

Title: Local Authority Housing Fund Award Round 2

Lead Officer: Lisa Barker

Portfolio Holder: Councillor Wightman

Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder		Cllr Paul Wightman
Finance	15.6.2023	Victoria Bamber
Legal Services		
Chief Executive	8.6.2023	Chris Elliott
Head of Service(s)	08.06.2023	Lisa Barker
Section 151 Officer	19.06.2023	Andrew Rollins
Monitoring Officer	15.06.2023	Andrew Jones
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	No Recommendation to: Council	
Contrary to Policy / Budget framework?	Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Summary

The Department for Levelling Up, Housing and Communities (DLUHC) has advised that Warwick District Council is eligible for a grant award of £919,200 from a national award of £250 million to support the purchase of 6 properties to provide sustainable housing primarily for Afghan families seeking refuge in the area. The aim of the report is to seek approval for the purchases and the additional funding required to complete the purchases within the required timeframe.

Recommendation(s)

1. That Cabinet recommends to Council a total expenditure budget allocation of up to £2,046,780 to purchase 6 dwellings in the Housing Revenue Account (HRA) and enter into applicable necessary legal agreements to purchase the dwellings. Of this total the HRA will fund £1,127,580 and DLUHC grant of £919,200 will provide 40% match funding for the purchase of 6 properties and to allow for potential sustainability/ environmental improvements to the properties.
2. That Cabinet delegates authority to the Head of Housing to purchase the properties, entering into any necessary legal agreements.
3. That Cabinet delegates authority to the Head of Housing in consultation with the Portfolio Holder for Housing to determine the optimum means of allocating these properties.
4. That Cabinet delegates authority to the Head of Finance in consultation with the Portfolio Holders for Finance and Housing and the Head of Housing to determine the means of financing the scheme.

1 Reasons for the Recommendation

1.1 Background to the Local Authority Housing Fund Scheme (LAHF)

1.1.1 The LAHF was launched on 14 December 2022. The details of the fund were shared with the Council in the document 'Local Authority Housing Fund – Prospectus and Guidance' ('the Prospectus'). It is a £500m capital grant fund to support local authorities in England to provide sustainable housing for those unable to secure their own accommodation i.e., Afghan and Ukrainian refugees. On the 7th June, DLUHC wrote to WDC to announce round 2 of the scheme and to advise that WDC was eligible for further grant.

1.2 Objectives of the LAHF Scheme

1.2.1 The objectives of the scheme are:

- 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 those owned homelessness duties by local authorities.
- Reduce emergency, temporary and bridging accommodation costs.
- Reduce impact on the existing housing and homelessness systems and those waiting for social housing.

1.3 LAHF Scheme

- 1.3.1 The DLUHC has awarded Warwick District Council a total of £919,200 which is consistent of two separate grant elements.
- 1.3.2 The First element is £799,200 to purchase:
- 5 properties for households that meet the eligibility criteria referred to as the 'the resettlement element';
 - 1 property to be allocated to temporary accommodation.
- 1.3.3 The £799,200 grant represents 40% of the purchase price.
- 1.3.4 There is also a grant allocation of £120,000 which is £20,000 per property to cover other expenses. These expenses can include the purchase price, stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent and potentially irrecoverable VAT incurred on these items. The Council should ensure it complies with the CIPFA Code of Practice for Local Authority Accounting.
- 1.3.5 The DLUHC have applied a deadline that the properties have to be acquired by 29th March 2024.
- 1.3.6 The purchase can be new build, existing dwellings, those requiring refurbishment and any combination to meet the scheme requirements by the stated deadline.
- 1.3.7 The 5 resettlement properties are solely for Afghan households whereas the 6th property can be used to provide quality temporary accommodation to those owed a homelessness duty by local authorities. This presents problems for authorities in that Council homes must only be allocated through its published Housing Allocations Policy. DLUHC propose that Councils use Local Lettings policies or provide the properties through a Registered Provider or the Councils Local Housing Company. There are advantages and disadvantages of each of these methods and further work is required to establish the optimum means of allocating these properties.

2 Alternative Options

- 2.1.1 An alternative option is to refuse the allocation and not purchase additional properties to assist the Afghan and Ukrainian refugees. However, grant is being provided to assist with the purchase of properties and it will contribute to the number of social properties in the District.

3 Legal Implications

- 3.1 There are legal implications concerning the households who are housed in the purchased properties. For those not in bridging accommodation, the local authority does not have to have accepted a Housing Act 1996 Part 7 homelessness duty in respect of the household for the household to be eligible, but the local authority should satisfy themselves that the household is already or would otherwise be homeless or at risk of homelessness if this accommodation was not available.
- 3.2 At the point of writing this report we are seeking professional advice on the Housing Allocations, tenancies and licences required to house this cohort.

4 Financial

- 4.1 To purchase the 6 dwellings a mix of Public Works Loans Board (PWLB) borrowing and grant from DLUHC's Local Authority Housing Fund (LAHF) will be

required. As per the conditions in the Memorandum of Understanding (MOU) between DLUHC and the Council It is not possible to use other HRA capital receipts to fund the purchase of these dwellings such as Right to Buy or S106 receipts.

- 4.2 A full lifecycle payback appraisal has been completed to assess the viability of the overall LAHF Scheme and it has been deemed viable with a real time payback of 26 years as noted in the below table summarising the appraisal costs.

Development Vehicle	HRA
Payback Period in Years	26
Number of Units	6
Legal, Valuation & Other Fees	28,800
STLD (Exempt)	-
Acquisition Expenditure	1,998,000
Other acquisition Related Costs & Contingencies	19,980
Grant for Dwellings	- 799,200
Grant - Extra £20k per dwelling	- 120,000
Total Loan Required	1,127,580
Borrowing Interest Expenditure	1,508,154
HRA Management, Major Repairs, Insurance & Maintenance Expenditure	344,119
Net Position Excluding ongoing Management and Rents	2,979,853
Income from Affordable Rents	- 3,282,198
Less 3% Voids	98,466
Less 2% Bad Debts	65,644
Less Income loss from RTB at 5%	138,235
Total Income	- 2,979,853
Net Impact (0 = Breakeven)	- 0
Financially Feasible?	Yes

- 4.3 A cashflow of the financial appraisal has also been modelled over the payback period which confirms that that the income from rent will fully fund the repayment of the loan interest and all other costs for all years of the scheme and does not put any financial burden on the HRA Business Plan also being presented to March Cabinet alongside this report.
- 4.4 As per the DLUHC LAHF MOU, the 6 dwellings will need to charge an affordable rent in line with the national rent policy which is 80% of Local Market Rent. Where benefit is used to pay the rent by the tenant it will be fully benefit eligible.
- 4.5 It is Council Policy to secure 40-year PWLB loans for dwelling acquisition. Borrowing from the PWLB will be required and a forecast of the % interest rate has been calculated as 5.02% using the PWLB rate at the time of writing this report of 5.62% less the -0.2% PWLB certainty rate discount and the 1 year only HRA special -0.4% reduction rate that is allowed to be applied to borrowing.
- 4.6 The Loan will need to be an annuity loan which means the loan capital and interest is paid off annually over the 40-year term using the income from the rents in a similar fashion to a traditional house buyers' mortgage.

- 4.7 As outlined, the main element of the grant consists of 40% of the total funding which in real terms means the Council will receive £919,200 which will be paid in two instalments of 30% in 2023 in either July or August and 70% of funding in October/December after demonstrating that 60% of the first payment has been committed (earliest payment point September 2023) as noted in the below table:

	Tranche 1 allocation	Tranche 2 allocation	Total grant
Total funding	£275,760	£643,440	£919,200

- 4.8 It has been identified that to meet the cost criteria and to deliver the scheme in the proposed timeframes, purchases on the open market are the preferred approach. However, private developers may be prepared to offer properties.
- 4.9 The properties will be eligible to the usual social and affordable housing Right to Buy Legislation; but as they are partly funded from DLUHC grant there may be exemptions from the Right to Buy Capital Receipts Pooling that could be claimed to enable the Councils HRA to retain more of the capital receipts. The RTB Capital receipts are usually paid in part to the Government Treasury Department with a percentage of the receipt being retained to recycle back into acquiring replacement dwellings.
- 4.10 In line with the MOU If properties are disposed of at any point in the future, they will be subject to the Recycled Capital Grant regulations which the Council already has in place linked to the Homes England Affordable Homes Programme. This means that any capital receipts received from the sale of the dwellings must be recycled to buy other housing stock or repaid to DLUHC.
- 4.11 Stamp Duty Land tax (SDLT) has been excluded as part of the Spring Budget 2023, the Chancellor announced a change to the Stamp Duty Land Tax (SDLT) rules to ensure that purchases made by registered providers of social housing using the Local Authority Housing Fund (LAHF) qualify for the exemption from SDLT. Section 71 of Finance Act 2003 (certain acquisitions by registered social landlords) is amended to ensure that purchases of social housing (as defined by Part 2 of the Housing and Regeneration Act 2008) made with the assistance of a grant given under section 31 of the Local Government Act 2003) qualify for the SDLT exemption. This change has effect for transactions which complete, or which substantially perform, on or after 15 March 2023.
- 4.12 At the time of writing this report, this scheme is financially viable on its own merit and does not require funding to be injected from the overall HRA finances if borrowing is used as the core source of financing along with grant. However if PWLB borrowing rates continue to increase due to the recent gilt market issues causing inflated borrowing rates there will have to be an injection from other HRA capital receipts where allowed and the option of using the HRA Capital Investment Reserve (CIR) to mitigate any further increases in Interest Rate %'s, extending the lifecycle payback of the scheme up the industry averages of 40-50 years is another option that could be adopted. It is noted that the current 2023/24 Opening Balance of the HRA CIR after considering the draft 2021/22 year-end financial statements transactions is estimated at £25.5m pre sign off from the Councils External Auditors Grant Thornton.

- 4.13 An estimated cost of this scheme will be factored into the revised HRA Business Plan Report & HRA Housing Investment Plan which is next due to be presented to Cabinet in December 2023.

5 Business Strategy

The LAHF complies with the Business Strategy in the following way:

- 5.1 Health, Homes, Communities - The proposals support increasing homes for residents living in safe and secure homes and environments.
- 5.2 Green, Clean, Safe – The purchase of housing to meet the needs of the client group would be providing safe housing for vulnerable households.
- 5.3 Infrastructure, Enterprise, Employment – There are no direct impacts for this aspect of the strategy.
- 5.4 Effective Staff - There are no direct service impacts by these proposals.
- 5.5 Maintain or Improve Services – There are no direct service impacts by these proposals.
- 5.6 Firm Financial Footing over the Longer Term. The proposals enable the purchase of additional properties with grant support with the rental income paying loan finance and complying with this strategic aim.

6 Environmental/Climate Change Implications

- 6.1 When the properties are purchased, either existing or new build, the aim will be to identify properties with EPC ratings C and above to ensure they meet decent homes standards and do not require further expenditure to meet environmental quality standards.

7 Analysis of the effects on Equality

- 7.1 There are no implications on equality with this project.

8 Data Protection

- 8.1 There are no data protection implications with this project.

9 Health and Wellbeing

- 9.1 This project will provide 6 additional homes to provide safe accommodation.

10 Risk Assessment

- 10.1 The principal risks and mitigations associated with the project are:

Key risks	Mitigation
Lack of resource to project manage the scheme and purchase the properties by the deadline of 24 th March 2024. This is for the purchases, but also the assets team to organise works and landlord services and allocations to ensure a smooth process for the tenant and all concerned.	Existing member of staff identified to project manage. All other teams being advised as soon as possible to make resources available. External resource can be utilised using the £20,000 resource.

Reputational issues such as queue jumping by groups identified	Well thought out communications around the scheme to be arranged
Principal of the loan refused	Ensure that information is forthcoming when required
Lack of housing stock for sale to meet the scheme objectives for the affordable prices	Prepare marketing strategy for this eventuality.
Covid pandemic reoccurring	Ensure officers are aware of the current situation and health and safety issues.
Loss of rent payments when properties purchased to support the loan	Close working with partners
Lack of support for the tenants housed in the properties	Continued meetings with County and associated colleagues to ensure that support is provided
Public Works Loans Board Borrowing Rates increasing due to current UK Gilt Market problems causing inflation on the % rate the Council can borrow funds.	Adopt flexibility on the application of capital receipts financing and the use of the HRA CIR on a temporary basis where required to enable the financing to be flexible enough to cope with the fluctuating % rates. Seek best value at all times where acquisitions and costs are concerned and continually review the financial viability of the scheme.

10.2 Surveys will be undertaken of the properties before they are purchased to ensure they are of a suitable standard and size.

10.3 £20,000 of the grant per property can pay for surveys and furnishings for the intended purchases.

Background papers:

Department for Local Government Levelling Up, Housing and Communities, Local Authority Housing Fund: Round 2 prospectus and guidance

Local Authority Housing Fund Award. Item 5 Cabinet meeting 8th March 2023.

Supporting documents:

Local Authority Housing Fund Round 2 prospectus and guidance