



<b>REPORT TO:</b>	Council
<b>DATE:</b>	September 18th 2023
<b>SUBJECT:</b>	Amendment of Capital Programme - The Local Authority Housing Fund Round 2
<b>PURPOSE:</b>	To amend the council's Capital Programme, reflecting the funds required to deliver five new properties under the Local Authority Housing programme
<b>KEY DECISION:</b>	N
<b>PORTFOLIO HOLDER:</b>	Cllr John Baxter, Portfolio Holder for Housing and Planning
<b>REPORT AUTHOR:</b>	Matthew Hogan, Assistant Director for Strategic Growth and Development
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	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.

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.

At a meeting of Cabinet on August 2nd, Cabinet formally agreed to take part in the Local Authority Housing Round 2 programme. A link to that report and the minutes from the meeting are included in the 'Background Papers' section of this report.

Participation in the Local Authority Housing Fund scheme requires the Council's Capital Programme to be amended to reflect the project. In light of the decision taken through Cabinet

for the council to accept the funds and take part in the scheme, this report recommends to Full Council that the necessary amendments to the capital programme are made to enable the project in its entirety to progress.

## **RECOMMENDATIONS**

1. That the Council's 2023/24 capital programme is amended to include the Local Authority Housing Fund project, as set out in Appendix A

## **REASONS FOR RECOMMENDATIONS**

To amend the 2023/24 capital budget, to enable the delivery of the Local Authority Housing Fund project

## **OTHER OPTIONS CONSIDERED**

**Do nothing** – Under this option, the capital programme is not amended. Therefore, under the 'do nothing' option, the potential benefits referenced in this report will not be realised.

## **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. This includes medics, translators, embassy staff and negotiators.
- 1.3. 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. 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. The overall programme has three 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 reliving pressure on wider local housing challenges and constraints.

- To provide local authorities with funding to meet wider needs arising from homelessness, in their localities
- 1.5. 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, nor those who are seeking asylum in the UK.
- 1.6. 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. Earlier in 2023 Boston Borough Council was offered and accepted funding under Round 1. The council has also been subsequently offered further funding under Round 2. The details of the offer from Government are 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
  - 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.
- 1.7. 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.
- 1.8. 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, 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.

1.9. At a meeting of Cabinet on August 2nd, Cabinet formally agreed to take part in the Local Authority Housing Round 2 programme and enter into contract with government in respect of the funding offer.

1.10. Participation in the Local Authority Housing Fund scheme requires the Council's Capital Programme to be amended to reflect the project. This report recommends that the necessary amendments to the Capital Programme are made.

## **2. CONCLUSION**

**2.1** This report recommends that the council's 2023/24 capital budget is amended, as set out in Appendix A, to enable the delivery of the LAFH project

## **3. EXPECTED BENEFITS TO THE PARTNERSHIP**

**3.1** The wider LAHF programme 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** None

#### **7. CONSTITUTIONAL AND LEGAL IMPLICATIONS**

**7.1** At a prior meeting of Cabinet on August 2nd, Cabinet formally agreed to take part in the Local Authority Housing Round 2 programme and enter into contract with government in respect of the funding offer.

**7.2.** The report seeks Full Council approval to amend the capital programme to include the Local Authority Housing Fund scheme.

#### **8. DATA PROTECTION**

**8.1.** None

#### **9. FINANCIAL**

**9.1** These are set out in Appendix A

#### **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** None

## **14. CRIME AND DISORDER**

**14.1** None

## **15. EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

**15.1** None

## **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 LAHF project supports that aim.

## **17. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

**17.1** None

## **ACRONYMS**

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

## **APPENDICES**

Appendix A – Proposed amendment to Capital Programme

## **BACKGROUND PAPERS**

Draft Minutes from Cabinet August 2<sup>nd</sup> 2023 - [Minutes Template \(boston.gov.uk\)](https://www.boston.gov.uk/minutes-template)

Cabinet report from August 2023 - [Local Authority Housing Fund Stage 2.pdf \(boston.gov.uk\)](#)

**REPORT APPROVAL**

Report author:	Matthew Hogan, Assistant Director for Strategic Growth and Development
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Signed off by:	Adrian Sibley, Deputy Chief Executive - Delivery
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## Appendix A

### LAHF Round 2 – General Fund

The table below shows the additional capital scheme required within the General Fund capital programme and the proposed funding for the scheme. The LAHF scheme is funded through grant and match funding through internal borrowing. Additional income for the general fund will be generated from the rental income from the properties.

<u>Addition to the Capital Programme</u>	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Revised	Budget	Budget	Budget	Budget
	£k	£k	£k	£k	£k	£k
5 Properties from LAHF		1,143	-	-	-	-
		1,143	-	-	-	-
<b>Funded by:</b>						
LAHF		(472)	-	-	-	-
Internal Borrowing		(671)	-	-	-	-
		(1,143)	-	-	-	-

<u>Additional Rental Income</u>	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Revised	Budget	Budget	Budget	Budget
	£k	£k	£k	£k	£k	£k
Additional Income	0	10	41	42	43	43
	0	10	41	42	43	43