
Delivery of the Local Authority Housing Fund

Committee considering report:	Executive
Date of Committee:	8 June 2023
Portfolio Member:	Councillor Denise Gaines
Date Portfolio Member agreed report:	25 May 2023
Report Author:	Joseph Holmes (Executive Director – Resources)
Forward Plan Ref:	EX4336

1 Purpose of the Report

- 1.1 The Government has provided funding to Local Authorities through the LAHF (Local Authority Housing Fund) scheme to deliver additional housing units for displaced persons that in the longer term will be used for wider housing need. The Council has worked successfully with residents and communities to provide an effective response to global humanitarian crises, welcoming many displaced persons from Ukraine and Afghanistan through various Government schemes to the district. The Council continues to support displaced persons and this scheme offers the opportunity to enable longer term support as well as benefit West Berkshire residents through the increased supply of Council temporary accommodation housing. The Council is seeking to deliver 17 housing units through the initial LAHF allocation.
- 1.2 The Government has provided the opportunity for further funding and the delivery of an extra 10 housing units by 31.3.2024. This paper seeks to enable the release of capital funding to deliver the purchase of these housing units from open market purchases.

2 Recommendations

That the Executive resolves

- 2.1 To delegate to the Service Lead for Legal and Democratic Services, in consultation with Housing and Property Services, delegated authority to negotiate, agree to purchase and enter into purchase documentation for each individual property identified for the Local Authority Housing Fund above £300,000 within the overall funding envelope of £9.25m (rising from the previous £6m allocated).
- 2.2 To approve the increase of housing units to be provided through the scheme from 17 properties to 27 units
- 2.3 To allocate a further **£3.25m** in total of funding from the Capital Strategy to deliver the additional 10 housing units of which £1.3m if Government funded.

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- 2.4 To note the refurbishment of the WestPoint House property to support this scheme
- 2.5 To approve the setting of rents at the Local Housing Allowance level for scheme 1 (subject to confirmation from the Service Lead for Legal and Democratic Services) and Social rent for Scheme 2; otherwise rents will be set at Social Rent across both schemes.
- 2.6 To delegate to the Service Lead for Legal and Democratic Services, in consultation with Housing and Property Services, delegated authority to enter into individual licences or the appropriate form of tenancy for the occupancy of the properties purchased or re-developed.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	<p>There are significant financial implications of this report. Full Council already approved £6m of budget for the purchase of 17 properties, this report asks for a further £3.25m of capital funding, 40% of which is funded by DLUHC.</p> <p>The revenue implications of model show the annual breakeven points at 11 years (subject to updated PWLB rates and potential use of s106 or other sources of funding) as the worst case scenario, with it being in surplus in year 1 if Local Housing Allowance rents are used.</p> <p>The model assumes no capital increases nor any benefit to the Council of those uplifts, though this is likely to occur over the long term period. The model excludes repairs and maintenance costs; these will need to be factored into future budgets in the capital strategy once the condition of properties are known; this financial risk is mitigated by using the £20,000 DLUHC grant for each property.</p>
Human Resource:	<p>There are no significant HR implications other than a greater draw on internal staffing resources</p>
Legal:	<p>The Council has made a non-binding submission to DLUHC that it will be able to provide the 27 properties required.</p> <p>The Council was required to enter into a MoU with DLUHC in order to secure the grant funding from the LAHF and will need to comply with the associated terms of this.</p> <p>Each identified property for purchase will be subject to a due diligence process in terms of relevant searches, ownership and title matters prior to acquisition.</p>

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	<p>The Council is awaiting clarification on the rental amounts that can be charged as the Council do not hold a HRA (Housing Revenue Account), as it transferred its housing stock to Sovereign Housing Association. The properties that will be acquired will be held in the General Fund including West Point. The Council can charge at Social Rent levels, but would prefer to charge the Local Housing Allowance rate for Scheme 1 in respect of temporary accommodation housing.</p>			
Risk Management:	<p>The project has a Risk Register which is regularly updated. There are a range of risks, the most significant being the availability of properties at an affordable level within the scheme, and making them safe and fit for occupation, the delivery of WestPoint House refurbishment on time, and the timescales to deliver all schemes within the timeline of the 31st March 2024. It is recognised that this is a very ambitious target set by the Government for the scheme and this remains a key risk to the scheme.</p>			
Property:	<p>There are significant property implications with an increase in properties that require management and maintenance as well as the opportunity for greater support for reducing homelessness. The Council is redeveloping WestPoint house and has an Application for a Lawful Development Certificate for a Proposed Use or Development in the planning system.</p>			
Policy:	<p>This scheme ties in closely with our Housing Strategy and associated policies.</p>			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		Completed – appendix A – no requirement for stage 2 EIA determined

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<p>B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?</p>		X	See above
<p>Environmental Impact:</p>	X		<p>The refurbishment of West Point is expected to significantly improve the environmental performance of the building including replacement windows and replacement of current air conditioning units with air source heat pumps.</p> <p>This will improve the thermal performance of the structure and use a more environmentally friendly source for providing heat</p> <p>The current EPC rating is an E and it is anticipated that this would improve with the refurbishment works to be undertaken.</p>
<p>Health Impact:</p>		X	None identified
<p>ICT Impact:</p>		X	None identified
<p>Digital Services Impact:</p>		X	None identified
<p>Council Strategy Priorities:</p>			<p>Consider whether the proposal will support any of the Council's Priorities for improvement or if it is business as usual. If you consider that the proposal supports any of the Council's Priorities, you must explain how it will do so by reference to the commitments detailed within the Strategy.</p> <p>If the impact is positive or negative, you must provide an explanation for your answer.</p>

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Core Business:	X			This scheme will increase the amount of temporary accommodation housing that the Council owns and so will mean the Council is more able to support residents with housing need in future years.
Data Impact:		X		None identified
Consultation and Engagement:	This scheme has been consulted internally with the project group and the with portfolio holders for finance, displaced persons and regeneration.			

4 Executive Summary

- 4.1 The Government created the Local Authority Housing Fund (LAHF) in December 2022 as a £500m capital grant fund in financial years 2022/2023 and 2023/2024 to support local authorities to obtain and refurbish property in order to provide sustainable housing for those unable to secure their own accommodation who are here under the following schemes: Afghan Citizen Resettlement Scheme (ACRS), Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes), Ukraine Family Scheme, 3 the Homes for Ukraine and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes).
- 4.2 West Berkshire Council (WBC) was one of the first seventeen Councils to be approved as part of the scheme with a larger number of Councils subsequently included within the fund. The LAHF is split into two schemes. The first one is for the delivery of 15 property units for displaced persons and the Government provides up to 40% of the funding for this scheme. The second scheme is for the delivery of two larger units of at least four bedroom housing and the Government provides 50% of the funding for this scheme.
- 4.3 On review of the housing units available in the district and the development potential on the Council's own land, mindful of the deadline of the 31st March 2024 to deliver units, the Council is redeveloping the WestPoint House site. This site is now vacant following the successful Timelord 2 project to relocate the majority of Council staff into the Market Street Offices, and this property will enable the provision of 5 units, with 10 units purchased on the open market as part of scheme 1. Scheme 2 will be delivered through purchasing two properties on the open market. The Executive is also being asked to increase the number of properties included within Scheme 1 from 15 to 25 units.
- 4.4 With the exception of the properties that will be used to house the families that are currently in bridging accommodation and which properties will be held as part of the Council's main housing stock, the majority of the properties, purchased and redeveloped, will then form part of the Councils wider Temporary Accommodation estate to support the delivery of housing and prevention of homelessness in the future.

4.5 The Executive has a decision to make on rental charges between social rent (approximately 60% of market price) and local housing allowance (approximately 70% of market price) levels of rent for Scheme 1; this paper proposes the later.

5 Supporting Information

Introduction

5.1 The Government through DLUHC (Department of Levelling Up, Housing and Communities) provided expressions of interest in a LAHF in December 2022 to house displaced persons in the district. The Council has been supporting displaced persons across the district over the past two years; through the support of our residents, 672 people have been housed through the Homes for Ukraine scheme, and through various Government schemes, the Council has 335 people in hotels in the district.

5.2 The intention of the LAHF scheme is for the Council, with some Government funding, to provide temporary housing for displaced persons in the short term

Background

5.3 The government scheme works through purchasing or developing housing units per the below taken from the LAHF guidance:

“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.”

5.4 The Government then splits the scheme in two. Scheme 1 involves the allocation of a certain number of units per authority, WBC allocation being 15 units, with the government 40% of the cost of these units; this is for any displaced person who meet the criteria below. For Scheme 2, which is only for those in bridging hotels, the Government is providing 50% of the cost of properties that are 4 or more bedrooms and WBC need to provide two units of accommodation. We would want to deliver some of the properties to be more accessible.

5.5 The funding elements of the scheme are based on ‘average lower quartile property price for the area’. Given the constraint this inherently provides, the Council has sought to review its own corporate property portfolio for suitable properties subject to

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refurbishment and change of use application where appropriate. Given that the Council does not have Council Housing stock and quite constrained operational property, there are not a significant number of vacant properties that could be converted to housing units by the 31st March 2024 timescale, nor within planning timescales as well as construction. On review of the Councils corporate properties, WestPoint House was the most beneficial given that it is empty, can be developed under permitted development, and no significant construction works are required to the fabric of the building. It is also in a suitable location with a number of other similar developments nearby. On top the funding element provided to the Council, the Government are providing up to £20,000 per property for fit out and refurbishment costs. Note however that it will require a dedicated resource and support infrastructure for ongoing maintenance, property management, statutory compliance and fulfilment of landlord obligations.

Scheme eligibility

5.6 Only those individuals who fall in the category below are eligible for these new housing units:

“... 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)

5.7 The Government are clear in their expectation that once the needs of the displaced persons have been met then these properties can be used in the medium to long term for the Councils wider temporary accommodation need and so in the longer term this scheme provides a significant increase in the Council's own housing stock and ability to support residents through greater use of WBC owned temporary accommodation.

Financial implications

5.8 There are significant financial implications of the LAHF scheme. That Government are funding 40% of the costs of temporary accommodation makes this an attractive opportunity to the Council to help deliver a key service delivery objective of increasing the supply of temporary accommodation in the district.

5.9 The total allocation to WBC if all 27 properties are delivered is per the below from Central Government:

Table 1.1: Funding allocations (capital)

	2022-23 allocatio n	2023-24 allocation	Total DLUHC allocation	WBC contributio n	Total budget
Scheme 1 and 2 funding – original allocation of 15+2 homes	£753,932	£1,759,176	£2,513,108	£3,488,108	£6,001,216
Scheme 1 funding – further 10 properties	£0	£1,300,000	£1,300,000	£1,950,000	£3,250,000
Total budget by timings	£753,932	£3,059,176	£3,813,108	£5,438,108	£9,251,216
Scheme 1 - allocation	£585,000	£2,665,000	£3,250,000	£4,875,000	£8,125,000
Scheme 2 - 4+ bed properties for households currently in bridging accommodation	£168,932	£394,176	£563,108	£563,108	£1,126,216
Total budget by scheme	£753,932	£3,059,176	£3,813,108	£5,438,108	£9,251,216

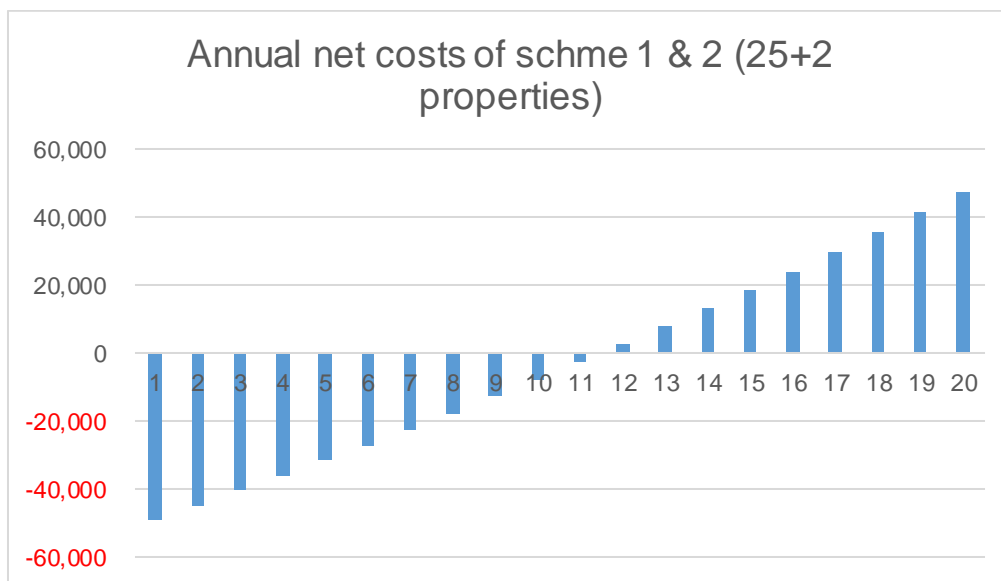
5.10 A range of assumptions have been made, for example a level of income based on social rent that increases by the Government’s inflation target of CPI at 2% with a void/bad debt provision of 5%. Costs and income have been modelled over a 20 year period for the below summary, though the capital cost of the scheme will be paid back over a 40 year period. The figures are based on expected costs, not necessarily the total grant provided by the Government:

Table 1.2: Summary of payback period based on rental levels

Scheme	Break-even year (assuming 40 year borrowing) – annual budget
Scheme 1 – 25 units and Scheme 2 – 2 units (4+ bedrooms) – social rent for all	Year 11
Scheme 1 – 25 units and Scheme 2 – 2 units (4+ bedrooms) – local housing allowance rent for scheme 1 and social rent for scheme 2	Year 1

5.11 For the original scheme 1 and 2 (i.e. 15 units plus 2 through scheme 2) the payback period would be similar to providing an additional 10 units through scheme 1. To reduce the payback period, the Council would need to only utilise scheme 1, though this is not an option as part of the Memorandum of Understanding. Scheme 2 has a greater financial impact as the properties are much more expensive (reflective of the Government providing 50% of costs rather 40% in scheme 1, but that the rental income does not increase with the same proportion of cost.

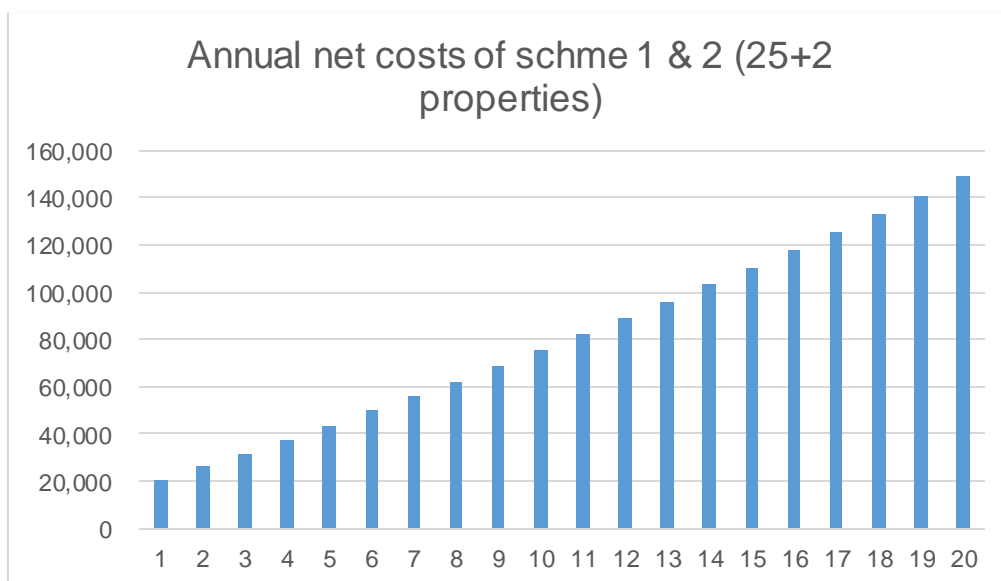
Chart 2.1: Full scheme for 27 units with social rent



5.12 The Scheme 1 additional 10 units has been included as the Government provided the opportunity for a further offer to be made above their original allocation to WBC. Officers provided a response that a further 10 could be sought subject to the financial business case. The council signed a Memorandum of Understanding with the Government in respect of these, but this is subject to a final declaration from WBC for 2023-24 that the units have been delivered.

5.13 The Council has the opportunity to use Local Housing Allowance rents for scheme 1. This rent level is the point at which benefits payments will cover rent. Using this level of rent would increase annual payments and mean that the scheme would break even from the first year financially as the rental income (with 5% for void and bad debt costs) would be higher than the costs of finance.

Chart 2.2: Full scheme for 27 units with LHA rent for scheme 1 (25 properties) and social rent for scheme 2 (2 properties)



5.14 The Council would also benefit from the value of having an additional £9.2m of temporary accommodation assets in their financial statements. This report does not include any assumption that the value of these properties will increase, though history would indicate that over a number of years this would most likely be the case. The report does not include repairs and maintenance costs either as this will be dependent upon the properties purchased; however, the £20,000 allocation per unit should reduce the repairs and maintenance needs early in the scheme and the additional income delivered through this scheme would finance future capital costs. These costs will be identified in the capital strategy in future years once the properties are purchased and their condition known.

Proposals

5.15 The proposal within this report is progress the delivery of 17 units (15 through a mixture of purchasing on the open market and developing 5 units in the WestPoint building). To enable the successful delivery of these units, delegation is provided to the Property Services Manager to deliver the WestPoint refurbishment scheme and purchase of the 12 open market properties (the split being two 4+ bedroom properties in scheme 2 and ten properties in scheme 1) within the agreed budget of £6m approved by Full Council on the 2nd March.

5.16 There will be an internal process for determining each purchase using the process below:

- A set of standards to minimise any possible future costs with input from property, a building surveyor and Housing. To include an internal and external spec, covering communal facilities if appropriate.
- An in house buildings surveyor to attend viewings prior to an offer being made – very much depends on workload if this can be agreed.
- A valuation as part of the conveyancing process
- Housing will lead on the purchasing process and will build a process map that can be agreed at the project group
- Legal Services will advise on the titles of the identified properties and any encumbrances that affect them, all legal documentation in relation to purchase and future maintenance, landlords' obligations and occupation.

5.17 There is also an opportunity to deliver ten further units through scheme 1. The Council has signed a memorandum of understanding to progress these, though if the extra ten properties cannot be provided, the Council will need to refund the Government grant back to the DLUHC. The recommendations include a request for a further £3.25m of capital budget (£1.95m funded by WBC with £1.3m from the Government) to deliver the purchase of an additional 10 properties.

6 Other options considered

6.1 The Council has a range of other options; it could determine to cease all work and return funding to DLUHC as well as face abortive costs; this has been disregarded as the scheme as a whole was included in the approved Capital Programme for 2023-24 and aligns to the Council motion and support for displaced persons.

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- 6.2 Other properties were considered and discounted, for example West Street House and the land near the Phoenix Centre. These were discounted due to either being considered by the Joint Venture (land near the Phoenix Centre) and/or that the planning timescales followed by procurement and construction time would put the properties beyond the 31st March 2024 deadline. Good practice for housing management would be to place a low number temporary accommodation units together so these sites would also likely be too large if developed alone.
- 6.3 If additional funding is available from the Government these could be considered as part of the future LAHF scheme with a wider Council development programme if the financial business case supported this for the WBC taxpayer.
- 6.4 The Council could opt to purchase all properties on the open market; this remains open as a consideration if WestPoint House cannot be delivered within DLUHC timescales; however, it has been initially discounted as the costs of redeveloping WestPoint are lower than the unit price of buying on the open market so makes the scheme more affordable for WBC within the Government financial parameters.
- 6.5 The Council could opt for just 15 properties within scheme 1; however, this has been disregarded in favour of a more ambitious target of 25 properties delivered to provide greater support to displaced people in the district and for wider temporary accommodation in the future.

7 Conclusion

- 7.1 The Council has successfully supported displaced people into living within the district. This scheme enables a further opportunity to provide support, as well as enabling a legacy of temporary accommodation for wider use for the housing service to provide for residents of the district. This will be a significant financial investment for the Council, though the opportunity to have 40% of the costs provided by the Government for a rising temporary accommodation need enables the Council to deliver a key service within a more affordable financial envelope. Subject to legal confirmation, the Council wishes to charge rent at LHA levels which further protects the overall taxpayer impact of this scheme.

8 Appendices

- 8.1 Appendix A – Equalities Impact Assessment

Background Papers:

DLUHC guidance

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1148035/Local_Authority_Housing_Fund_Prospectus_and_Guidance.pdf

WBC Capital strategy 2023-33 (2nd March Council)

Subject to Call-In:

Yes: No:

Wards affected: All

Officer details:

Name: Joseph Holmes
Job Title: Executive Director (Resources)
Tel No: 01635 503540
E-mail: joseph.holmes1@westberks.gov.uk

Document Control

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Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

Appendix A

Equality Impact Assessment (EqIA) - Stage One

What is the proposed decision that you are asking the Executive to make:	To delegate to the Service Lead for Legal and Democratic Services, having first consulted the Executive Director for Resources, to purchase individual properties for the Local Authority Housing Fund above £300,000 within the overall funding envelope of £9.25m;
Summary of relevant legislation:	
Does the proposed decision conflict with any of the Council's priorities for improvement? <ul style="list-style-type: none"> • Ensure our vulnerable children and adults achieve better outcomes • Support everyone to reach their full potential • Support businesses to start, develop and thrive in West Berkshire • Develop local infrastructure including housing to support and grow the local economy • Maintain a green district • Ensure sustainable services through innovation and partnerships 	No If yes, please indicate which priority and provide an explanation
Name of Budget Holder:	
Name of Service/Directorate:	Resources
Name of assessor:	Emma Craig
Date of assessment:	26/04/2023
Version and release date (if applicable):	

Is this a ?		Is this policy, strategy, function or service ... ?	
Policy	No	New or proposed	Yes
Strategy	No	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	No		

1. What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To purchase 22 homes and refurb West Point House to provide 5 homes, for use by households who are homeless or at risk of homelessness who are under either the Afghan or Ukraine Schemes.

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Objectives:	Mitigate the expected increased pressures on local authority homelessness and social housing resources which arise from the eligible cohort; 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.
Outcomes:	27 homes under contract by November 2023 and occupied by March 2024.
Benefits:	Homes available for 2 large households from the Calcot bridging hotel preventing those households from presenting as homeless in the future when the hotel is closed and the associated difficulties in finding housing both temporary and permanent for large households. Homes available for any Ukrainians households who lose access to hosted accommodation, preventing the need for temporary accommodation, which may be hotel accommodation, therefore reducing the associated costs. Prevents those accessing these homes from adding to the local housing pressures, such as accessing social housing. Many of the homes are likely to be available for use as temporary accommodation in the future, after the usage from this cohort ends. Reducing the need for hotels to fulfil our temporary accommodation obligations.

2. Which groups might be affected and how? Is it positively or negatively and what sources of information have been used to determine this?

(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation)

Group Affected	What might be the effect?	Information to support this
Age	N/A	Use of these homes is not restricted by age
Disability	Access to the homes by those with reduced mobility.	It is our intention to purchase 2-3 homes with consideration to accessibility needs.
Gender Reassignment	N/A	Use of these homes is not restricted for this group
Marriage and Civil Partnership	N/A	Use of these homes is not restricted for this group
Pregnancy and Maternity	N/A	Use of these homes is not restricted for this group

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Race	N/A	Use of these homes is not restricted for this group
Religion or Belief	N/A	Use of these homes is not restricted for this group
Sex	N/A	Use of these homes is not restricted for this group
Sexual Orientation	N/A	Use of these homes is not restricted for this group
Further Comments:		

3. Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
We are mitigating the possible impact on those with reduced mobility by purchasing a number of homes allowing for ease of access and movement.	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
These are additional homes which would otherwise be unavailable designed to prevent homelessness and reduce the impact of this cohort on local housing pressures.	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a EqlA 2.

If an EqlA 2 is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the EqlA guidance and template – <http://intranet/index.aspx?articleid=32255>.

4. Identify next steps as appropriate:	
EqlA Stage 2 required	No
Owner of EqlA Stage Two:	
Timescale for EqlA Stage Two:	

Name: Emma Craig Date: 26/04/2023

Please now forward this completed form to Pamela Voss, Equality and Diversity Officer (pamela.voss@westberks.gov.uk), for publication on the WBC website.