

Surrey Heath Borough Council

Executive

19 March 2024

Local Authority Housing Fund

Portfolio Holder:	Cllr Lisa Finan-Cooke, Housing & Inclusion
Strategic Director/Head of Service	Nick Steevens
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Wards Affected:	All
Key Decision:	Yes
Date Portfolio Holder signed off the report	21 February 2024

Summary and purpose

In December 2022 the Department of Levelling Up, Housing and Communities (DLUHC) announced the £500 million Local Authority Housing Fund. In March 2023 Executive approved the Council's participation in the Local Authority Housing Fund (LAHF) with officers proceeding to acquire 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.

In June 2023, round 2 of the Local Authority Housing Fund was launched which provided a £250 million fund (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes currently in bridging accommodation and the rest used to ease wider homelessness pressures.

This report sets the background of the Local Authority Housing Fund scheme and seeks approval for the Council's continuation of the scheme with the delivery of two more units of accommodation by the end of the 2024/25 financial year.

Recommendation

The Executive is asked to RESOLVE that

- (i) the Council's participation in the Local Authority Housing Fund through the delivery of 2 further properties by the end of the 2024/25 financial year be agreed; and
- (ii) the method of delivery of homes under round 2 of the Local Authority Housing Fund be delegated to the Strategic Director for Environment & Community in consultation with the Portfolio Holder for Housing & Inclusion and the Strategic

Director for Finance and Customer Services.

1. Background and Supporting Information

- 1.1 Surrey Heath has a proud record of supporting resettlement schemes which seek to support those people fleeing conflict and persecution. Like many other local authorities, Surrey Heath continues to experience challenges in securing settled accommodation for households due to the increasing scarcity of social and private rented accommodation and increasing demand.
- 1.2 The Government created the Local Authority Housing Fund (LAHF) in December 2022 to address these immediate pressures and bring forward a stock of affordable housing, initially for those seeking settled accommodation under certain resettlement schemes and then latterly as part of the Borough's wider affordable housing provision.
- 1.3 LAHF offered a £500m capital grant fund was committed for 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 resettlement schemes:
 - (i) Afghan Citizen Resettlement Scheme (ACRS) and Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes);
 - (ii) Ukraine Family Scheme and the Homes for Ukraine and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes)
- 1.4 The Local Authority Housing Fund provides capital grant funds to participating authorities 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 specific objectives of part 2 of the LAHF are to:
 - (i) Provide sustainable housing to those on Afghan resettlement schemes at risk of homelessness so that they can build new lives in the UK, find employment and integrate into communities.
 - (ii) Reduce local housing pressures beyond those on Afghan resettlement schemes by providing better quality temporary accommodation to families owed homelessness duties by LAs.
 - (iii) Reduce emergency, temporary and bridging accommodation costs.

- (iv) Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.
- 1.6 As part of the second round of LAHF, the Department of Levelling Up, Housing and Communities (DLUHC) has provisionally identified Surrey Heath as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with an indicative additional allocation of £400,000 in funding. This funding covers two distinct elements as below:
- (i) Resettlement element: to fund the provision of a minimum of 1 home.
 - (ii) Temporary Accommodation (TA) element: to fund the delivery of a minimum of 1 home.
- 1.7 The capital funding is divided amongst authorities on the basis of a formula devised using the number of arrivals from the Afghan and Ukraine schemes within each local authority area. The maximum average grant rate per unit is calculated as 40% of the costs of acquisition or refurbishment plus £20,000 per property to cover stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent.
- 1.8 The resettlement 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.
- 1.9 Temporary accommodation funding is allocated based on 1 home per 20 families in nightly paid and B&B temporary accommodation within a given local authority. The grant per property is set at 40% of the median property price plus an allocation of £20k per property to allow for refurbishment and other associated costs.
- 1.10 As with year 1 of the scheme, 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 Because Surrey Heath does not act as a housing provider, officers have worked with Mount Green, an independent housing associations with around 1600 properties in the Surrey and North Sussex area, on the delivery of the 7 properties required under year one of LAHF. Despite some challenges with property acquisition, the partnership arrangement has now secured all 7 properties.
- 1.13 The Partnership with Mount Green and latterly their partner Stonewater has been positive and, if the resolution is agreed, it is intended that this relationship will continue for the delivery of year 2 of the LAHF programme. This still remains the most appropriate delivery vehicle to achieve the LAHF objectives as Mount Green/Stonewater bring expertise and capital funding which limits the resource and financial impact on the Council. Year 1 of LAHF will deliver the 7 properties with only a nominal contribution from Surrey Heath's Affordable Housing reserve.

2. Reasons for Recommendation

- 2.1 The Council has previously 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 for a second phase of LAHF supports families into much-needed, affordable and good quality accommodation without impacting on the limited number of properties coming forward for allocation through the Council's housing register.
- 2.2 The LAHF is designed in a way that mirrors traditional social housing delivery programmes and therefore it is easy for developing Registered Providers (RPs) to understand and work within the Fund.
- 2.3 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 Local Housing Allowance (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 Year 2 of the LAHF scheme offers two more units of accommodation for people within the borough who meet the relevant criteria. The Council

could consider not to continue with round 2 of the LAHF however it would therefore not benefit from the contribution of £400k to bring forward these much-needed additional affordable homes.

4. Contribution to the Council Strategy 2024-2028

- 4.1 Whilst the delivery of LAHF in Surrey Heath relies on the purchase of existing properties and does not create more homes, it does secure homes from the open market to create additional social housing to meet our local need.

5. Resource Implications

- 5.1 Mount Green and Stonewater have agreed to fund the purchase of the resettlement and temporary accommodation properties utilising the £400k LAHF2 fund and without the need for further contributions from Surrey Heath from its Affordable Housing reserve. As a result, the resource implication for Surrey Heath relates to officer time in working collaboratively with Mount Green and Stonewater on the selection of suitable properties.

6. Section 151 Officer Comments:

- 6.1 The financial implications are outlined in the above report. The property acquisition is funded through the LAHF and the extra officer time can be contained within existing budgets.

7. Legal and Governance Issues

- 7.1 The existing agreement with Mount Green and their partner Stonewater will need to be reviewed to ensure it is suitable for year 2 of the programme and, if required, the same is varied to ensure suitable contractual provisions are in place.

8. Monitoring Officer Comments:

- 8.1 No further matters arising.

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 There is a risk of the partnership not being able to source and deliver two properties within the LAHF2 deadlines set by the Department of Levelling Up, Housing and Communities (DLUHC). Through the robust partnership working during the first year of LAHF where 7 properties have now been brought forward, officers are confident that there is negligible risk of not bringing forward these two additional homes.

Annexes

None

Background Papers:

Local Authority Housing Fund - Prospectus and Guidance

<https://www.gov.uk/government/publications/local-authority-housing-fund-round-2/local-authority-housing-fund-round-2-prospectus-and-guidance>