



REPORT TO:	Cabinet
DATE:	August 2 nd 2023
SUBJECT:	The Local Authority Housing Fund Round 2
PURPOSE:	Following invitation from Government, to seek agreement for the Council to take part in the Local Authority Housing Fund programme Round 2. This is with a view to accepting government funding to support the of delivery of 5 new homes in the borough to meet short, medium and long term housing need
KEY DECISION:	TBC
PORTFOLIO HOLDER:	Cllr John Baxter, Portfolio Holder for Housing and Planning
REPORT AUTHOR:	Matthew Hogan, Assistant Director for Strategic Growth and Development
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

The Local Authority Housing Fund is a £750m national programme to support local authorities in providing accommodation to Ukrainian and Afghan families, settled in the UK legally under various government schemes following the conflict that has occurred in the two countries. The council is already in contract with government to deliver homes under Round 1, where the council has accepted and commenced investment of £691,500 in funds from government to provide eight properties.

Round 2 of the fund is designed to support primarily with providing accommodation for Afghan families. The fund also allows authorities to access funds to support in providing additional general temporary accommodation for use generally by authorities in meeting local need. Under Round 2 of the fund, Boston Borough Council has been invited by government to consider an offer of £471,950 to support in making five properties; four homes for Afghan families, and one property for general temporary accommodation.

In order to take part in the scheme, the total project cost is estimated at between £1.084m and £1,142m, therefore the project requires an anticipated maximum council capital contribution of

£685,000. As the properties would generate a revenue stream for the council, the project is anticipated to be self-financing.

The report sets out the background to the fund, and a recommended way forward.

RECOMMENDATIONS

1. That Cabinet formally agrees to take part on the Local Authority Housing Fund Round 2 programme, with a view to bringing five properties into the council's ownership to meet short, medium and long term housing needs within the borough, thus building upon investment approved under Round 1.
2. That Cabinet recommend to Council that the 2023/24 capital programme is amended to reflect the project.
3. To delegate to the Assistant Director – Strategic Growth and Development, in conjunction with the Deputy Leader of the Council, the authority to conclude contractual and grant agreement arrangements with Government in respect of the scheme.
4. To delegate to the Assistant Director – Strategic Growth and Development, in conjunction with the Leader and the Portfolio Holder for Housing, any further decisions relating to the purchase of properties in respect of this project, to reflect the need to act commercially to secure the homes.

REASONS FOR RECOMMENDATIONS

To accept an offer of up to £471,950 in government funding to support in making five properties available to meet short, medium and long term housing needs within the borough. To recommend to Council the inclusion of funds in the 2023/24 capital budget to deliver the project. To delegate authority to officers to conclude contractual agreements with government.

OTHER OPTIONS CONSIDERED

Do nothing – Under this option, the council will not accept the funds from government, nor to seek to make properties available. The purpose of the fund is to support local authorities in meeting the housing needs arising in their area. Therefore, under the 'do nothing' option, the potential benefits referenced in this report will not be realised.

Take part in the scheme, but to pass the funds available to a partner housing association – Under this option, the council would take part in the scheme but on the basis of passing funds to a housing association for them to own and manage the properties. This option has been considered but has been discounted, given the opportunity that the scheme presents to support the council's stated desire (through its Annual Delivery Plan) to directly invest in and hold new housing.

1. BACKGROUND

- 1.1. In 2022 the UK government launched various schemes to support with the safe and resettlement of households impacted by the conflict in Afghanistan and the Ukraine.

- 1.2. In respect of Afghan resettlement, the UK government committed to resettling 5,000 people in the first year of the resettlement scheme, with an aim of supporting up to 20,000 people over five years. The Afghan scheme has sought to prioritise legal resettlement those who assisted the UK with its military operations in the country, coupled with those at greatest risk as a result of the Taliban regime. In respect of the Ukrainian resettlement programmes, the various schemes launched by the UK government has sought to focus attention of legal resettlement and support for women and children refugees displaced by the conflict in the region.
- 1.3. Many of these families brought to the country by the UK Government are currently accommodated on short term placements or are residing in hotel-type accommodation.
- 1.4. In order to support with accommodating these households, in December 2022 the Government announced Round 1 of the Local Authority Housing Fund (LAHF). In June 2023, the Government then announced Round 2.
- 1.5. The overall programme has two aims;
 - To support in providing more suitable accommodation and affordable accommodation for these families, who arrived in the UK legally, until their visas expire in c 3-5 years' time.
 - To support local authorities in meeting their duties to accommodate such families if they present as homeless, therefore relieving pressure on wider local housing challenges and constraints.
- 1.6. For the purposes of clarity, the scheme is not aimed at households who have arrived in the UK illegally, outside of government sponsored resettlement schemes.
- 1.7. As opposed to being a competitive funding scheme, the Government has directly approached around a number of local authorities to invite them to take part in the scheme. Boston Borough Council was offered and accepted funding under Round 1.
- 1.8. The council has also been subsequently offered further funding under Round 2. The details of the offer from Government is as follows;
 - Government has offered the council up to £471,950 in grant funding to make available five properties; four properties for Afghan households, and one property for use as general accommodation by the council to meet wider housing needs.
 - For the five properties, the council is able to use the grant funds to cover 40% of the cost of the five properties, plus an additional £20,000 per property, capped at a value of £471,950.
 - That the homes are made available to the intended cohort by a target date of March 29th, 2024
 - For the properties to be provided to households at an 'affordable rent', typically defined as capped at 80% of the market rent for similar properties on the open market
 - Local authorities participating in the scheme have a choice as to how they invest funds they accept, in that they can either a) passport the funds to a housing association for them to deliver the properties, or b) invest the funds in property that they acquire and own themselves. Under Round 1, the council elected to take the latter approach.
 - That once the four properties designated for Afghan families are no longer utilised by the cohort (likely upon the expiry of their visas), the council will be free to use those

four properties for whatever purpose they deem suitable. In other words, the homes will be available for use by the council as a long-term asset to meet housing need, in a similar way to the homes acquired by the council under Round 1.

- 1.9. Having received the offer of funds from Government, officers have sought to evaluate the potential merits of the council taking part in the scheme. These considerations are set out below;
- Involvement in Local Authority Housing Fund Round 2 builds upon investment made and agreed under Round 1 of the programme, where the council has directly invested the Round 1 grant in property owned by the council. Round 2 therefore aligns well with the Council's ambition to explore holding and investing in new housing, as captured within the Council's Annual Delivery Plan. The scheme would provide up to £471,950 in funding to provide five properties, paid for partially by government, for use by the authority over the longer term.
 - The scheme will provide housing that the council can utilise for other needs over the longer term e.g. for use as temporary accommodation for homeless families, which has the potential to bring about cost avoidance benefits for the council through use of these properties as opposed to bed and breakfast accommodation
 - As with the Round 1 properties, it is proposed that the Round 2 properties would be held on the council's General Fund and let under non-secure tenancies to the cohort. This would prevent the need for the council to re-open a Housing Revenue Account or create a housing company in order to hold the properties in the council's ownership.
 - If the council was to take part Round 2, it is proposed that the same approach to project delivery is adopted as currently being utilised under Round 1. This involves property delivery support via South Holland District Council's Housing Delivery team, and the involvement of the housing team across the council and the wider South and East Lincolnshire Councils Partnership.
- 1.10. Furthermore, officers have sought to assess and model the likely financial implications of the council's involvement in the scheme. These are set out below:
- In order to deliver five properties, an assumed total project cost would be between £1,084,920 and £1,142,700.
 - This figure is based on an assumed property mix of 1 x 2bed property, 3 x 3 bed properties and 1 x 4 bed property, which reflects the split of needs from Afghan families across the most common property types based on government data.
 - The cost data applied is based on evidence from the new build market based on work to support the Round 1 acquisitions and is inclusive of typical additional 'on-costs' associated with delivering such capital projects, drawing upon experience of similar projects within the SELCP. The variance in assumed total project costs is based on an upper and lower assumed purchase price for the four-bed property.
 - Accordingly, with up to £471,950 in grant available from central government, it is proposed that the council will need to make available up to £670,750 in capital funding available to finance the five properties.
 - The five properties would generate a revenue stream for the council, through rents capped at 80% of the typical market rent for similar properties on the open market. Initial financial modelling demonstrates that the return on the council's proportion of the capital investment at the higher end figure of (£1,142,700) would be c6.2%.
 - Taken over a 30-year period, modelling demonstrates that the income covers both the MRP associated with the investment, coupled with the interest foregone if the council

was to invest the funds through its treasury management strategy. Consequently, if the council was to proceed with the scheme, it is proposed that the council's investment would be funded through internal borrowing.

- This means that the indicative modelling demonstrates a positive financial impact on the council over the long term from a revenue perspective.
- It is worth noting that the financial modelling does not take into account potential savings on bed and breakfast accommodation through the use of council owned properties to support homeless families, nor the likely potential for long term capital appreciation of the homes acquired.
- A breakdown of the financial considerations associated with Round 2 are set out in Appendix 1

1.11. If the recommendation set out within this report is agreed, the next steps would be as follows;

- To formally inform Government of our intent to take part in the scheme. This will trigger the issuing of a Memorandum of Agreement to the council from Government. This decision seeks delegated authority be provided to the Assistant Director for Strategic Growth and Development to agree and conclude the terms of that agreement, in consultation with the Deputy Leader of the Council.
- To update the Council's 2023/24 capital budget to include the capital budget for the project.
- Following approval, to commence the delivery of the project and the identification of suitable properties for use under the scheme. This is with a view for specific business cases in respect of individual properties to be subject to a further, formal executive decision and report. It is proposed that this decision making be delegated to the Portfolio Holder for Housing. This with a view to seek to meet the government's stated target date of March 29th 2024 for delivery of the properties.

2. CONCLUSION

2.1 This report seeks to accept an offer of up to £471,950 in government funding to support in making five properties available to meet short, medium and long term housing needs within the borough. The report also seeks to recommend to Council the inclusion of funds in the 2023/24 capital programme to deliver the project.

3. EXPECTED BENEFITS TO THE PARTNERSHIP

3.1 The recommendation presents an opportunity for deliver a number of expected benefits, including;

- Support to the UK Government's stated aim to support households displaced and settled legally in the UK, following conflict in Afghanistan
- Building upon investments agreed through Round 1, the delivery of five new properties owned by the council to meet housing need in the borough into the short, medium and long term, supporting with a net increase in supply of homes available to the council to meet need
- For Round 2, a positive financial impact upon the council, achieved through the following;
 - £471,500 in government grant funding invested in the borough. This adds to the £691,500 in government grant already secured under Round 1.

- Council ownership of a c£1m portfolio of property with appreciation potential, secured through council investment of c£670,750.
- A c.6.3% 30-year return on investment of the council's capital, which is sufficient to cover 'minimum revenue provision' and offset income lost through long term treasury management and derive a surplus
- Through the future use of the four properties for Afghan families and immediate use of the single additional unit, the likelihood of savings to the council's budgets through reduced use of Bed and Breakfast accommodation for homeless families.

4. IMPLICATIONS

4.1 SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

- 4.2** The recommendation supports the SELCPs aim to increase supply of new housing to meet need.

5. CORPORATE PRIORITIES

- 5.1** The report recommendations align with the importance that Boston Borough Council places upon meeting the housing needs and aspirations of its residents, including the importance of the support of good quality homes. It also aligns with the council's Annual Delivery Plan, which includes an action to progress housing investment activity for the council.

6. STAFFING

- 6.1** The delivery of the five properties, and their subsequent management, will bring with it a staffing implication for the authority. It is proposed that the same approach to project delivery is adopted as currently being utilised under Round 1 for Boston Borough Council. This involves property delivery support to acquire packages of new build properties under a small number of contracts, with support from South Holland District Council's Housing Delivery team, and the involvement of the housing team across the council and the wider South and East Lincolnshire Councils Partnership.

7. CONSTITUTIONAL AND LEGAL IMPLICATIONS

- 7.1.** The report seeks executive approval of the council's involvement in the Local Authority Housing Fund (LAHF) scheme, coupled with a recommendation that the total project costs be created as a capital budget within the council's 2023/24 capital programme.

8. DATA PROTECTION

- 8.1.** There are no known legal and constitutional implications associated with the report recommendations at this time

9. FINANCIAL

- 9.1** These are set out in Para 1.10

10. RISK MANAGEMENT

- 10.1** The delivery of new housing projects comes with a number of risks. These include financial, reputation and legal. Considerable experience exists with the SELCP in respect of the

management and delivery of similar projects. It is proposed that the approach to risk management, as utilised elsewhere in the SELCP, is used in the delivery of these properties.

11. STAKEHOLDER / CONSULTATION / TIMESCALES

11.1 HM Government and the Department for Levelling Up, Housing and Communities (DluCH) are a key stakeholder in the LAHF scheme. Officers have developed a good relationship with key civil servants involved in the scheme and will continue to liaise with DluCH throughout the course of the programme.

11.2 In terms of timescales, as set out within this report, government has set out a desire to see the five properties delivered by March 2024

12. REPUTATION

12.1 The management of the council's reputation will be considered as the project moves forward, including the development of a full communications plan. The SELCP has the experience of Round 1 LAHF for Boston, on which to base its approach to communications on Round 2.

13. CONTRACTS

13.1 Participation in the scheme will see the council enter into a Memorandum of Agreement with government. This decision seeks delegated authority be provided to the Assistant Director for Strategic Growth and Development to agree and conclude the terms of that agreement, in consultation with the Deputy Leader of the Council.

14. CRIME AND DISORDER

14.1 There are no known crime and disorder implications associated with the report recommendations at this time

15. EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

15.1 There are no known equality, diversity, human rights or safeguarding implications associated with the report recommendations at this time. However, these will continue to be evaluated as the project develops.

16. HEALTH AND WELL BEING

16.1 The provision of good quality housing is well documented to have a positive impact upon the health and wellbeing of residents. This report supports that aim.

17. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

17.1 There are no known climate change and environmental implications associated with the report recommendations at this time.

ACRONYMS

- LAHF – Local Authority Housing Fund
- SELCP (South and East Lincolnshire Councils Partnership)
- DluCH (Department for Levelling Up, Communities and Housing)

APPENDICES

Appendix 1 – Financial Summary

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report

REPORT APPROVAL

Report author:	Matthew Hogan, Assistant Director for Strategic Growth and Development
Signed off by:	TBC
Approved for publication:	TBC

Appendix 1 – Financial summary

	Round 2 - Five properties	Cumulative programme (LAHF Round 1 + Round 2)
Number of Units	5	13
Purchase Price	£1,060,000	£2,592,472
Buyer's Representative	£10,600	£25,925
Legal	£7,500	£19,500
Surveys / Valuation	£1,000	£3,250
Stamp Duty	Nil assumed - relief available	Nil assumed – relief available
Capitalised Project Management fee / Officer Time	£21,200	£51,849
Contingency	£42,400	£103,699
Total On-costs	£82,700	£204,223
Total Capital Costs (inc oncosts)	£1,142,700	£2,796,695
Grant of cash from Government	£471,950	£1,163,450
BBC contribution towards Total Capital Costs	£670,750	£1,633,245
Average Market Value per property acquired	£212,000	£199,420
Average cost to BBC per property	£134,150	£125,634
Gross Rental Income Per Annum @ Y1	£39,328	£98,470
Gross Rental Income Per Annum @ Y30	£69,840	£174,867
30 Year ROI on the council's own capital investment	6.3%	6.5%
30 Year ROI once MRP and 'interest foregone' deducted	2.2%	2.36%