

LOCAL AUTHORITY HOUSING FUND 2

Community Connections and Housing Delivery Team



1. EXECUTIVE SUMMARY

Plymouth has been offered a capital grant allocation of £1,020,000 by the Department of Levelling Up, Housing and Communities (DLUHC) with an expectation to provide 10 homes (2-4 bedrooms) by March 2024.

- Eight homes for Afghan Families and two homes for Homeless Families (to be used as Temporary Accommodation)

This is broken down to include:

- £1,020,000 to provide 10 homes with a minimum of 2 bedrooms. For each property, 40% of capital costs can be funded through grant plus an additional £20,000 per property for refurbishment costs

The DLUHC capital grant allocation would provide approximately 40 per cent of the capital cost of purchasing the 10 properties. The council will need to fund the balance of the purchase cost and £1,230,000 of Service Borrowing has been included in the capital programme for 2023/24 to cover the council's share of the purchase costs.

2. BACKGROUND

The Local Authority Housing Fund is a £500m capital grant fund in financial years 2022/2023 and 2023/2024 to support selected local authorities in England to obtain and refurbish property. Administered by the Department for Levelling Up, Housing and Communities (DLUHC), the fund is designed to provide sustainable housing for families who would fall into the following categories:

- Afghan Citizen Resettlement Scheme (ACRS)
- Afghan Relocations and Assistance Policy (ARAP)
- Temporary Accommodation for Homeless Families

A number of local authorities have been allocated capital funding under section 31 of the Local Government Act 2003 based on a formula, set out in the LAHF (Local Authority Housing Fund) prospectus.

3. PROPOSED CHANGES AND REASONS

Plymouth City Council has been offered a capital grant allocation of £1,020,200 towards the provision of total of 10 homes to be let under Government schemes and as temporary accommodation to meet our duties for homeless families.

A Registered Provider partner has been sought in the first instance to deliver LAHF 2 on our behalf however this has not been possible, and this paper lays out the proposed framework for the Council using the LAHF 2 capital allocation to directly deliver these homes:

Moreover, the Council aims to:

- Deliver the target number of 10 homes, which meet the eligibility criteria outlined within the Local Authority Housing Fund (LAHF) prospectus. The Memorandum of Understanding (MoU) sets out the basis for the grant funding and needs to be approved and returned to the Department of Levelling, Housing and Communities by the 14th September 2023
- Outline the projected capital and revenue implications and potential risks and benefits of proceeding with this scheme. Given the capital funding and potential borrowing requirement necessary for the LAHF scheme, approval will need to be sought for appropriate financial allocations to be made to allow the scheme to proceed.

The necessary scoping, feasibility and assessment work, is underway, including with procurement to source external companies to support the purchasing of properties, related survey and legal work, and refurbishment of properties to bring them up to the appropriate standard and energy rating. The costs of engaging a specialist company can be covered from the capital grant allocation.

4. ALTERNATIVE OPTIONS

Officers have consulted a wide range of potential delivery partners including registered providers, social enterprises, B-corps, and social investors. No suitable organisations can deliver this programme.

The two main reasons given were:

1. Not having capacity to buy from the open market and refurbishing properties within the deadline
2. Financial viability due to current interest rates and grant allocation

5. FINANCIAL IMPLICATIONS AND RISK

Under the Local Authority Housing Fund Round 2, the Council have been awarded a capital grant allocation of £1,020,000 towards the provision of 10 additional family homes in the City to be let to meet the demand under Government resettlement schemes as well as wider homelessness temporary accommodation challenges in the City.

The time scales for delivery are tight with an expectation of using best endeavours to deliver the properties by March 2024. However, this is in line with the strategic direction of the council to acquire additional homes in the City to meet the demands for affordable housing and temporary accommodation to meet homelessness duties. This grant affords the opportunity for some of the purchase costs to be met through grant funding. There is a risk that the acquisition of suitable properties in appropriate locations at affordable prices within the necessary timeframes is not achieved however there are no financial or other penalties for not delivering this programme on time as the memorandum of understanding between the Council and DLUHC is not legally binding.

The DLUHC capital grant allocation will provide approximately 40 per cent of the capital cost of purchasing the 10 properties. The council will need to fund the balance of the purchase cost and £1,230,000 has been included in the capital programme for 2023/24 to cover the council's share of the purchase costs. For the purposes of financial modelling, this cost will be funded from service borrowing.

- DLUHC has not provided any specific funding for the management, financing and operational running costs of these properties and these revenue costs will need to be covered by the rental income paid by the residents living in these homes.
- A range of assumptions has been made to establish the likely financial impact on the revenue budget of the costs of providing a landlord function for these properties. These include principal

and interest costs on borrowing, rental income, repairs & maintenance costs, rent collection, staff costs, insurance costs, etc

- The financial modelling is based on the council buying the full 10 properties for which part funding has been provided. It assumes that Stamp Duty Land Tax will not be payable because the council is registered with the Regulator of Social Housing as a Registered Provider and the use of LAHF funding falls within the exemption category for Stamp Duty Land Tax announced in the recent budget.
- In setting the budget, it is assumed that the rental income will offset the borrowing and running costs for the properties.

In the long term, it is expected that these properties will become available for general needs or, if not required, could be sold. It should be borne in mind that whilst DLUHC has funded 40 per cent of the purchase price, the houses will be 100 per cent council owned assets and there is no clawback of grant funding should the house be transferred into general needs use or sold at some future date.

As these properties will be meeting the temporary accommodation need in the City, a partnership model is in development with a Registered Housing provider, to manage and maintain these properties on behalf of the Council. This approach means that the Department of Works and Pensions subsidy around housing benefit regulations would be higher and therefore is at a much-reduced overall cost to the local authority.

6. TIMESCALES

- Memorandum of Understanding to be signed and returned to DLUHC by the 14 September 2023. The Council to deliver ten family homes to be ready to let by March 2024