by the funding longstop deadline. Clearly, Registered Providers would need adequate notice to procure such units if NDC decides to fall back onto option 3.

4.9 In order to receive the grant payment in March 2023, a Memorandum of Understanding must be signed by 15th March 2023 between DLUHC and North Devon Council otherwise there is a risk that the full funding will not be available due to the reallocations process of any unclaimed monies.

5 RESOURCE IMPLICATIONS

5.1 The LAHF grant is divided into 2 elements: The main element to cover 8 x 2-3 bed homes and the bridging element for the purchase of 1 x 4+ bed home. There is a capital grant element for purchasing the properties and there is an unringfenced grant per unit that can either also be used to buy the properties or can be used to refurbish them. It also comes with specific usage expectations as outlined in the following paragraphs 5.2-5.4:

5.2 **Main capital grant** of £800,000 is broken down into:

£80,000 x capital for 8 x 2-3 bedroom houses PLUS £20,000 x 8 unringfenced

Year 1 2022/23 allocation: £240,000

Year 2 2023/24 allocation: £560,000

5.2.1 **Bridging capital grant** of £201,081 is broken down into:

£181,081 x capital for 1 x 4+ bed home PLUS £20,000 unringfenced

Year 1 2022/23 allocation: £60,324

Year 2 2023/24 allocation: £140,757

5.2.2 **Total capital grant** of £1,001,081 is broken down into:

Year 1 2022/23 allocation: £300,324

= 30% is paid Q4 2022/23 (30% of £1,001,081 = £300,324)

Year 2 2023/24 allocation: £700,757

= 1. NDC has to spend 60% of the Year 1 2022/23 total allocation above, which amounts to £180,195 (60% of the £300,324) before June 2023.

= 2. Then, the remaining 70% is paid 2023/24 (70% of £1,001,081 = £700,757)

5.3 NDC will need to gap-fund 60% of the capital required amounting to around £1,230,000. A separate report on increasing the capital acquisition of temporary accommodation with a request to vary the NDC capital programme by a further £2m was approved by Members at Full Council on 22 February 2023. Therefore pending option 2 and/or option 3 as set out above being delivered; the capital programme funding already approved for temporary accommodation can be used as the element of match funding from the Council towards delivery of the LAHF.

5.4 Some refurbishment is covered by the LAHF financial modelling (the additional “unringfenced” grant of £20,000/unit as mentioned in paragraphs 5.1 and 5.2). This is a nominal amount for refurbishment costs per property, however this can be used towards the purchase of the property itself if for example officers looked at purchasing newer properties or a new build home where refurbishment requirements were minimal.

5.5 NDC also have a planned and response maintenance fund of around £2,000-£3,000 per temporary accommodation property. Additionally, the Council has an earmarked Repairs Fund reserve for its wider asset base maintenance programme. There may also be the opportunity to direct Disabled Facility Grants or Eco funding into the property depending on the tenant and their circumstances.

5.6 Interest rates continue to increase so the timing of any future borrowing, such as the NDC element for the temporary accommodation funding as outlined in the February report to Members, is dependent on how the authority manages its overall treasury activity and due to previously unprecedented low interest rates and reduced returns on investments the current strategy has prudently been for the Council to ‘internally borrow’ and use these monies to fund the wider Capital Programme. This has resulted in a reduction in loan interest payments during the 2022-23 year.

5.7 At 6 February 2023 Strategy and Resource Committee, Members approved placing this budget underspend on current borrowing costs into a new Treasury Management Reserve to mitigate against higher interest rates as we move into the 2023/24 and 2024/25 years. Any future borrowing would as far as possible, continue to be via internal borrowing but could also be via Public Works Loan Board (PWL) external borrowing and the rental income generated from renting the properties would support borrowing costs, as highlighted below in table 1. The rental charged must be a rental product that is defined as “affordable” e.g. Social rent, Intermediate Rent, Affordable Rent etc.

Table 1: Rental income comparison by bedsize at Local Housing Allowance and 80% of Open Market Rent as rent examples.

| | Local Housing Allowance available for eligible tenants/month – also as example of an Intermediate Rent that could be charged by NDC | Open Market Rent/month (ONS Private Rental Market stats 1/10/21 – 30/9/22) | 80% Open Market Rent/month as an example of rent that could be charged by NDC |
|-----------|--|---|--|
| 2b | £550.02/month | LQ £600 Median £650 UQ £705 | LQ £480 Median £520 UQ £564 |
| 3b | £650.00/month | LQ £725 Median £795 UQ £875 | LQ £580 Median £636 UQ £700 |
| 4b | £795.00/month | LQ £895 Median £1,010 UQ £1,300 | LQ £716 Median £808 UQ £1,040 |

6 EQUALITIES ASSESSMENT

6.1 The funding is only available for the purpose of rehousing those families under the Afghan and Ukraine schemes, unless that need has not arisen or is no longer there (i.e. the family decides to move elsewhere or is one day able to return home and there is no other need within the refugee schemes) in which case it can be used for temporary accommodation.

7 ENVIRONMENTAL ASSESSMENT

7.1 If officers are able to buy new builds within the funding available this ensures that the housing is sustainable and energy efficient both for the environment and in terms of being less expensive to run for future tenants. There is also separate unringfenced funding per unit and internal funds to refurbish any units of existing open market housing that is purchased to bring it up to higher environmental standards in terms of heating and water if possible.

8 CORPORATE PRIORITIES

8.1 The subject of this report has a positive impact on regeneration and economic development by attracting over £1 million of external funding into the District. This is in addition to the social value of creating affordable housing and the resultant individual and wider public health cost benefits and health outcomes of a safe and decent home.

9 CONSTITUTIONAL CONTEXT

9.1 Part 3, Annexe 1, paragraph 1(d) (Delegated).

9.2 Article 4.5.19 (Referred)

10 STATEMENT OF CONFIDENTIALITY

10.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

11 BACKGROUND PAPERS

11.1 The following background papers were used in the preparation of this report:

- Local Authority Housing Fund Prospectus and Guidance, December 2022, DLUHC
- Local Authority Housing Fund Validation Form submitted February 2022
- Local Authority Housing Fund Memorandum of Understanding template

The background papers are available for inspection and kept by the author of the report.

12 STATEMENT OF INTERNAL ADVICE

12.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Jon Triggs/Jaimie Jeyes
Reference: March 2023 S&R - LAHF

Date: 14/2/2023