

To: EXECUTIVE

Date: 21 February 2023

LOCAL AUTHORITY HOUSING FUND

EXECUTIVE DIRECTOR OF PEOPLE

1. PURPOSE OF DECISION

- 1.1 This report seeks approval to submit a proposal (see appendix A) to the Department of Levelling Up Communities and Housing (DLUHC) as per the Local Authority Housing Fund (LAHF) grant opportunity made available to the Council in December 2022.
- 1.2 The LAHF provides Bracknell Forest with an indicative allocation of £1,260,000 in return for providing 9 units of accommodation for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes; with a further £305,322 for 1, four bedroom property for use by a family currently in bridging accommodation.

2. RECOMMENDATION(S)

- 2.1 The Executive is asked to:
 - (i) Consider and approve the proposals for the Council to acquire 7 x three bedroom homes and to refurbish 2 x three bedroom properties in our existing stock to be made available for the scheme.
 - (ii) Recommend to the Council to approve capital spend of up to a maximum of £3.4m to meet the total cost of acquiring the additional homes, to be funded from a combination of the LAHF grant and long-term borrowing

3. REASONS FOR RECOMMENDATION(S)

- 3.1 There is an opportunity to acquire additional three bedroom temporary accommodation to help alleviate current and anticipated pressure on the housing service for larger family homes due to the additional demand from Ukrainian households in the area as well as Afghan households placed in the borough.
- 3.2 The Council's current temporary accommodation is predominately two bedroom homes, with a need to increase larger family homes due to current and anticipated demand.
- 3.3 Any units acquired will be owned and managed by the Council and will be available for use by the housing service as required, including but not limited to Ukrainian and Afghan households in the Borough. The exception to this will be for the four bedroom unit which will need to be provided to a household in bridging accommodation and will become available to the service when no longer required for this purpose.

4. Background

- 4.1 LAHF is a £500m capital grant fund to support local authorities in England to provide sustainable housing for those unable to secure their own accommodation that meet the eligibility criteria outlined in the Prospectus provided by DLUHC.

4.2 According to DLUHC and the prospectus. the objectives of LAHF 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 defined at section 3.2 of the Prospectus) 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;
- 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.

4.3 The Council were contacted by DLUHC on the 10th February 2023 advising that the Council had been awarded an allocation of grant funding under the LAHF of £1.260m and £0.305 with the expectation of delivery of 9 homes and 1 four bedroom property respectively, subject to a memorandum of understanding being agreed and signed by the Council (appendix 2).

4.4 The prospectus provided details of the two schemes, identified as the main & bridging elements. The condition of the grant includes an obligation to provide the identified number of four bedroom properties (one) under the bridging element in order to qualify for funding for the main element of 9 units.

4.5 The prospectus listed a number of ways in which the units can be provided with the basic model assuming stock acquisition, however it also lists other examples including, but not limited to:

- Refurbishing and/or converting local authority-owned residential or non-residential buildings, including defunct sheltered accommodation.

4.6 A further requirement of both schemes is that the grant funding providing should not exceed 40% of the Council's Capital spend on the main element and 50% of the bridging element.

5.0 **PROPOSED SCHEME**

- 5.1 DLUHC accepted a proposal to acquire 7 (seven) three bedroom homes and 1 (one) four bedroom home from the open market and to refurbish 2 of our existing three bedroom homes which are included in the Capital Budget for these works.
- 5.2 The acquisition of these units will be part funded by the DLUHC grant and will not exceed the 40% maximum charge to the Council's Capital spend as per the grant conditions using the formula provided in the prospectus.
- 5.3 The total estimated cost of the acquisition of the 7 three bedroom units is £2.744m including SDLT and initial repairs/maintenance to ensure the properties are ready to let. The total estimated cost of acquisition of the 1 four bedroom unit is £0.594m including SDLT and initial repairs/maintenance.
- 5.4 The estimated overall revenue cost to the Council in year one is £5,000 due to a generous allowance for voids, bad debt and maintenance with and estimated surplus in later years.
- 5.5 The grant funding for this scheme will be made available to the Council in two tranches, the first 30% being paid in February/March 2023 with the remaining 70% paid five months later.

6.0 SUPPORTING INFORMATION

Proposed funding

- 6.1 DLUHC have offered a grant of £1,260,000 for nine units of accommodation which equates to approximately 40% of the unit cost, with an additional £20,000 per unit for legal fees, refurbishment costs etc.
- 6.2 Funding model.

For 7 x three bedroom homes.

ACQUISITION		Assumptions
Total capital investment:	£2,775,000	Unit cost of £360,000 plus and allowance of £20,000 per unit for remedial works and SDLT.
Total Cost	£2,775,000	
LAHF grant	£1,260,000	
Long Term borrowing required	£1,460,000	Funded through PWLB
<u>Revenue impact</u>		
Rent:	£96,000 per annum	Rent charged at LHA rate
Repairs, bad debt & voids:	£21,000 per annum	Provision for Bad debt 10%, voids 5%, repairs £1,000 for first year per unit

Interest & MRP:	£78,000	4.5% interest, 1.43% MRP on element not funded by s106.
Total first year cost	£106,000	
Year 1 revenue impact:	£3,000	
Cost avoidance	Up to £280,000 per annum	Based on a need for nightly rate/b&b for 7 larger households

Notes:

1. *Generous allowances for voids and bad debts ensure that costs are not under-stated.*
2. *MRP = Minimum Revenue Provision – repayment of the debt/sum borrowed.*

6.3 Funding model for 1 (one) four bedroom property.

DEVELOPMENT		Assumptions
Total capital investment:	£595,000	Unit cost of £550,00 plus and allowance of £20,000 per unit for remedial works and SDLT.
Total Cost	£595,000	
LAHF grant	£305,322	
Long Term borrowing	£290,000	Funded through PWLB
<u>Revenue impact</u>		
Rent:	£18,500 per annum	Rent charged at LHA rate
Repairs, bad debt & voids:	£3,700 per annum	Provision for Bad debt 10%, voids 5%, repairs £1,000 for the first year
Interest & MRP:	£17,000	4.5% interest, 1.43% MRP on element not funded by s106.
Total year one cost	£20,700	
Year 1 revenue impact:	£2,200	
Cost avoidance	£0	Not applicable as we would not accept a family from a bridging hotel if no accommodation was available.

6.4 At the proposed level of borrowing the revenue impact at the end of the first year would be approximately £5,000 for both schemes. Thereafter, the units would likely generate a surplus, allowing for inflationary rent increases.

6.5 The costs avoided by providing this additional accommodation are estimated at £280,000 per annum, based on a rate of approximately £110 net per night for a family with a 3-bed need. These costs are incurred where demand for temporary accommodation exceeds the available supply, resulting in a need to use nightly rate emergency accommodation. As nightly rate costs are rising rapidly the potential cost avoidance could be much greater over time.

7.0 Next Steps

7.1 If the proposals are agreed, the Memorandum of Understanding will need to be signed and returned to DLUHC as per appendix 2 on the 22 March 2023.

7.3 If approved, the housing service will commence acquiring the required units from the open market alongside work to refurbish the two units within our stock as soon as possible.

7.4 Once the three bedroom units have been acquired and made suitable for letting, they will be absorbed into the Council's temporary accommodation stock for use by homeless households in the Borough.

7.4 Once the four bedroom property has been acquired and made ready for letting, the housing service will agree to accommodate a suitable, eligible family from bridging accommodation.

8.0 Consultation and Other Considerations

Legal Advice

8.1 The approval of the recommendation in this report requires decision by Executive

8.2 The council has a legal duty to secure housing for eligible homeless applicants who are in priority need, not intentionally homeless and have a local connection (Housing Act 1996).

8.3 Local authorities are permitted to hold up to 199 units of accommodation in the General Fund without the need to open a Housing Revenue Account. The proposal increases the level of council-owned housing to a level that remains well below this limit.

9.0 Financial Advice

9.1 The scheme costs will be mostly met through rental income with potential for cost avoidance should demand for homelessness services continue to increase as the units will be used for homeless households in the borough. These properties will remain in the ownership of the council and as such be considered as long term assets.

9.2 The agreed funds will be issued to the Council as grant payments under section 31 of the Local Government Act 2003.

10.0 Other Consultation Responses

10.1 None

11.0 Equalities Impact Assessment

11.1 TBC.

12.0 Strategic Risk Management Issues

12.1 TBC

13.0 Climate Change Implications

13.1 TBC

Background Papers

Appendix 1- LAHF Prospectus

Appendix 2- Memorandum of Understanding

Contact for further information

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