

North Yorkshire Council

Report to Executive

18 July 2023

Local Authority Housing Fund

Report of the Corporate Director Community Development

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the report is for the Council to enter into a Memorandum of Understanding with the Department for Levelling Up, Housing and Communities (DLUHC) for £1.34M from the Local Authority Housing Fund (LAHF). This funding will contribute towards the acquisition of an additional 11 affordable homes to provide accommodation for 11 households from the Afghan resettlement and relocation schemes.

2.0 BACKGROUND

- 2.1 In December 2022, the Department for Levelling Up, Housing and Communities made £500 million of funding available nationally for local authorities to acquire homes (either directly or through Registered Providers) through the Local Authority Housing Fund. These additional homes are ring-fenced for families accepted under the **Ukrainian and Afghan resettlement and relocation schemes**. Initial allocations for Local Authority Housing Fund Round One were made to 182 local authorities. Within North Yorkshire, this was restricted to the Scarborough and Harrogate areas only. Both the former Borough Councils accepted this funding and 30 properties are being acquired (via an agreement with a Registered Provider). All of these homes are due to be completed and occupied by November 2023. Homes once acquired form part of the social housing stock and shall provide a long term legacy to help meet housing need in North Yorkshire when refugees are safe to return home or move on to alternative accommodation.
- 2.2 The Department for Levelling Up, Housing and Communities have announced a further round of funding. This will provide an additional £250 million of funding nationally. An allocation of £1.34M has been made available to North Yorkshire Council from the fund to provide 11 homes in total.
- 2.3 The timescale for accepting the monies is very short. Approval to initially indicate our intention to accept the funding, via a validation form, which had to be submitted by 5 July, was provided by the Executive Member for Culture, Arts and Housing and was also supported by the Council's S151 Officer.
- 2.4 Following this submission, DLUHC will issue a Memorandum of Understanding. This needs to be signed by 14 August. This report seeks approval to enter into the Memorandum of Understanding and formally accept the £1.34M in funding. Should the Council enter into the Memorandum of Understanding, then we will be required to acquire the homes (e.g. exchanged contracts) by 29 March 2024.

3.0 PROPOSAL

- 3.1 The total allocation is £1.34M to acquire 11 homes. There is a requirement that the Council provides 60% match funding (£1.68M). Homes should be acquired by the end of the

financial year. There is a requirement on the Council to provide various monitoring information to the Department for Levelling Up, Housing and Communities.

- 3.2 The Council commits to purchasing properties on the open market, which could be a mix of ex-Council homes, other homes on the second hand market, and homes on new build developments. The Council's Refugee Resettlement Manager has indicated that the primary need for these properties is within the Harrogate area based on links to existing services supporting the Afghan community, however to support delivery there is the flexibility to acquire properties within other locations.
- 3.3 Homes to be acquired need to be a mix of 3 and 4 bedroom properties, as per the requirements of the programme.
- 3.4 Financial appraisals have been undertaken, which has demonstrated the viability of purchasing suitable properties for the programme within Harrogate and nearby locations, based on the grant rates, likely acquisition costs and affordable rent levels.

4.0 Overall Costs and Funding

- 4.1 The total cost of providing the 11 homes will be approximately £3.12M. The Council will receive a grant of £1,334,775 from the Department for Levelling Up, Housing and Communities; of this, £220,000 is to cover refurbishment costs and £1,114,775 is to cover up to 40% of the total capital costs. The capital cost to be covered by the council would be £1,677,875. This would be funded through internal borrowing, essentially the Housing Revenue Account would borrow from the General Fund. It is assumed that the borrowing will be at an interest rate of 4% and will be fully paid back to the General Fund (via rental income) over a period of 33 years at a rate of £50,000 per annum plus the cost of the interest.

| | Per property £ | For 11 properties £ |
|------------------------|-------------------|------------------------|
| Purchase price | 252,600 | 2,778,600 |
| Fees | 1,250 | 13,750 |
| Repairs | 20,000 | 220,000 |
| Total cost | 273,850 | 3,012,350 |
| Grant – purchase | 101,343 | 1,114,475 |
| Grant – repairs | 20,000 | 220,000 |
| Council to fund | 152,507 | 1,677,875 |
| Total funding | 273,850 | 3,012,350 |

- 4.2 An affordable rent, at up to 80% of market rent will be charged for the properties but capped at Local Housing Allowance (LHA) rates to ensure they remain affordable to the occupiers. The annual rental income from the properties will be £118,225 at Year One and an allowance has been made for a 2% annual rental increase.
- 4.3 Other annual costs will be for on-going Housing Management and Housing Maintenance costs amounting to £20,267 in Year One, increasing at a rate of 1.5% per annum. Assumptions have also been made for the refurbishment costs at an average of £20,000 per property. Based on experience some homes may require closer to £30,000 and others may be less than £10,000. Costs associated with decarbonisation and retrofit have not been included, and whilst it is intended that the Council would aim to complete such works to the homes prior to occupation, the payment of such works will come out of existing capital budgets, as all Housing Revenue Account decarbonisation works do currently.

- 4.4 The financial appraisals have been modelled on purchasing properties in Harrogate, in terms of it both being the preferred location and it being the most expensive location. Market analysis indicates that the average acquisition cost for a 3 bed ex-Council home in Harrogate is approximately £240,000, whilst a 4 bed is approximately £260,000. The grant available allows for an average purchase price of approximately £252,600, so should allow for a reasonable mix of 3 and 4 beds to be purchased. Given increased costs of mortgage borrowing there is the possibility that values could reduce and that more homes could come available on the market over the coming months due to the slowing down of the market generally.

5.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 5.1 Consultation has taken place with the Council's Refugee Resettlement Manager who has provided guidance on the most suitable location for the properties.

6.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 6.1 The scheme contributes principally to the following Council priority:

"Place and Environment: Good quality, affordable and sustainable housing that meets the needs of our communities"

7.0 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The option as per the previous funding round to continue to work in partnership with a Registered Provider and passport funds to them to acquire the homes has also been considered. However, given the ability to deliver via the continuation of an existing former Harrogate Borough Council programme to acquire homes, and the attractive grant rate (40% of total cost), it is recommended that in this instance the Council commits to deliver this programme directly. This approach also gives the council control over the choice and location of properties purchased and can best ensure that the needs of the refugees, and future tenants, are met.

- 7.2 Whilst the intention is to prioritise the purchase of ex-Council homes for this programme, the potential option to purchase new build homes remains an option should a deliverable opportunity arise, however should this approach be taken it would need to be within the financial parameters as set out previously within this report.

8.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 8.1 The acquisition of additional homes for Afghan refugees will help alleviate pressure on the Council and ensure the Council is playing its part in supporting Government to meet national commitments toward Afghan refugees. The main impact will be on the Council's Housing Options Services and the Council's Refugee Resettlement Manager in ensuring both initial support to the Afghan households in moving to their new homes and accessing services and any on-going support that might be required.

9.0 FINANCIAL IMPLICATIONS

- 9.1 The main financial implication for the Council would be the borrowing from the General Fund for the match funding for the Capital costs. This would amount to £1.68M borrowed by the Housing Revenue Account from the General Fund, at an indicative Interest Rate of 4% and paid back over 33 years at a rate of £50,000 per annum plus the cost of the interest.
- 9.2 In reality, the interest rate will vary from year to year, as it will reflect the average rate that the council achieves on its investments. Borrowing internally is cheaper than borrowing

externally from the Public Works Loan Board (PWLB) and gives flexibility in terms of being able to alter the repayment schedule of the loan at any time; there is no requirement for the HRA to repay its borrowing at all, so it could be that the borrowing is retained or repaid sooner, with the associated implications for interest payments.

10.0 LEGAL IMPLICATIONS

10.1 The Council will need to enter into the Memorandum of Understanding with the Department for Levelling Up, Housing and Communities for the funding. The Memorandum of Understanding sets out the requirements that the Council will need to meet in accepting the grant including the requirement for the grant payments and the provision of Management Information.

11.0 EQUALITIES IMPLICATIONS

11.1 The homes are provided to support the national humanitarian response to the conflict in Afghanistan. Eligibility for the homes is set by the Government – see Appendix A.

12.0 CLIMATE CHANGE IMPLICATIONS

12.1 Whilst there are no immediate Climate Change implications, the intention is to undertake decarbonisation and retrofitting of the properties as part of the Council's decarbonisation plan for its housing stock, which will be funded through the Housing Revenue Account. The decarbonisation works will reduce carbon emissions and will contribute to the Council's net zero carbon ambitions – see Appendix B.

13.0 RISK MANAGEMENT IMPLICATIONS

13.1 The key risks with the scheme are as follows

| Risk | Potential Impact | Mitigation |
|---|---|--|
| The Council does not accept the funding allocation | <p>There would be the risk of probable adverse publicity for the Council.</p> <p>Increased difficulty in meeting local and national commitments toward providing accommodation for Afghan refugees including a potential risk of increased cost associated with the provision of temporary accommodation.</p> | The Council indicates acceptance of the funding |
| Unable to identify sufficient homes to meet the numbers required or meet delivery by March 2024 | <p>Any unspent funds would have to be returned to the Government.</p> <p>Some households may need to go into temporary accommodation.</p> | <p>Previous experience has shown that there are sufficient suitable ex-Council homes coming on to the market to meet the required numbers.</p> <p>In addition with potential slowdown of market, the supply is likely to increase.</p> <p>The potential for acquisition of other homes, including new builds would mitigate this risk further.</p> |

| | | |
|--|---|--|
| Average price of suitable homes increases | Would increase borrowing requirement and on-going borrowing costs Could mean fewer properties could be acquired. | Unlikely as current housing market is experiencing slowdown with values stagnating or even possibly reducing |
| Cost of refurbishment is higher than £20k per property | Would increase borrowing requirement and on-going borrowing costs | Unlikely as £20K is reasonable average for refurbishment costs based on previous experience. Any retrofit/decarbonisation costs would be met through the HRA. |

14.0 REASONS FOR RECOMMENDATIONS

- 14.1 To enable the Council to accept the funding from the Department for Levelling Up, Housing and Communities to rehouse 11 households as per the requirement of the Local Authority Housing Fund (Round 2) programme.

15.0 RECOMMENDATION

It is recommended that the Executive approves entering into a Memorandum of Understanding with Department of Levelling Up, Housing and Communities (DLUHC) to accept grant funding of £1.34M from the Local Authority Housing Fund (LAHF). This funding shall help pay for the acquisition of additional accommodation for 11 households from the Afghan resettlement and relocation schemes.

Nic Harne
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APPENDICES:

Appendix A – Equalities Impact Assessment
Appendix B – Climate Change Assessment

BACKGROUND DOCUMENTS: None

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.