

Arun District Council

REPORT TO:	Housing and Wellbeing Committee - 21 November 2024
SUBJECT:	Local Authority Housing Fund
LEAD OFFICER:	Jayne Knight, Housing Options Manager
LEAD MEMBER:	Councillor Carol Birch, Chair of Housing and Wellbeing Committee
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: <p>The Local Authority Housing Fund will support the following aims of the Arun District Council Vision.</p> <p>Improving the wellness of Arun</p> <ul style="list-style-type: none">• Support those who are homeless, street homeless or at risk of homelessness in emergency or temporary accommodation to improve health outcomes. <p>Delivering the right homes in the right places</p> <ul style="list-style-type: none">• Support households with complex needs to secure suitable accommodation.• Ensure the existing housing stock in the district (private sector and council owned) is maintained to a high standard.• Continue to bring empty homes back into use for the benefit of the community.	
DIRECTORATE POLICY CONTEXT: <p>The Local Authority Housing Fund (LAHF) (3) will provide funding towards the cost of purchasing seven temporary accommodation homes and three Afghan resettlement homes, of which one must be a four-bedroom home.</p> <p>These additional homes will be new, high standard properties that provide better than value than the alternative, which is expensive emergency accommodation.</p>	
FINANCIAL SUMMARY: <p>The Ministry of Housing Communities and Local Government have granted £1,783,052 to the council ringfenced to the acquisition of seven additional temporary accommodation homes to fulfil our statutory homeless duties, and three additional properties to be used for the Afghan Resettlement Scheme. The grant is split £1,771,000 capital and £12,052 revenue. The funding is being received in four tranches; the first tranche has been received.</p>	

This capital grant will be used towards the purchase of seven two-bedroom homes for temporary accommodation, two three-bedroom homes and one four-bedroom home to house applicants from the Afghan Resettlement Scheme. With the balance of funding coming from S106 commuted sums and borrowing.

The scheme will provide a positive contribution to the HRA from year 1 and this will increase annually as rents increase:

Net Income & Costs	£'000
Net Rent Year 1*	102
Repayment of HRA borrowing****	-72
Net Rent after debt repayment	<u>30</u>

*** based on Affordable rents at 80% of Market Value (market rents to be provided by an independent valuer) less void provision and operational costs

**** based on the full year costs of borrowing £1.47m over 40 years @ 5.13%.

1. PURPOSE OF REPORT

- 1.1 To seek approval from Members to proceed with the acquisition of seven additional temporary homes, and three homes for the Afghan Resettlement Scheme, including approval for the capital funding required to make up the remaining cost after the grant awarded is considered and the commuted sums.

2. RECOMMENDATIONS

- 2.1 It is recommended that Housing and Wellbeing Committee:

- a) Approves the LAHF award of £1,783,052 to acquire seven additional homes for use as temporary accommodation and three for the Afghan Resettlement Scheme of which £1,771,000 relates to the capital purchase.
- b) Approves the use of HRA borrowing as match funding of a maximum £1,469,600.
- c) Approves use of £630k affordable housing S106 receipts.
- d) Subject to recommendation (e), approves the acquisition of ten new homes for up to a maximum total cost of £3,870,000 for use as temporary accommodation and for the Afghan Resettlement Scheme and in accordance with the LAHF grant conditions; and

- e) Delegates authority to the Group Head of Finance (Section 151 Officer), in consultation with the Chair of this committee, and the Group Head of Housing, Wellbeing and Communities to provide final written approval of the acquisition subject to the Group Head of Finance being in receipt of a positive financial appraisal.
- f) Notes that an appraisal of the LAHF scheme will be brought to this committee once it is completed and in use.
- g) Request that the Policy & Finance Committee recommends to Full Council to include this scheme within the Council's capital programme at a total cost of £3,870,600 with £1,771,000 capital funding from central government grant, £630,000 from Section 106 receipts and £1,469,600 to be funded by the Council through additional borrowing.

3. EXECUTIVE SUMMARY

- 3.1 MHCLG has nominally allocated £1,783.052 of LAHF funding for the Council to Acquire seven additional homes for use as temporary accommodation and one for the Afghan Resettlement scheme. The LAHF scheme is intended to relieve our existing homelessness pressures and support Afghan refugees currently occupying bridging hotels.
- 3.2 There is no condition on the Council to provide match funding of 60% on each Property purchased. The funding however is conditional on having nine properties at exchange of contract stage by 31st March 2025 and one property delivered by 31st March 2026.
- 3.3 The proposal is to purchase: Seven, two-bedroom properties for Temporary accommodation, three Properties for the Afghan resettlement scheme, one being a four- bedroom property.

4. DETAIL

- 4.1 Presently there are over 229 Arun households living in temporary accommodation of which 173 are in expensive nightly paid accommodation provided by private suppliers. The cost of temporary accommodation to the local authority this year is expected to be in region of £4.4 million gross.
- 4.2 By using the LAHF funds, Arun will be able to purchase a further 7 Temporary Accommodation properties. Two-bedroom units of nightly paid accommodation costs on average £500 per week, per unit. $7 \times £500 = £3500.PW$, which delivers a cost saving of £182,000 per annum to the authority.

- 4.3 Homelessness is a statutory service, and we are obligated to offer temporary accommodation to eligible households. At a time of nationally increasing homelessness, we are seeing increasing numbers of households in temporary accommodation. Our only flexible source of supply is expensive emergency accommodation. Increasing our own portfolio of temporary accommodation reduces that reliance and offers a better quality, more sustainable and cheaper alternative.
- 4.4 We are including commuted sums to the value of £630,000 available so the match funding from Arun District Council for this project will come from HRA borrowing.

5. CONSULTATION

- 5.1 There has been consultation with DHLUC and Finance in developing these proposals.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1 There was consideration given to building new properties on land owned by Arun District Council. This was dismissed, as the delivery timetable for the majority of the properties is March 2025 and therefore given the time limitations, we were unable to take such an approach.
- 6.2 There is the option not to apply for this grant, and this was also dismissed as:
- a) DLUHC were strongly supportive of our application.
 - b) This scheme will provide high-quality, energy efficient new temporary homes for homeless families.
 - c) These properties will both generate an income and off-set the alternative cost of emergency accommodation.

7. COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER

- 7.1 The total costs of the proposals in this report are £3.87m of up to £1.47m will need to be funded by the Council. This will be done by taking out new borrowing, which means the Council will also incur additional revenue costs to repay the borrowing. However, these borrowing costs and any other additional revenue expenditure will be offset by the income generated by these new units.
- 7.2 Borrowing will not be taken at least until the property acquisitions have been completed and even, then Officers will manage the council's cash flow position in a way that delays borrowing for as long as possible.

8. RISK ASSESSMENT CONSIDERATIONS

8.1 **The authority will be increasing its HRA debt:** Whilst this increases our debt exposure risk, this is mitigated by the new income generated by ownership of these properties. There is a small risk in that interest rates could increase when we eventually take out the new borrowing. However, our interest rates forecast points to a drop in the medium term. Therefore, it is likely that the full year borrowing costs as indicated in the financial summary will be lower.

8.2 **Properties cannot be purchased within the timescale:** If we are unable to meet any of the grant obligations, we will withdraw our application and return the grant.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1 Appropriate legal agreements will need to be prepared and put in place to govern both the use of the funding and the acquisitions. Advice will be required from the Council's Legal Services team and/or its external legal advisors as a part of the project.

10. HUMAN RESOURCES IMPACT

10.1 There are no implications identified.

11. HEALTH & SAFETY IMPACT

11.1 There are no implications identified.

12. PROPERTY & ESTATES IMPACT

12.1 There are no implications identified.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1 This brings additional social value to the community providing suitable temporary accommodation for 7 additional households in the district and 3 to be used for the Afghan resettlement scheme.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1 All 10 properties purchased, will be newly constructed, to the most up to date build standards.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1 There are no implications identified.

16. HUMAN RIGHTS IMPACT

16.1 There are no implications identified.

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1 There are no implications identified.

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BACKGROUND DOCUMENTS:

[Local Authority Housing Fund: Round 3 prospectus and guidance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)