

North Yorkshire Council

Report to Executive

20 August 2024

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 Ministry of Housing and Communities and Local Government (MHCLG) for up to £1,795,591 from the Local Authority Housing Fund (LAHF). This funding will contribute towards the acquisition of an additional 13 affordable homes to provide accommodation for 11 households from the Afghan resettlement and relocation schemes and 2 homeless households into temporary accommodation.

2.0 BACKGROUND

- 2.1 This is the third round of funding that MHCLG, which was formerly known as the Department for Levelling Up, Communities and Housing (DLUHC) has made available for Local Authorities to provide additional affordable housing for specific needs. The first round was announced in December 2022, when £500 million of funding was made available nationally for certain local authorities to acquire homes (either directly or through Registered Provider (RP) partners). These additional homes were ring-fenced for families accepted under the Ukrainian and Afghan resettlement and relocation schemes. Within North Yorkshire, this was restricted to the Scarborough and Harrogate areas only. Both the former Borough Councils accepted this funding, and 30 properties were acquired (via an agreement with a RP). All these homes have now been completed and occupied.
- 2.2 A further round of LAHF funding was announced in June 2023 and an allocation of £1.34m was made available to North Yorkshire Council from the fund to provide 11 homes in total. These homes were restricted to households accepted under the Afghan resettlement and relocation schemes. The Council has been able to provide these homes directly, principally through buying back former Right to Buy properties in Harrogate, Knaresborough, Northallerton and Catterick. These have all been acquired, and we actually acquired 12 in total through the grant funding.
- 2.3 DLUHC, as they were then known, announced a further round of funding in March 2024, which will provide £450 million nationally for both the resettlement of Afghan refugees and for temporary accommodation for homeless households. The initial allocation to North Yorkshire was for £1.796 million for 13 households, 11 of which would be for Afghan refugees and 2 for homeless households.
- 2.4 The original timescale for accepting the monies was very short. Approval to initially indicate our intention to accept the funding, via a validation form, which had to be submitted by 28th March, was provided by the Executive Member for Culture, Arts and Housing, and was also supported by the Corporate Director for Resources.

- 2.5 Following this submission, DLUHC was to issue a Memorandum of Understanding (MOU), which would have had to be signed by May 31st. However, due to the announcement of the General Election, DLUHC delayed the issue of the MOU until after the election took place on 4 July.
- 2.6 MHCLG have now issued a MOU, which will need to be signed and returned to them by 16th September. This report seeks approval to enter into the MOU and formally accept up to £1.796 million in funding. Should the Council enter into the MOU, then we will be required to use best endeavours to acquire all the homes (under the terms of the MOU delivery is measured to occur at exchange of contracts) by 31st March 2026.

3.0 PROPOSAL

- 3.1 The total allocation is £1.796 million to acquire 13 homes, of which 2 will be for temporary accommodation for homeless households and 11 will be for Afghan families through the Afghan Citizen Resettlement Scheme (ACRS). The funding is over 2 years, with all the homes to be delivered by March 31st, 2026. However, it is a requirement of the funding that 45% of the homes are delivered in Year 1 (by 31st March 2025). As a result, we aim to deliver at least 6 homes in Year 1 and the remaining 7 in Year 2 to meet the requirements. There is also a requirement on the Council to provide various monitoring information to MHCLG.
- 3.2 The Council will principally seek to deliver the scheme through the acquisition of properties on the open market, through both new build and the buyback of ex-Council houses. However, we will also consider other opportunities for delivery, which could include the conversion of existing properties, for example. In terms of location, our Refugee Resettlement Manager has indicated that the primary need for properties for Afghan families is in locations where there are existing networks and services in place to support the Afghan community, which will include Harrogate, Selby and Northallerton. For the temporary accommodation, the priority will be Scarborough and Harrogate, where there is the greatest pressure currently on temporary accommodation.
- 3.3 We are required to meet the following delivery profile for delivery of these homes.

Property type	Year 1 delivery target (2024-25)	Year 2 delivery target (2025-26)	Total delivery target
TA element	1	1	2
Resettlement element for Afghan households	4	4	8
Large resettlement element (4 bed+) for Afghan households	1	2	3
All property types	6	7	13

As a result, the homes to be acquired will be a mix of 3- and 4-bedroom properties for Afghan families, as per the requirements of the programme. For temporary accommodation, we will look to acquire 2 x 2-bedroom homes. The MOU also requires that 4 of the homes provided to be new build homes. Within the grant allocation, there is an uplift provision for the acquisition of the new build homes.

- 3.4 We are confident that this delivery profile can be achieved, as demonstrated with our track record within similar timescales for the previous LAHF rounds of funding
- 3.5 Financial appraisals have been undertaken, which have demonstrated that the viability of purchasing suitable properties for the programme within all the locations, based on the grant rates, likely acquisition costs and on affordable rent levels, using standard appraisal models developed for the Housing Delivery programme.
- 3.6 The properties will form part of the Council's housing stock and will remain as affordable housing. Whilst the first lettings for the properties will be for the cohort of households identified by MHCLG, subsequent lettings can be made to households in housing need in accordance with the Council's Allocations Policy.
- 3.7 The grant funding allows for the Local Authority to make available existing homes within the HRA for the Afghan Families and/or homeless households and use the LAHF funding to replace these homes.

4.0 Overall Costs and Funding

- 4.1 The total cost of providing the 13 homes will be approximately £3,812,250, based on the maximum amount requested. The Council will receive a grant of £1,795,592 from MHCLG. This figure is broken down into £1,782,792 for capital grant and £12,800 for revenue grant. The capital grant is based on 40% of the median property price within the authority area. However, for the larger resettlement properties, the grant is based on 50% of the median property price. The capital grant also includes refurbishment costs of £21,000 per property plus a 10% funding uplift for the new build properties. The match funding requirement from the council is estimated to be £2,029,458, based on indicative modelling.

	Per property (median)	For 13 properties
Purchase price	262,000	3,406,000
Fees	1,250	16,250
Repairs	30,000	390,000
Total cost	293,250	3,812,250
Grant – purchase	116,138	1,509,792
Grant – repairs	21,000	273,000
Council to fund	156,112	2,029,458
Total funding	293,250	3,812,250

- 4.2 In addition to the Capital Grant, there is also an allocation of Revenue Grant of £12,800 and this will be paid out in full in the first year as part of the tranche 1 allocation. The revenue grant can be used for any activities which support the timely delivery of a local authority's LAHF R3 homes including but not limited to programme/ administration resource, professional services (e.g. fees, conveyancing), etc.
- 4.3 Payment of the grant will be made in 4 tranches, with 2 in Year 1 (24/25) and 2 in Year 2 (25/26). The profile for the payments is set out below:

	Tranche 1 allocation (capital and revenue)	Tranche 2 allocation	Tranche 3 allocation	Tranche 4 allocation	Total allocation
Total funding	£257,063	£569,946	£484,291	£484,291	£1,795,591

4.4 There are significant deadlines that must be met for the programme, which are as follows:

- Initial contact to MHCLG by 16th August to confirm our intentions regarding the funding allocation
- Sign off and return of the MOU by 16th September, which will enable the first tranche payment of £257,063 to be triggered
- First Management Information to be provided by 1st November. The Council will then be required to provide Management Information every 2 months, as per the MOU requirements
- Delivery of the whole project by 31 March 2026

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 to work in partnership with an RP and passport funds to them to acquire the homes, as per the first round has also been considered. However, given the successful delivery of Round 2 by the Council directly, it makes sense to continue with the Council delivering the 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, homeless households, and future tenants, are met. It also ensures that the properties become an asset for the Council and contributes to our overall aim of delivering 500 new Council homes by 2029.

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.

- 8.2 The acquisition of additional homes for temporary accommodation for homeless households, should also alleviate some pressure on our Housing Option Service in providing a greater amount of available temporary accommodation, particularly for families.

9.0 FINANCIAL IMPLICATIONS

- 9.1 To support delivery of the scheme there will be Capital funding requirement from the Council, which is estimated at £2,029,458. This funding will be allocated from the existing HRA capital programme budget to support the delivery of 500 new homes.
- 9.2 As individual properties are identified to fund under this scheme, further detailed appraisals will be carried out using the standard feasibility modelling approach developed for the wider development programme, this will ensure the properties are financially sustainable.
- 9.3 The acquisition of the 2 properties for temporary accommodation for homeless households, will contribute towards the savings target on temporary accommodation by approximately £62,415 per annum based on the current annual cost of temporary accommodation using high cost privately owned accommodation.

10.0 LEGAL IMPLICATIONS

- 10.1 The Council will need to enter into the Memorandum of Understanding (MOU) with the MHCLG for the funding. The MOU sets out the requirements that the Council will need to meet in accepting the grant including the delivery targets, timing of the grant payments and monitoring and reporting arrangements. Whilst the MOU is not legally binding on either party the Council's adherence to the terms of the MOU will be relevant in any future bids for funding from the MHCLG.

11.0 EQUALITIES IMPLICATIONS

- 11.1 An Equalities Impact Assessment screening form has been attached as Appendix A to this report. The screening assessment has indicated that there are no adverse impacts, so no full assessment is required. The homes for Afghan refugees 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 An initial Climate Change Impact Assessment has been undertaken and has assessed that there are no adverse impacts, and a full Climate Change Impact Assessment is not required. Whilst there are no immediate Climate Change implications, any homes that are purchased will be at a minimum of EPC "C" or reach EPC "C" once any required works have been completed.

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	There would be the risk of probable adverse publicity for the Council. 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.	The Council indicates acceptance of the funding
Unable to identify sufficient homes to meet the numbers required or meet delivery by March 2026	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 £30,000 per property	Would increase borrowing requirement and on-going borrowing costs	Unlikely as £30,000 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 of £1.796 million from the Ministry of Housing, Communities and Local Government (MHCLG) to rehouse 13 households as per the requirement of the Local Authority Housing Fund (Round 3) programme.

15.0 RECOMMENDATION(S)

15.1 It is recommended that the Executive approves entering into a Memorandum of Understanding with Ministry of Housing, Communities and Local Government (MHCLG) to accept grant funding of £1,795,591 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, and 2 homeless households requiring temporary accommodation.

15.2 To provide delegated authority to the Assistant Director of Housing in conjunction with the Assistant Director of Resources for the acquisition of individual properties for the scheme.

APPENDICES:

Appendix A – Equalities Impact Assessment
Appendix B – Climate Change Assessment
Appendix C - Memorandum of Understanding

BACKGROUND DOCUMENTS: None

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