



**Melton
Borough
Council**

Helping people | Shaping places



Cabinet

23rd August 2023

Local Authority Housing Fund

Report Author:	Tahir Majid , Housing Development Manager 01664 504407 tmajid@melton.gov.uk
Chief Officer Responsible:	Michelle Howard , Director for Housing and Communities (Deputy Chief Executive) 01664 504322 mhoward@melton.gov.uk
Lead Member/Relevant Portfolio Holder	Councillor Pip Allnatt - Leader of the Council and Portfolio Holder for Housing and Landlord Services
Corporate Priority:	Providing high quality council homes and landlord services
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	Not Applicable
Exempt Information:	No
Key Decision:	Yes
Subject to call-in:	Yes

1 Summary

- 1.1 The Department for Levelling Up Housing and Communities (DLUHC) is providing grants to some local authorities to increase the supply of affordable housing through the Local Authority Housing Fund (LAHF).
- 1.2 On 7th June 2023 the DLUHC notified local authorities about the launch of LAHF Round 2 (LAHF R2). This will provide £250 million of extra funding to support local authorities in England to increase their stock of affordable housing. The majority of the funding will be

used to house those on Afghan resettlement schemes currently in bridging accommodation and the rest to ease wider homelessness issues.

- 1.3 The Government is keen for Councils to assist where possible in providing settled accommodation for Afghan households, particularly for those households who have worked alongside the UK Government and risked their lives alongside our armed forces, or have assisted UK efforts in Afghanistan.
- 1.4 Melton Borough Council is one of the local authorities to have been made an indicative allocation in LAHF R2 with an allocation of £360,000 for three properties. In accepting the grant funding, the requirement is to provide two homes for Afghan refugees and one home to alleviate temporary accommodation pressures. The grant represents a 40% 'match funding' offer and requires the Council to provide the remaining 60% funding.
- 1.5 Local authorities were asked to complete a non-binding validation form to confirm their interest in participating in the LAHF R2. This was completed ahead of the deadline of 5th July 2023.
- 1.6 The DLUHC confirmed on 10th July 2023 that a grant of £360,000 would be available to Melton Borough Council. Payment would only be made on receipt of a Memorandum of Understanding (MoU) which has to be signed by the Council.
- 1.7 As with other affordable housing provision, the DLUHC expects local authorities to part fund some of the required capital costs.
- 1.8 The Government funding equates to 40% of total capital costs per property. The maximum LAHF R2 grant for Melton is £100,000 per property plus £20,000 per property for other costs including legal fees and refurbishment.
- 1.9 The grant funding is to be paid in 2023-24 and the DLUHC expects all homes to be delivered by 29th March 2024.
- 1.10 This report proposes a programme to purchase three homes up to a total value of £750,000 using LAHF R2 grant funding of £360,000 and match funding of £390,000 from Section 106 commuted sums together with funding from the Flexible Housing Fund.
- 1.11 All of the properties purchased through this scheme would be retained by the Council and form part of the Council's housing stock. The LAHF R2 programme is intended to deliver accommodation which will be available to the Council in the long term and can be used to meet housing need beyond the initial period where they are required to accommodate refugees.

2 Recommendation(s)

That Cabinet:

- 2.1 **Agrees to the Council receiving LAHF R2 grant to purchase up to three homes.**
- 2.2 **Delegates authority to the Director for Corporate Services to sign the Memorandum of Understanding with the Department for Levelling Up, Housing and Communities.**
- 2.3 **Approves the capital investment of up to £390,000 of Section 106 commuted sums and Flexible Housing Fund awards to match fund the total available LAHF R2 grant funding of £360,000 in order to acquire up to three dwellings.**

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| 2.4 | Delegates authority to the Director of Housing and Communities in consultation with the Director for Corporate Services and Portfolio Holder for Housing and Landlord Services, to purchase up to three houses in accordance with the grant agreement and within the total budget, and to add these to the Council's housing stock. |
| 2.5 | Delegates authority to the Director of Housing and Communities to develop and implement a Local Lettings Policy to enable the direct allocation of two homes funded through this arrangement to Afghan households who are being assisted through the ARAP and ACRS schemes. |

3 Reason for Recommendations

- 3.1 Delivering three new homes with the aid of grant funding will help to meet the corporate priority of providing high quality council homes and landlord services.
- 3.2 The LAHF R2 programme is intended to deliver accommodation which will be available to the Council in the long term and can be used to meet housing need beyond the initial period where they are required to accommodate refugees.

4 Background

- 4.1 The Local Authority Housing Fund is a capital fund that supports local authorities in England to obtain housing for those who have arrived in the UK via Ukrainian and Afghan resettlement schemes.
- 4.2 The £500 million first round of the LAHF was announced in December 2022. Melton was not eligible for this grant as the Government concentrated on local authorities that had the greatest pressure.
- 4.3 Local authorities were notified of the LAHF Round 2 in June 2023. This provides an additional £250 million in grant funding for housing Afghan refugees and the acquisition of additional temporary accommodation.
- 4.4 Homes to house Afghan refugees are for those eligible for the Afghan Citizen Resettlement Scheme (ACRS) and those assisted under the Afghan Relocations and Assistance Policy (ARAP).
- 4.5 People eligible for temporary accommodation are those owed a homelessness duty by the local authority.
- 4.6 The DLUHC informed the Council that it had provisionally been identified as eligible for capital grant funding with an indicative allocation of £360,000.
- 4.7 Following completion of a validation form, the DLUHC confirmed the grant allocation of £360,000 on 7th July 2023 subject to a Memorandum of Understanding being signed.
- 4.8 The LAHF R2 grant is to provide two homes for Afghan resettlement and one home for temporary accommodation. The Local Authority has flexibility to determine how it delivers this requirement.
- 4.9 The grant rate is a maximum of £100,000 per property (based on median property prices) plus £20,000 per property for other costs. The additional £20,000 per property is included to cover some of the further costs of obtaining a property. This can include funding things like refurbishments, legal costs, decoration, furnishings, or otherwise preparing the

property for rent. The DLUHC have confirmed that local authorities may use this £20,000 towards the purchase of the property if preferred.

- 4.10 As with other affordable housing provision, the DLUHC expects local authorities to part finance some of the required capital. Government funding equates to 40% of total capital costs plus £20,000 per property. The remaining cost of the acquisition will have to be paid for by the Council.
- 4.11 The DLUHC will pay the grant funding in tranches. The first tranche consisting of 30% of the allocation is to be paid by the end of July 2023 or the end of August 2023, assuming the Memorandum of Understanding is signed and returned in those months.
- 4.12 The second tranche, consisting of 70% of the payment will then be made by the end of October or mid-December 2023.
- 4.13 The DLUHC expects all the homes to be delivered by 29th March 2024.
- 4.14 The Government outlined that the funding is to be used to:
- a) Provide sustainable housing to those on Afghan resettlement schemes at risk of homelessness so that they can build new lives in the UK, find employment and integrate into communities.
 - b) Reduce local housing pressures beyond those on Afghan resettlement schemes by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
 - c) Reduce emergency, temporary and bridging accommodation costs.
 - d) Reduce impact on the existing housing and homelessness systems and those waiting for social housing
- 4.15 The funding will reduce the impact of recent arrivals on existing housing pressures and in the longer term will provide a new and permanent supply of accommodation for local communities, increasing the number of homes in the wider social and affordable housing system.
- 4.16 The basic model of this government scheme assumes stock acquisition. This includes purchasing houses from the open market or constructing new homes.
- 4.17 If local authorities have their own affordable housing developments under construction, grant funds can be used to increase the number of units to be delivered. Local Authorities can also work in partnership with other registered providers to deliver the homes.
- 4.18 Councils are permitted to operate flexibly to deliver the requirements of the scheme by substituting properties in existing stock to make allocations to LAHF cohorts. This includes converting an existing general needs home into temporary accommodation and purchasing an additional general needs home to replace this.

5 Main Considerations

5.1 Memorandum of Understanding

- 5.2 In order to receive grant funding, the DLUHC requires local authorities to sign and return a Memorandum of Understanding (MoU) by either 14th July 2023 or 14th August 2023. As the DLUHC only informed the Council that it's validation form had been approved on 10th July 2023, these are a very quick deadlines.

5.3 The Council informed the DLUHC that we would not be able to sign the MoU by 14th August 2023 due to the timeframes involved in complying with the Council's Governance and decision-making requirements.

5.3.1 The DLUHC replied on 27th July 2023 and confirmed that they recognise that each authority will have different approval processes/timelines to follow. They asked for the Council to return the MoU as soon as it had ratified a decision to proceed with the acquisitions.

5.3.2 It is recommended that the Council agrees to sign the MoU so that the allocated grant funding can be obtained, and three houses can be acquired by the end of this financial year.

5.3.3 Although by signing the MoU, the Council agrees to make best endeavours to deliver the target of three homes by 29th March 2024, if the Council is unable to meet this target (and the DLUHC chooses not to extend the long-stop date), the Council will be required to return any unspent LAHF R2 grant but will not be subject to any penalties.

5.4 Homes to be Acquired

5.4.1 The LAHF R2 aims to support local authorities to provide suitable housing for those on Afghan resettlement schemes, as well as better quality temporary accommodation for those owed a homelessness duty.

5.4.2 All the homes delivered in this scheme are to be affordable low-cost housing. This includes social rent, affordable rent, or a discounted private rent.

5.4.3 The DLUHC expects the majority of housing to be delivered in this scheme to be family sized accommodation.

5.4.4 There are a range of 3-bedroom houses on the market in Melton currently available at prices of up to £250,000 each. The Council will seek to purchase homes at best value, seeking to balance purchase price with refurbishment or improvement requirements.

5.4.5 If the Council was to acquire three houses at a maximum of £250,000 each, the total cost would be £750,000. The Council would need to match fund £390,000 after taking account of the LAHF R2 grant funding of £360,000. This indicative example is shown in more detail at 5.4.6 below.

5.4.6

No. of Houses	Type of House	Price	40% LAHF Grant	Additional Grant Funding	Council Contribution
1	Home for refugees	£250,000	£100,000	£20,000	£130,000
1	Home for refugees	£250,000	£100,000	£20,000	£130,000
1	New general needs home to replace an existing unit that will be used as temporary accommodation.	£250,000	£100,000	£20,000	£130,000
3		£750,000	£300,000	£60,000	£390,000

- 5.4.7 If the match funding were to come from HRA reserves, there would be a reduction in the annual headroom as set out in the business plan. This would result in an increased deficit by 2030-31 in the HRA according to the current business plan. This funding stream is not recommended as it would risk undermining the financial stability of the HRA.
- 5.4.8 The Council currently holds £361,962 of Section 106 commuted sums in the general fund. Commuted sums are the financial contribution a developer makes in lieu of providing affordable homes on their development site.
- 5.4.9 The way Section 106 commuted sums can be spent is detailed within the National Planning Policy Framework (as amended from time to time) and the Housing Mix and Affordable Housing Supplementary Planning Document which was adopted by the Council in 2019. This states that when financial contributions are received, these can be spent on the provision of affordable housing through a range of mechanisms. This includes through the Councils own programme for building affordable homes and the purchase of second hand units for use as affordable housing.
- 5.4.10 The S106 commuted sums can be used to acquire affordable housing but not temporary accommodation. It is proposed that an existing general needs house is converted into temporary accommodation and the S106 commuted sums are used to acquire a new house for general needs. DLUHC have confirmed that it is permitted to use the LAHF R2 grant to buy a new house for general stock as a replacement.
- 5.4.11 The Government is providing Councils with additional support to house Afghan refugees through the Flexible Housing Fund. This amounts to a one-off payment of £7,100 per person that can be used for capital spending on the provision of homes. Assuming a family of four Afghan refugees is housed in each of the two houses, this will mean the Council will receive a total of £56,800 from this scheme. The DLUHC has confirmed that these funds can be used as match funding for LAHF R2 properties for those on the Afghan resettlement schemes.
- 5.4.12 It is proposed that the Council uses a combination of S106 commuted sums and Flexible Housing Funds for the match funding of up to £390,000.
- 5.4.13 The LAHF R2 grant funding of £360,000 plus the match funding of up to £390,000 will provide a maximum of £750,000 to acquire two homes for Afghan refugees and one house for general needs to replace an existing general needs home that will be used as temporary accommodation.
- 5.4.14 It is proposed that the homes will consist of two- or three-bedroom houses. The council will seek to purchase homes for best value, ensuring that any refurbishment and improvement costs can also be contained within the available budget.
- 5.4.15 All house purchases will be independently valued to demonstrate best price and will be acquired according to grant agreement arrangements.
- 5.4.16 According to the conditions of the LAHF R2, funding will only be available for homes to house Afghan refugees and for temporary accommodation.
- 5.4.17 The initial allocation of the two homes for Afghan households must meet specific eligibility criteria in relation to the Afghan Relocations and Assistance Policy (ARAP) and the Afghan Citizens Resettlement Scheme (ACRS).
- 5.4.18 However, once the properties acquired to house Afghan refugees are no longer utilised by the cohort, the homes will be available for use by the Council as a long-term asset to meet local housing need as part of the Council's housing stock.

- 5.4.19 If the Council provides housing for Afghan families, the Government will provide additional funding for integration support. This amounts to £20,520 per person over three years.
- 5.4.20 The Council's Community Support Hub team will assist Afghan refugees to look for employment.
- 5.4.21 The funding will enable a general needs house to be purchased to replace one being used for temporary accommodation, thereby increasing the overall general stock within the Council's Housing Revenue Account.

6 Options Considered

- 6.1 **The Council agrees to accept the funding allocation and delivers the target number of homes.**
- 6.2 The LAHF grant will help to address housing need in the borough by providing funding towards the purchase of an additional three homes to add to the Council's housing stock.
- 6.3 Once the initial requirement of providing Afghan refugees a home has ended, subsequent lettings to the dwellings can be used to meet the Council's wider housing need, through normal allocation arrangements.
- 6.4 The Memorandum of Understanding is non-binding. If the Council is unable to deliver all three homes, any unused grant funding will be returned to the Government with no penalty to the Council.
- 6.5 **The Council declines the funding allocation**
- 6.6 The Council could choose not to participate resulting in no homes being delivered through this scheme.
- 6.7 This would impact the Council's ability to support the resettlement of Afghan refugees and the opportunity to gain additional homes (and match funding investment) as part of the Council's housing stock, whilst also strengthening temporary accommodation provision.
- 6.8 The Council made a pledge to help provide homes for Afghan refugees in August 2021 and there is a renewed focus and requirement upon all council's to support the resettlement process.

7 Consultation

- 7.1 Consultation has taken place with officers in Housing Options, Planning, Finance and Legal teams.
- 7.2 Further dialogue has also taken place with DLUCH officials to ensure that the proposed approach meets the criteria of the LAHF R2 fund. Confirmation has been received that it does.

8 Next Steps – Implementation and Communication

- 8.1 If the recommendations of this report are agreed by Cabinet, steps will be taken to secure the LAHF R2 grant, acquire three houses according to the terms of the grant and to progress appropriate allocation and matching arrangements.

- 8.2 Officers will also ensure maximum funding to support households is secured and will work with partner agencies (including health and education partners) to ensure a planned and managed resettlement offer can be achieved.

9 Financial Implications

- 9.1 The use of Right to Buy receipts or Homes England grants for match funding the LAHF R2 grant is not allowed by the DLUHC.
- 9.2 The Council will have sufficient resources to pay for the acquisition of three houses using existing S106 commuted sums together with funding available through the Flexible Housing Fund specifically designed to support Afghan households to leave bridging hotels, in addition to the LAHF R2 grant.
- 9.3 This will enable the council to utilise S106 commuted sums within the spending deadlines. The current scheme will deplete the existing balance; however, Section 106 monies will be further accrued with new developments in the Borough.
- 9.4 No borrowing will be required to fund the purchases.
- 9.5 Any LAHF R2 grant sum awarded but not used will be returned to the DLUHC.
- 9.6 Where housing is used for Afghan refugees, the Government will provide a revenue grant for integration. This will be £20,520 per person to be paid in stages over three years. This means if a family of four were to occupy each of the two houses, a total of £164,160 would be received by the end of three years. The necessary support would be provided through teams within the housing and communities directorate.
- 9.7 The provision of temporary accommodation is a general fund cost and any revenue costs associated with providing temporary accommodation are charged accordingly to the general fund.

Financial Implications reviewed by: Director for Corporate services

10 Legal and Governance Implications

- 10.1 Under Section 9 of the Housing Act 1985, the Council may provide housing accommodation by acquiring houses and under Section 17 of that Act, the Council may acquire houses or buildings which may be made suitable as houses, for the purposes of providing housing accommodation.
- 10.2 In accordance with Financial Procedure Rules, where items of capital expenditure can be fully funded from external funding sources, Cabinet approval is required.
- 10.3 The commuted sums must be spent according to the conditions of the relevant Section 106 agreements. Each of the agreements has been checked and use for this purpose is permitted.
- 10.4 The Council is required to enter into a MoU with the DLUHC in order to secure grant funding from the LAHF and will need to comply with associated terms of that agreement including providing bi-monthly returns to the DLUHC and completion of the project by 29th March 2024.
- 10.5 The MoU makes provisions for a change of request in relation to the target number of units. The Council may ask for either a higher or lower target. Any proposed change will impact the amount of funding received.

- 10.6 Each identified property for purchase will be subject to a due diligence process in terms of relevant searches, ownership and title matters prior to acquisition.

Legal Implications reviewed by: Senior Solicitor

11 Equality and Safeguarding Implications

- 11.1 Enabling housing and support through the LAHF contributes directly to the Government humanitarian response for those who have fled Afghanistan. Whilst the initial eligible cohort to occupy the houses for refugees will be Afghan refugees, the properties will remain available for future use to residents of the borough and can help to ease the Council's housing pressures.
- 11.2 The Council must ensure that all LAHF funded activity is delivered in accordance with its obligations under the public sector equality duty (PSED). This requirement is also set out within the draft Memorandum of Understanding.

12 Data Protection Implications (Mandatory)

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed as there are no Data Protection implications arising from this report.

13 Community Safety Implications

- 13.1 None arising directly from this report. However, due care will be given to ensuring safe and appropriate allocation and matching arrangements, and in supporting community cohesion.

14 Environmental and Climate Change Implications

- 14.1 This consideration will form part of the decisions taken to acquire homes through the scheme. Officers will seek to ensure that homes are as energy efficient as possible and meet the standards set out in the Council's Housing Asset Management Plan. Purchasing older properties may require energy efficiency measures to form part of refurbishment arrangements, which would need to be considered on a case-by-case basis to ensure they remain consistent with grant conditions and within the available budget.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to meet DLUHC grant condition deadlines.	Low	Critical	3
2	Failure to complete market purchases.	Low	Critical	3

3	Perceived failure to meet local housing need.	Low	Critical	3
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		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low			1, 2, 3	
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Open early discussion with DLUHC and agree on mitigations.
2	Early progression of purchase opportunities.
3	A clear and transparent decision to participate in the scheme and to maximise use of the grant funding available to secure properties for Afghan households and to strengthen temporary accommodation provision to support wider homelessness pressures. To retain the properties as general needs homes within the HRA when no longer needed for Afghan resettlement support.

16 Background Papers

16.1 [LAHF Round 1](#)

16.2 [LAHF Round 2](#)

16.3 [Portfolio Holder Decision - Afghan LES Resettlement Scheme.pdf \(melton.gov.uk\)](#)

16.4 [Housing Mix and Affordable Housing Supplementary Planning Document](#)

17 Appendices

17.1 Appendix 1 – LAHF Memorandum of Understanding