

North Yorkshire Council

Report to Councillor Simon Myers: Executive Member for Culture, Arts and Housing

29 June 2023

Local Authority Housing Fund

Report of the Corporate Director Community Development

1.0 PURPOSE OF REPORT

- 1.1 This report recommends that the Council advises the Department of Levelling Up, Housing and Communities (DLUHC) (via its validation process) of its intention to accept grant funding of £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.
- 1.2 Further to the Council's indication to DLUHC to accept the funds a further report will be provided to the executive seeking formal agreement to accept the funds and enter into a Memorandum of Understanding.

2.0 BACKGROUND

- 2.1 In December 2022, DLUHC made £500 million of funding available nationally for local authorities to acquire homes (either directly or through RP partners) 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 LAHF 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 an RP). 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 DLUHC 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. The Council is initially required to complete a validation form by 5th July indicating its intention to accept this funding and outlining how it intends to deliver the 11 homes. Sign off by the Council's S151 Monitoring Officer will be required for the validation form.
- 2.4 Following confirmation of the Council's intention to accept the funding, DLUHC will issue a Memorandum of Understanding. This needs to be signed by 14th August. Entering into the MOU and formal acceptance of the £1.34M in funding will require formal approval by the Council, and a further report will go to the Executive in order to seek that approval. Should

the Council enter into the MOU, then we will be required to acquire the homes (e.g. exchanged contracts) by 29th 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 DLUHC.
- 3.2 The Council commits to purchasing properties on the open market, which could be a mix of ex-Council homes 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 that the viability of purchasing suitable properties for the programme within Harrogate and nearby locations, based on the grant rates, likely acquisition costs and on affordable rent levels.

4.0 Overall Costs and Funding

The total cost of providing the 11 homes will be approximately £3.12M. The Council will receive a grant of £1,334,775 from DLUHC; 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 £1,677,577. 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	1,677,577
Total funding	273,850	3,012,350

- 4.1 An affordable 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.
- 4.2 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 HRA decarbonisation works do currently.

- 4.3 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 an RP 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 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 a Memorandum of Understanding (MOU) with DLUHC for the funding. The MOU 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.

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 HRA. The decarbonisation works will reduce carbon emissions and will contribute to the Council's net zero carbon ambitions.

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	Any unspent funds would have to be returned to the Government. Some households may need to go into temporary accommodation.	Previous experience has shown that there are sufficient suitable ex-Council homes coming on to the market to meet the required numbers. In addition with potential slowdown of market, the supply is likely to increase. The potential for acquisition of other homes, including new builds would mitigate this risk further.
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 DLUHC to rehouse 11 households as per the requirement of the Local Authority Housing Fund (Round 2) programme.

15.0 RECOMMENDATION(S)

The Executive Member for Culture, Arts and Housing gives authority to officers to advise the Department of Levelling Up, Housing and Communities (DLUHC) (via an on-line validation process) of our intention 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.

Following the Council's indication to DLUHC to accept the funds, a further report shall be provided to the Executive seeking formal agreement to accept the funds and enter into a Memorandum of Understanding with DLUHC.

APPENDICES:

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

BACKGROUND DOCUMENTS: None

Nic Harne
Corporate Director – Community Development
County Hall
Northallerton
29 June 2023

Report Author – John Burroughs, Housing Strategy and Development Officer
Presenter of Report – John Burroughs, Housing Strategy and Development Officer

Appendix A Initial equality impact assessment screening form This form records an equality screening process to determine the relevance of equality to a proposal, and a decision whether or not a full EIA would be appropriate or proportionate.			
Directorate	Community Development		
Service area	Housing		
Proposal being screened	Local Authority Housing Fund application		
Officer(s) carrying out screening	John Burroughs		
What are you proposing to do?	Apply for and accept grant funding of £1.34M from the Local Authority Housing Fund (LAHF).		
Why are you proposing this? What are the desired outcomes?	This funding shall help pay for acquisition of additional affordable homes that shall be used to provide accommodation for 11 households from the Afghan resettlement and relocation schemes.		
Does the proposal involve a significant commitment or removal of resources? Please give details.	No		
Impact on people with any of the following protected characteristics as defined by the Equality Act 2010, or NYC's additional agreed characteristics As part of this assessment, please consider the following questions: <ul style="list-style-type: none"> To what extent is this service used by particular groups of people with protected characteristics? Does the proposal relate to functions that previous consultation has identified as important? Do different groups have different needs or experiences in the area the proposal relates to? <p>If for any characteristic it is considered that there is likely to be an adverse impact or you have ticked 'Don't know/no info available', then a full EIA should be carried out where this is proportionate. You are advised to speak to your directorate representative for advice if you are in any doubt.</p>			
Protected characteristic	Potential for adverse impact		Don't know/No info available
	Yes	No	
Age		✓	
Disability		✓	
Sex		✓	
Race		✓	
Sexual orientation		✓	
Gender reassignment		✓	
Religion or belief		✓	
Pregnancy or maternity		✓	
Marriage or civil partnership		✓	
People in rural areas		✓	
People on a low income		✓	
Carer (unpaid family or friend)		✓	
Are from the Armed Forces Community		✓	
Does the proposal relate to an area where there are known inequalities/probable impacts (for example, disabled people's	No		

access to public transport)? Please give details.					
Will the proposal have a significant effect on how other organisations operate? (for example, partners, funding criteria, etc.). Do any of these organisations support people with protected characteristics? Please explain why you have reached this conclusion.	No				
Decision (Please tick one option)	<table border="1"> <tr> <td>EIA not relevant or proportionate:</td> <td style="text-align: center;">✓</td> <td>Continue to full EIA:</td> <td></td> </tr> </table>	EIA not relevant or proportionate:	✓	Continue to full EIA:	
EIA not relevant or proportionate:	✓	Continue to full EIA:			
Reason for decision	Decision has no adverse impact				
Signed (Assistant Director or equivalent)	Andrew Rowe				
Date	26 Juned 2023				

Appendix B

Initial Climate Change Impact Assessment (Form created August 2021)

The intention of this document is to help the council to gain an initial understanding of the impact of a project or decision on the environment. This document should be completed in consultation with the supporting guidance. Dependent on this initial assessment you may need to go on to complete a full Climate Change Impact Assessment. The final document will be published as part of the decision-making process.

If you have any additional queries, which are not covered by the guidance please email climatechange@northyorks.gov.uk

Title of proposal	Local Authority Housing Fund
Brief description of proposal	Receipt of £1.3M in grant from DLHUC to acquire 11 homes into the HRA for Afghan Refugees
Directorate	Community Development
Service area	Housing
Lead officer	Andrew Rowe
Names and roles of other people involved in carrying out the impact assessment	n/a

Appendix B

The chart below contains the main environmental factors to consider in your initial assessment – choose the appropriate option from the drop-down list for each one.

Remember to think about the following;

- Travel
- Construction
- Data storage
- Use of buildings
- Change of land use
- Opportunities for recycling and reuse

Environmental factor to consider	For the council	For the county	Overall
Greenhouse gas emissions	Decreases emissions	Decreases emissions	Decreases emissions
Waste	No effect on waste	No effect on waste	No effect on waste
Water use	No effect on water usage	No effect on water usage	No effect on water usage
Pollution (air, land, water, noise, light)	No effect on pollution	No effect on pollution	No effect on pollution
Resilience to adverse weather/climate events (flooding, drought etc)	No effect on resilience	No effect on resilience	No effect on resilience
Ecological effects (biodiversity, loss of habitat etc)	No effect on ecology	No effect on ecology	No effect on ecology
Heritage and landscape	No effect on heritage and landscape	No effect on heritage and landscape	No effect on heritage and landscape

If any of these factors are likely to result in a negative or positive environmental impact then a full climate change impact assessment will be required. It is important that we capture information about both positive and negative impacts to aid the council in calculating its carbon footprint and environmental impact.

Decision (Please tick one option)	Full CCIA not relevant or proportionate:	x	Continue to full CCIA:	
Reason for decision	Acquisition of 11 homes. Works undertaken as part of package to retrofit. As a minimum homes will have EPC rating of C.			
Signed (Assistant Director or equivalent)	Andrew Rowe			
Date	29/6/2023			