

Surrey Heath Borough Council

Executive

14th March 2023

Local Authority Housing Fund

Portfolio Holder:	Cllr Sarah-Jane Croke, Housing, Safeguarding & Support
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Wards Affected:	All
Key Decision:	Yes
Date Portfolio Holder signed off the report	12th February 2023

Summary and purpose

On the 14th December 2022 the Department of Levelling Up, Housing and Communities (DLUHC) announced the £500 million Local Authority Housing Fund. This capital fund has been apportioned to local authorities to support in the delivery of accommodation for households who are residing in the United Kingdom through Afghan or Ukrainian settlement schemes.

This report sets out the scope of the scheme and seeks approval to proceed with the delivery of the LAHF within Surrey Heath through the acquisition of six affordable/low-cost properties and 1 bridging property to support those who may be homeless, at risk of homelessness or who live in unsuitable temporary accommodation.

Recommendation

The Executive is asked to RESOLVE that

- (i) the Council's participation in the Local Authority Housing Fund through the delivery of seven homes by the end of the 2023/24 financial year be agreed; and
- (ii) the method of delivery of homes under the Local Authority Housing Fund be delegated to the Strategic Director for Environment & Community in consultation with the relevant Portfolio Holder for Housing, Safeguarding & Support and the Strategic Director for Finance and Customer Services.

The Executive is advised to RECOMMEND to Full Council that up to £80,000 (including contingency) be drawn down, earmarked from the Council's Affordable

Housing reserve to subsidise the purchase price of a property under the 'bridging element' of the Local Authority Housing Fund scheme.

1. Background and Supporting Information

- 1.1 Local authorities such as Surrey Heath have supported several resettlement schemes over recent years. Like many other local authorities, Surrey Heath has experienced challenges in securing settled accommodation for these households due to scarcity of social and private rented accommodation. The government has acknowledged that the ongoing nature of these resettlement schemes is further impacting the existing housing pressures.
- 1.2 The LAHF has been developed to address these immediate pressures and bring forward a sustainable stock of affordable housing for the future. Significant numbers of Afghans continue to reside in bridging hotels, 18 months after arriving in the UK and it is recognized that the larger families who require 4 beds are unable to source or afford these properties.
- 1.3 Surrey Heath is no exception, with demand for social and private rented accommodation exceeding supply. There are high numbers of homeless cases approaching the Council at this time and limited options for those households. Due to the shortage of available properties families are being placed in emergency bed and breakfast accommodation out of Borough. There is an expectation that there will be an increase in homeless approaches from Afghan and Ukrainian households over coming months, along with additional requests to provide accommodation for refugees. This is likely to place additional pressure on temporary accommodation, the available social housing and the limited lower cost private rented housing in the Borough.
- 1.4 The Local Authority Housing Fund provides capital grant funds to participating authorities in the financial years 2022/2023 and 2023/2024 to support the acquisition and refurbishment of homes to provide sustainable housing for people under the following schemes:
 - (i) Afghan Citizen Resettlement Scheme (ACRS),
 - (ii) Afghan Relocations and Assistance Policy (ARAP)
 - (iii) Ukraine Family Scheme,
 - (iv) The Homes for Ukraine and
 - (v) The Ukraine Extension Scheme
- 1.5 The fund is intended to reduce the impact of new arrivals from the Afghan and Ukraine schemes on existing housing pressures by providing a new and permanent supply of accommodation for local authorities to help address local housing and homelessness pressures.
- 1.6 Local authorities have been allocated capital funding under section 31 of the Local Government Act 2003 on the basis of a formula devised using the number of arrivals from the Afghan and Ukraine schemes within each local authority area. On the basis of these formula, Surrey Heath has been

provided with an indicative allocation of six 2/3 bedroom 'main element' homes and one larger 4+ bedroom home, the latter of which must be allocated to households in bridging accommodation. The indicative allocations for other Surrey authorities is shown in Annex 1.

- 1.7 Main element accommodation must be affordable/low-cost housing to support wider local authority housing and homelessness responsibilities for the remainder of its lifetime. Main element accommodation will receive a per-property grant of 40% of the estimated average lower quartile property price.
- 1.8 Bridging element accommodation is intended to be designated solely for people residing in the UK through the Afghan resettlement schemes, of which large numbers nationally are still residing in bridging accommodation. The LAHF bridging element accommodation is funded to deliver 4+ bedroom homes with the grant being set at 50% of the estimated average lower quartile 4+ bed property price within the borough.
- 1.9 The capital funding earmarked for Surrey Heath amounts to £900,000 in main element funding at an average of £130,000 grant per property plus £20,000 for 'other' costs such as selection, purchase and refurbishment. The single 'bridging element' funding provides a maximum grant of £309,109, also with the £20,000 per property budget for additional costs. The total available grant funding amounts to £1,229,109. The funding is split over two financial years with 30% paid in the 2022/23 financial year and the remaining 70% in 2023/24.
- 1.10 All participating local authorities have discretion over property acquisition with options that could include:
 - (i) Refurbishing or conversion of local authority-owned buildings;
 - (ii) buying, refurbishing or converting non-local authority owned properties, including bringing empty or dilapidated properties back into use;
 - (iii) Purchasing new build properties including converting shared ownership properties;
 - (iv) Developing new properties, and;
 - (v) Working with and supporting other organisations who want to offer accommodation for this cohort.
- 1.11 Funding provided under LAHF is intended to bring forward whole-life housing with each local authority being given autonomy to determine whether the properties are social rent, Affordable Rent, or a discounted private rent. If properties are disposed of, the Recycled Capital Grant regulations will apply whereby the grant funds will be repayable to the Government.
- 1.12 As Surrey Heath does not currently act as a housing provider and also due to the tight timescales for delivery, officers have entered into

discussions with the Registered Providers (Housing Associations) who work in and around the Borough. These conversations have proven positive with two of the Registered Providers (RP's) approached willing to work with Surrey Heath to bring forward the seven units of main and bridging accommodation. Officers consider that RP's are currently the most appropriate delivery vehicle to achieve the LAHF objectives bringing with them expertise, capital funding, capacity for stock purchase, management and wraparound resident support. This does not preclude the council taking a different approach to delivery under the LAHF in subsequent years if an alternative delivery model is more advantageous.

- 1.13 Whilst properties outside of the borough could be considered, it is proposed to work with an RP to deliver these additional properties within Surrey Heath in the first instance. The benefit of delivering these homes within the Borough is that as properties provided under this programme will become part of the general housing stock by providing them in the Borough ensures that they become available to meet local housing need in perpetuity.
- 1.14 The LAHF seeks to create a lasting supply of affordable housing for the general population with properties becoming available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible families from within the resettlement schemes have been addressed.
- 1.15 Through initial discussions, one RP has proposed that the additional contribution for the purchase of the six main element properties could be funded by the RP on the basis the properties are let at affordable rent levels. The funding for the bridging element property is likely to require a contribution from Surrey Heath of up to £80,000, with the level of contribution determined by the purchase price. The contribution could be funded through developer contributions for affordable housing which the council currently holds. Whilst the proposed funding model may change as negotiations progress, working in partnership with RP's will support the objectives of the LAHF without the need for significant outlay from capital reserves.

2. Reasons for Recommendation

- 2.1 The Council has committed supporting our Ukrainian guests who were fleeing the Russian invasion and Afghans who worked with the Government and armed forces through the respective resettlement schemes. The provision of accommodation through the LAHF supports families into much-needed, affordable and good quality accommodation.
- 2.2 The LAHF is designed in way that mirrors traditional social housing delivery programmes and therefore it is easy for developing Registered Providers to understand and work within the Fund. The RPs we have spoken to have

active development programmes and therefore have the teams and expertise to deliver the homes required within the funding regime and to the required standard. On completion RPs who already operate within the Borough are uniquely placed to provide management services to those homes.

- 2.3 The proposal to provide a capital contribution to the delivery of the four-bedroom home is that with a reduced development cost the RP will be able to provide the home at a more affordable rent. It is common for larger families to be impacted by the Benefit Cap and the Housing Team has recent experience of nominees to social housing being refused by RPs for larger homes at Affordable Rents as they cannot afford them. Recent 4 bedroom properties delivered at Deepcut at Affordable Rent levels have had weekly rents of £333.70, compared with £140.21 per week for the most recent 4 bedroom homes at Social Rent that have become available in the existing stock. There is also a limited supply of four-bedroom properties in the local social stock with constraints in delivering additional 4-bedroom homes and therefore an additional unit through this Fund is a positive contribution.
- 2.4 While delivering the four-bedroom property at social rent would mean a significant contribution from the Council the proposal is to fund up to £80,000 of the purchase price of a property under the 'bridging element' through the Affordable Housing Contributions currently held by the Council. This will allow the property to be delivered at 60% of the market rent which, while higher than social rent levels, delivers a property below the Affordable Rent model. Based on the figures at 2.3 above at 60% of market rent the cost would be £250 per week.
- 2.5 Rent levels are an important consideration as should resettled families have to rely on benefits to meet a higher rent this gives them less opportunity to move from benefits to better paid employment. Funding is available through the Government Afghan Relocation Assistance Policy for the borough council to apply for which can be used towards Local housing allowance shortfall for 4 bedroom properties. This scheme would be considered should the family need it, in order to reduce the risk of them falling into rental arrears.
- 2.6 Affordable Housing Contributions are collected from developers in lieu of the onsite delivery of affordable homes. The presumption is that affordable homes should be provided on new housing developments however where there are circumstances that prevent this, a contribution is taken to enable affordable housing delivery elsewhere in the Borough. Contributions can only be used to support the delivery of affordable homes. Using s106 monies in this way means that any family moved into a property under the LAHF scheme would be paying LHA rate rent, meaning housing benefit would cover all the rent costs. This would reduce the risk of a family getting into rent arrears and becoming at risk of homelessness, increasing financial cost to SHBC.

3. Proposal and Alternative Options

- 3.1 In order to register interest in the LAHF Validation Questions were submitted to DLUHC on the 25th January 2023. The submission of the Validation Questions does not commit Surrey Heath to participate in this scheme. Should Executive agree with the officer recommendation Officers will complete a Memorandum of Understanding which must be submitted by the 15th March 2023 to ensure the first tranche of funding is obtained. As part of the LAHF the Council must commit to providing updates on progress every two month with full delivery of the seven properties expected by November 2023.
- 3.2 Early dialogue with RP's indicates that the most efficient means of securing good quality housing within the project timescales would be through the purchase of properties on the open market or through approaches to housebuilders for unsold properties nearing completion. The purchase of new or nearly new properties is preferred as there is a greater likelihood of energy efficient homes in good structural and decorative order.
- 3.3 Alternative options for delivery could include the direct purchase of homes by Surrey Heath, however it must be acknowledged that the LAHF does not provide revenue funding and the Council is not currently resourced to source and manage its own housing stock.
- 3.4 The Council could consider not engaging in the LAHF. This is not considered prudent as the LAHF presents an opportunity for the Council to bring forward much-needed accommodation within the Borough for those eligible families from within the resettlement schemes, but also latterly under Surrey Heath's general housing and homelessness responsibilities.
- 3.5 As part of the Validation Questions local authorities have been asked about future delivery of homes through the LAHF beyond 2023/24. Future delivery through different mechanisms outside of a partnership with a Registered Provider can be considered for subsequent years.
- 3.6 There will be a need to communicate to residents that participation in this Fund delivers homes that will become part of the affordable housing stock in perpetuity and that homes allocated to this cohort does not represent 'cue jumping' in accessing social housing.
- 3.7 Other projects introduced by the Home Office have focused on to get families out of bridging hotels have had limited success. The 'find your own accommodation' project where landlords could sign up to take Afghans proved unsuccessful in this region as high private rental prices meant properties were unaffordable. Serviced apartments have also been looked at, and despite accommodation being identified within the Borough, this has not come to fruition.

4. Contribution to the Council's Five Year Strategy

- 4.1 Adoption of the LAHF supports the Council's Housing & Homelessness objective of preventing homelessness and rough sleeping. Working in partnership on the scheme with a Registered Provider to eradicate homelessness across the whole Borough is a specific Action within the Strategy.

5. Resource Implications

- 5.1 The LAHF programme does not include any revenue funding which could be used to provide additional staffing resources. As a consequence Local authorities can use other funding available to them for the resource costs or they may be able to capitalise revenue costs; although this is for their accounting teams to determine whether this is appropriate and should ensure that the accounting treatment adopted is deemed compliant with the code of Practice for Local Authority Accounting.
- 5.2 Surrey Heath has the ability to claim funding for Afghan families placed into LAHF accommodation under the Afghan Relocation and Assistance Programme (ARAP). ARAP will provide 3 years of funding to support set up and integration from the families date of arrival to Surrey Heath with support provided by the Family Support service. The ARAP funding reduces the financial risk that could be incurred by Surrey Heath as it enables officers to provide intensive support to help families reducing the risk of homelessness and costs incurred with this. The Council will support with sourcing employment and ensuring children are enrolled in education, all contributing to families positively contributing to the local community.
- 5.3 The families assisted through the Fund have access to housing: they have the Right to Rent, can access social housing and approach local authorities. The Council is already assisting Ukrainian households into the private rented sector through the provision of advance rent and deposit bonds, and has incurred temporary accommodation costs from placing homeless Ukrainian households. The Government has recognised that Ukrainian families becoming homeless is a new burden on busy homelessness services and has reduced the limitation of families spending a maximum of 6 weeks in bed and breakfast. The cost of placing a family in bed and breakfast varies between providers with typical costs to the Council of £385 per week for a mother and child and £455 for a mother with 3 children. Some cost is recoverable from the family so assuming full payment from the family these placements cost £203 per week and £365 per week respectively.
- 5.4 While the Housing Team seek to move families from bed and breakfast as quickly as possible the lack of larger temporary accommodation, limited availability of 4 bedroom social housing and an even more limited supply of 4 bedroom properties in the private sector affordable for people on low incomes or benefits means larger families spend longer in bed and breakfast. A family with a 4 bedroom need costs over £1000 per week of which only £182 is

recoverable from the family. Having funded accommodation for these groups would reduce this burden.

- 5.5 Ukrainians are provided with 12 months of support from arrival to the UK. For the majority of guests who arrived in Summer 2022, this support is coming to an end and are effectively closed to any support from the local authorities putting guests at increased risk of homelessness and possible debt. Surrey Heath has provided a full package of support to H4U guests which has been unique across Surrey. This has meant that Ukrainian guests are closely monitored and supported to ensure they have employment and secure, permanent accommodation. With the timeframes set out for LAHF there will be 8 households under the Homes for Ukraine scheme requiring accommodation.

6. Section 151 Officer Comments:

- 6.1 The financial implications are outlined in the above report.

7. Legal and Governance Issues

- 7.1 Acquisitions or disposals of land or property with a sale or purchase price in excess of £25,000 are reserved to the Council's Executive. When a suitable property has been identified for purchase, Executive approval will be required to proceed with the purchase.

8. Monitoring Officer Comments:

- 8.1 None

9. Other Considerations and Impacts

Environment and Climate Change

- 9.1 Whilst not specifically relating to the objectives of the Council's Climate Change Action Plan, the intention will be to source new or nearly new homes which will be more energy efficient and hold a better energy efficiency rating as set out by the Energy Performance Certificate for each property.

Risk Management

- 9.2 It should be noted that the timescales for the delivery of this project are challenging. Securing properties of a decent standard at the anticipated lower quartile rate within a limited timescale will be difficult. Selected properties will need to be in good order and condition, offer a safe and affordable home for future tenants, as well as deliver a sustainable asset for the housing provider. The optimum solution would be to identify units off plan on a new development and negotiate a block purchase within grant levels. It is unlikely that new build properties would need the

investment of additional grant for improvements.

- 9.3 An alternative is to purchase properties on the open market however it should be recognised that the lower quartile grant levels mean purchases would be at the bottom end of the market and therefore properties require grant investment to bring them up to standard. A mixture of new build and existing stock would mean that grant not spent on new properties could be transferred to older properties and therefore increase the availability of grant per property for improvement. The time scale to do this is also a challenging factor however the grant conditions commit to funding acquisitions that commence within the October deadline but complete at a later stage.
- 9.4 As a Borough that holds very limited housing assets, working with a Registered Provider will ensure the project group possesses a sound knowledge of property management and the local market. There is no financial risk to the Council in participating in the Fund, other than officer time. There is also no penalty for not being able to meet the commitment other than reputational impact and the potential for restricted access to future tranches of funding. This however is an important strand in the Government's response to humanitarian immigration and the demonstrates the Council's commitment as an ongoing partner in such programmes.

Annexes

Annex 1 – Allocations Targets for Surrey Authorities

Background Papers:

Local Authority Housing Fund - Prospectus and Guidance

ANNEX 1 – Allocations Targets for Surrey Authorities

Local Authority	"Main Element" Homes Target	"Bridging Element" Homes Target
Spelthorne Borough Council	7	1
Surrey Heath	6	1
Tandridge District Council	6	1
Runnymede	7	1
Woking Borough Council	14	1
Reigate & Banstead BC	10	2
Mole Valley	5	1
Elmbridge	18	2
Epsom & Ewell	No participation	No Participation
Guildford	TBC	TBC
Waverley	TBC	TBC