

Title: Local Authority Housing Fund Award
Lead Officer: Lisa Barker
Portfolio Holder: Councillor Jan Matecki
Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder		Cllr Jan Matecki
Finance	22.02.2023	Victoria Bamber
Legal Services		
Chief Executive	22.02.2023	Chris Elliott
Head of Service(s)	16.02.2023	Lisa Barker
Section 151 Officer		Andrew Rollins
Monitoring Officer	17.02.2023	Andrew Jones
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	Yes 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 awarded Warwick District Council a grant of £2,820,431 from a national award of £500 million to support the purchase of 21 properties to provide sustainable housing for Afghan and Ukrainian 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 £6,282,550 to purchase 21 dwellings in the Housing Revenue Account (HRA). Of this total the HRA will fund £3,672,119 and DLUHC grant of £2,820,431 will provide 60% match funding for the purchase of 19 properties comprising the "main element" and for 50% towards the funding for the purchase of 2 properties to meet housing for the "bridging element" of the grant programme and to allow for potential sustainability/ environmental improvements to the properties.
 2. 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.
 3. That Cabinet delegates authority to the Heads 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.
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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.

1.2 Objectives of the LAHF Scheme

- 1.2.1 The objectives of the scheme are:

- To 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 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;

Given the objectives of the fund, those eligible for the housing are those who are homeless, at risk of homelessness or who live in unsuitable Temporary Accommodation (including bridging accommodation) and who also meet the below definition.

Those on the:

- 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)
- 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 pressures 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 £2,820,431 to purchase:

- 19 properties for households that meet the eligibility criteria referred to as the 'the main element';
- 2 x 4 bed properties to be allocated to households currently in bridging accommodation referred to as the bridging element.

1.3.2 The grant represents 40% of the purchase price for the main element and 50% for the bridging element. There is an allocation of £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 Code of Practice for Local Authority Accounting.

1.3.3 The DLUHC have applied a deadline that the properties have to be delivered by 30 November 2023.

1.3.4 The purchase can be new build, existing dwellings, those requiring refurbishment and any combination to meet the scheme requirements by the stated deadline.

1.3.5 The properties are solely for Ukraine and Afghan households. 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.

4 Financial

4.1 To purchase the 21 dwellings a mix of Public Works Loans Board (PWLB) borrowing and grant from DLUCH's Local Authority Housing Fund (LAHF) will be required. As per the conditions in the Memorandum of Understanding (MOU) between DLUCH 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 26.45 years as noted in the below table summarising the appraisal costs.

Payback Period - Years	26.45
	£
STLD – Higher Rate	780,050.00
Purchase price	5,797,250.00
Legal fees	5,250.00
Total Acquisition Cost	6,582,550.00
Less LAHF Grant	- 2,820,431.00
Loan Interest - 40 years PWLB	3,419,921.97
Management, Major Repairs & Maintenance	2,443,294.54
Insurance	180,867.24
Total Net Expenditure	9,806,202.74
Income from Affordable rents	- 10,374,868.31
Less 3% Voids Loss	311,250.93
Less 2% Bad Debts Loss	207,500.62
Less Council Tax Voids	49,914.03
Total Income	- 9,806,202.74
Net Impact	0.00

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 DLUCH LAHF MOU, the 21 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 provided by Link Treasury Management of 3.7% being the likely Percentage rate at the point the borrowing will need to take place. This % rate is net of the -0.2% PWLB certainty rate discount 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 and 50% for the bridging element which are 4-bedroom properties which in real terms means the Council will receive £2,820,431 which will be paid in two instalments of 30% in 2023 before 31st March and 70% before the 23rd of November 2023 as noted in the below table:

	Year 1 allocation 30%	Year 2 allocation 70%	Total allocation
Properties for households that meet the eligibility criteria for this Programme	£680,580	£1,588,020	£2,268,600
4+ bed properties for households currently in bridging accommodation	£165,549	£386,282	£551,831
Total funding	£846,129	£1,974,302	£2,820,431

- 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 at a discount.
- 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 DLUCH 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 Program. This means that any capital receipts received from the sale of the dwellings must be recycled to buy other housing stock or repaid to DLUCH.
- 4.11 Stamp Duty Land tax (SDLT) has been included at the Higher rate in the lifecycle appraisal, at the point of time of writing this report the acquisition of 21 separate dwellings from the open market has been used as a basis for the financial modelling, in the case that purchases are being made from separate private vendors the Councils is not usually able to apply for Multiple Dwelling

Relief on the SDLT so for prudence a worst case scenario has been factored into the viability appraisal.

- 4.12 However, advice will be sought from the Councils Tax Advisors KPMG as the DLUCH funding prospectus states that a full or partial SDLT exemption could be applied for in line with the following conditions:
- HMRC's guidance at SDLTM27500 explains the relevant conditions which must be met for the registered social landlord (RSL) exemption to apply. This guidance also explains that HMRC views Local Authorities as non-profit registered providers and therefore as a relevant housing provider for the purposes of this exemption.
 - A further condition for the RSL exemption to apply is that the purchase is funded with the assistance of a public subsidy. Individual LAs should consider whether this additional source of funding fulfils the public subsidy condition.
- 4.13 If a SDLT exemption is allowable it is recommended that this is accepted by the Council to enable the scheme to become more cost effective however due to the uncertainty a worst-case amount has been included for prudence.
- 4.14 An estimated cost of this scheme has been factored into the HRA Business Plan Report Housing Investment Plan which also being presented to March 2023 Cabinet.

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 21 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 30 November deadline. 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 and then back fill to the post. All other teams being advised as soon as possible to make resources available. Warwickshire County Council have also offered assistance with funding a resource. External resource can be utilised using the £20,000 resource.
Reputational issues such as queue jumping by groups identified	Well thought out publicity 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

10.2 Existing research has been undertaken of existing stock and a number have been identified of meeting the criteria.

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

10.4 £20,000 of the grant per property can pay for surveys and furnishings for the intended purchases.

10.5 Warwickshire County Council has also offered to contribute some funding to manage the project which is yet to be confirmed.

Background papers:

Department for Local Government Levelling Up, Housing and Communities, Local Authority Housing Fund Prospectus

Supporting documents: