

RUNNYMEDE BOROUGH COUNCIL

**CONSULTATION WITH APPROPRIATE CHAIRMAN AND VICE- CHAIRMAN FOR URGENT ACTION
TO BE TAKEN UNDER STANDING ORDER 42**

**To: Cllrs J Gracey & J Hulley
Chairman and Vice- Chairman of the Housing Committee**

Date: 3 February 2023

Report Author: Andy Vincent/ Mark Bawden

Report Title: Local Authority Housing Fund

SO42 Proforma number: 1015

1. Synopsis of Report.

Runnymede Borough Council have been provisionally allocated grant funding of £1,435,376 through the Department for Levelling Up, Communities and Housing's (DLUCH) new Local Authority Housing Fund (LAHF).

The LAHF provides capital funding to Local Authorities (LAs) to enable the provision of housing for displaced households from Ukraine and Afghanistan.

This report sets out,

- The reasons why this matter cannot wait for a Committee Decision,
- The context of this report and a breakdown of the provisional allocation,
- A high-level financial appraisal of the scheme,
- The suggested route to delivering of the new homes.

2. Reasons why this matter cannot wait for a Committee Decision.

On 21st December 2022 DLUCH announced the new £500m LAHF which will run over financial years 2022-23 and 2023-24.

On 9th January 2023 RBC's Chief Executive was informed of the provisional LAHF allocation of £1,435,376. Councils were required to complete a validation form by 25th January 2023, which provided DLUCH with an expression of interest. This form was completed under the Authority of RBC's Section 151 Officer, indicating that RBC could provide the 8 homes that the provisional allocation allows for, subject to internal approval.

The next steps require a Memorandum of Understanding (MoU) to be signed in March 2023, committing to delivery of the requested number of units.

Properties should be acquired before the "target date" of 30th November 2023, however payments will be honoured by DLUCH if delivery is within the financial years 2022/23 and 2023/24.

To meet the required timescales, it will be necessary to access the market at the earliest possibility.

Below is a proposed timetable for seeking internal approval and formally agreeing to the LAHF scheme with DLUCH.

- Report to Corporate Management Committee – 23/02/2023
- Report to Full Council – 02/03/2023
- Signing of MOU by Section 151 Officer – 03/03/2023

The exact mix of units, their location and the rent that is charged will be authorised by the Corporate Head of Housing, ensuring the best affordability for future tenants without exceeding a repayment period of 35 years (see financial appraisal for current projection).

3. Recommendations.

- i. That the Council sign-up to the LAHF.
- ii. That the suggested delivery route is adopted.
- iii. That it is recommended to Corporate Management Committee and Full Council a total budget of £3,186,752 to purchase 8 properties to fulfil the requirements of the LAHF terms be approved, repurposing existing budgets within the current capital programme. The total budget is made of the £1,435,376 provisional allocation from DLUCH and £1,751,376 from the HRA.
- iv. That the additional use of the HRA working balance of £390,000 due to the unavailability of 1-4-1 receipts for this scheme be approved.
- v. The Corporate Head of Housing will, in consultation with the Chair and Vice Chair of Housing Committee, determine rent levels related to properties included in this scheme.

4. Context of report.

150,000 people from Ukraine have come to live in the UK through the Ukraine Family Scheme and Homes for Ukraine Scheme. Prior to that 23,000 people from Afghanistan, who worked alongside the British Government, have come to the UK. Of those around 9,200 are living in bridging hotel accommodation.

The LAHF provides Councils with capital funding to secure move on and settled accommodation for Ukrainian and Afghan households. In their notification to RBC DLUCH state "As well as helping to fulfil the UK's humanitarian duties to assist those fleeing war, the fund will create a lasting legacy for UK nationals by providing a new and permanent supply of accommodation for LAs to help address local housing and homelessness pressures."

The funding presents an opportunity for RBC to increase the housing stock within its ownership. After the initial letting to the LAHF designated cohort, the units will become part of RBC's general needs Housing Revenue Account stock.

It should be noted that the LAHF provides LAs with capital funding for property purchases and does not include revenue funding for support services.

5. Report and, where applicable, options considered

The LAHF is broken down into two elements, the Main element, and the Bridging element.

The **Main element** seeks to provide family sized accommodation (with two – four+ bedrooms) to the entire cohort, i.e., people that are resident in the UK under the following schemes,

- 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), and
- Ukraine Extension Scheme (UES)

RBC have been provisionally allocated £1,092,000 for the Main element. This funding provides 40% of the purchase of properties with the remaining being funded by the RBC HRA Revenue budget. This is assessed via DLUCH's formula to be sufficient to purchase 7 properties.

The **Bridging element** provides funding for some of the 9,200 people currently living in Home Office bridging accommodation who are being resettled via the Afghan Relocations and Assistance Policy and the Afghan Citizens Resettlement Scheme. This fund aims to support local authorities to help move more households out of bridging accommodation and focusses on the delivery of large family homes with four or more bedrooms.

RBC have been provisionally allocated £343,376 for the Bridging element. This funding can provide 50% of the purchase with the remaining being funded by RBC. This is assessed via DLUCH's formula to be sufficient to purchase a minimum of 1 property.

Included within both elements is an Improvement Budget. This is an average allocation of £20,000 per property for other costs such as refurbishment, energy efficiency measures, legal costs, valuations, decoration, furnishings or other costs to prepare the property for letting. How the Improvement Budget is spent is left to the discretion of each LA, i.e., it does not need to be spent equally across the properties.

The match funding that RBC would need to contribute, based on DLUCH's requirements for the number of new homes and estimated purchase prices, is a maximum of £1,751,376 although this figure may be lower if properties with lower values are identified.

"The basic model assumes stock acquisition. In practice this could include, but is not limited to:

- Refurbishing and/or converting local authority-owned residential or non-residential buildings, including defunct sheltered accommodation;
- Acquiring, refurbishing and/or converting non-local authority owned residential or non-residential buildings, including bringing empty or dilapidated properties back into use;
- Acquiring new build properties 'off-the-shelf', including acquiring and converting shared ownership properties;
- Developing new properties, including developing modular housing on council-owned sites, and;
- Working with and supporting other organisations who want to offer accommodation for this cohort."

LAHF, Prospectus and Guidance, DLUCH (December 2022)

Properties should be available before the "target date" of 30th November 2023, however payments will be honoured by DLUCH if delivery is within the financial years 2022/23 and 2023/24.

Financial Appraisal

RBC's current pipeline for the delivery of new build homes does not anticipate delivery before the target date of 30th November 2023 or before the absolute deadline of 31st March 2024. Further to this, providing all of the 8 LAHF homes in one place may not be seen to support achieving balanced and

inclusive communities. It is therefore proposed that stock acquisition is the route that would be most appropriate. This option presents the lowest impact on those that are already seeking affordable housing in Runnymede and means that the LAHF properties will be distributed across the Borough.

The following mix of homes is proposed, this represents the use of the maximum grant allowance and it may be possible to purchase cheaper properties.

Element	Size of Properties	Number of Units	Average Price
Main	Two bedrooms	4	£310,000
Main	Three bedrooms	3	£380,000
Bridging	Four(+) bedrooms	1	£646,752
		Total acquisition costs (ex. costs)	£3,026,752

The LAHF seeks family sized accommodation. The exact mix that can be achieved for the Main element will be dependent on the availability and cost of properties. DLUCH has expressed a preference for larger homes. The Bridging element allocation could mean that it is possible to buy a property with more than four bedrooms, however, the resulting affordability of that home for future residents will need to be considered. It is not possible to mix grant from the Bridging element to increase the Main element or vice versa.

Early financial appraisals have been carried out to show the benefit of utilising the LAHF grant, a summary is included below.

Element	Properties	Estimated costs ^(a)	Payback period
Main	4 x Two + 3 x Three bedrooms properties	£2,520,000 ^(b)	23 years
Bridging	1 x Four bedroom property	£666,752 ^(c)	35 years

^(a) costs include acquisition, works, legal fees, valuations, decoration, furnishing, etc.

^(b) based on 4 x two bedroom and 3 x three bedroom homes (average price plus £20,000 improvements per property).

^(c) this represents a purchase price of £646,752 for the purchase of 1 x four(+) bedroom property (average price plus £20,000 improvements per property).

It is intended that these properties will be let at Affordable Rent levels. The above projected payback periods are based upon rents that are up to 80% of the market rent. The exact mix of units, their location and the rent that is charged will be authorised by the Corporate Head of Housing in consultation with the Chair and Vice Chair of Housing Committee, ensuring the best affordability for future tenants without exceeding a repayment period of 35 years. It will be particularly important to ensure the four-bedroom property is let at the lowest possible rent as the benefit cap may otherwise render this property unaffordable to tenants. Furthermore, DLUCH are keen to ensure that the cohort are given the best possible opportunities to secure employment. Lower rents are known to enable an easier transition from benefit to employment income.

The capital that is required for the match funding is being rediverted from the 2023/24 street purchase programme and new build activities set out in the Capital Programme approved at full Council on 9 February 2023.

Route to delivery

Securing the additional homes for the scheme would be achieved in much the same way as similar street purchase programmes.

A cascade of purchasing options will be considered in the order set out below,

- 1) Properties where RBC is the freeholder or where the title absolute is available in areas where RBC have stock,
- 2) Freehold properties in other suitable locations,
- 3) Properties where RBC can purchase a share of a freehold.

4) Properties where RBC would become a leaseholder.

Leaseholders will be contacted to ask whether they are considering selling their property. Buying back leasehold properties holds other benefits for the Council in terms of the management and maintenance of blocks of flats.

The projected delivery of the units and associated spend is set out below. Property purchases can be delayed for a number of reasons but where possible purchases will be completed earlier than scheduled, if at all possible. Acquisitions will come before the spend on the repairs and on-costs.

Quarter	Units acquired	Acquisition costs	Repairs and on-costs	Total
Q1 2023/24	2	£690,000	£10,000	£700,000
Q2 2023/24	3	£1,190,000	£90,000	£1,426,752
Q3 2023/24	3	£1,000,000	£60,000	£1,060,000
	8	£2,880,000	£160,000	£3,186,752

DLUCH require updates every two months to monitor performance.

6. Policy framework implications

The Housing Development Strategy, adopted September 2021, seeks to deliver 125 new affordable homes within 5 years. These homes will contribute towards this target.

7. Financial and Resource implications

It is proposed that funds that had been earmarked for street purchases (£1.3m) and new build activities (£0.451m) in the 2023/24 Capital Programme are rediverted to provide the match funding for the LAHF homes.

The grant levels available through the LAHF provide an opportunity for RBC to increase the number of housing properties.

It is not possible to mix other government support (e.g., Homes England grant or Right to Buy 1-4-1 receipts) with the LAHF. This means that there will be an additional call on the HRA revenue budget of £390,000 in the short term as the 1-4-1 receipts that would have been used to offset the street purchases will need to be replaced by the HRA working balance. This does however mean that these 1-4-1 funds will be available to offset other scheme costs in the future. To minimise the level of call on the HRA working balance, if other sources of income can be identified, they will take precedence.

Total financing will therefore be as follows:

Quarter	Total
LAHF Funding – Main element	1,092,000
LAHF Funding – Bridging element	343,376
Total LAHF Funding	1,435,376
HRA Working Balance	1,751,376
Total Budget	3,186,752

The units would be delivered without the need for additional staff resource.

8. Legal implications

Legal colleagues have already been consulted. Neither the validation form nor the MoU seek to place any legal duties on RBC.

It is intended that the purchases will be dealt with in house, subject to review of workloads and timescales, and as such the option to instruct external legal help will remain in place.

9. Equality implications

Equality implications need to be considered when households are placed into new homes. For example, mobility needs need to be taken into account when considering the accommodation.

10. Other implications

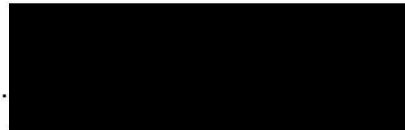
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11. Background papers

None

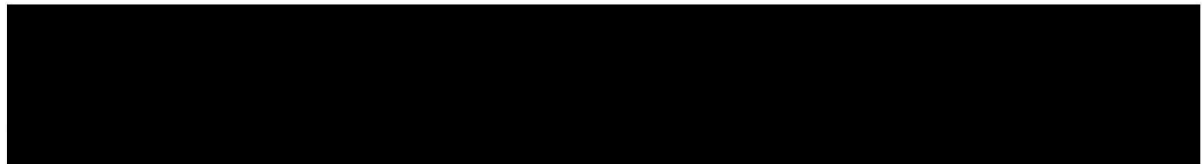
12. Chief Officer(s) Decision

Signature of authorised officer



I have been consulted and am in agreement with the above

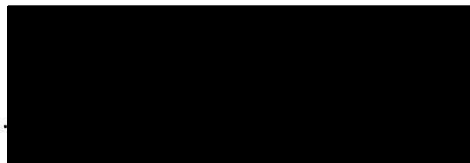
Signature(s) and position(s) of other relevant Chief Officer, Corporate Heads, or authorised representatives



NB: this must include the Assistant Chief Executive or their authorised representative where the decision involves expenditure, loss of income, or future implications for budget or financial forecast.

13. Chief Executive's Decision

Signature of Chief Executive



I have been consulted and am in agreement with the above

14. **Chairman and Vice-Chairman Comments**

I concur in the Chief Officer's decision

Signed _____

Date 9/12/23

Signed _____

Date 9/12/23

I have the following further comments:

Further information may be obtained from Andy Vincent – Corporate Head of Housing or Mark Bawden – Housing Development Manager.

The completed copy is to be returned by the Councillors to the Corporate Head of Law and Governance (Mario Leo) who will send a copy to the Chief Officer and report to the relevant Committee for information.