

# Bath & North East Somerset Council

DECISION MAKER:	<b>Cllr Matt McCabe, Cabinet Member for Built Environment and Sustainable Development.</b>		
DECISION DATE:	<b>Not before 9th September 2023</b>		
		<b>E</b>	<b>3480</b>
TITLE:	<b>Local Authority Housing Fund Delivery Programme</b>		
WARD:	All		
<b>AN OPEN PUBLIC ITEM</b>			
<b>List of attachments to this report:</b> Appendix 1: B&NES/DLUHC LAHF Memorandum of Understanding Partially Exempt Appendix 2: LAHF High Level Business Case Exempt Appendix 3: B&NES/Aequus LAHF Heads of Terms			
<b>Appendix 3 is exempt information and Appendix 2 is partially exempt, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A) – information relating to the financial or business affairs of any particular person (including the authority holding that information).</b>			

## 1 THE ISSUE

- 1.1 On 22nd December 2022, the Department for Levelling Up Housing and Communities (DLUHC) announced the local authority housing fund (LAHF) which aims to ensure Afghan and Ukraine households who have arrived in the UK via specified resettlement and relocation schemes are provided with safe and suitable long-term accommodation.
- 1.2 On the 14<sup>th</sup> March the Council agreed a Memorandum of Understanding with DLUHC to provide 22 units of such accommodation in return for £3.04m of funding. These units will be provided through a combination of repurposing and refurbishment of existing stock and the open market acquisition of suitable properties. They will be delivered in partnership with Aequus, the Council's wholly owned development company.

## **2 RECOMMENDATION**

**In consultation with the Cabinet Member for Resources, the Cabinet member is asked to agree to:**

2.1 The acceptance of the principles of the scheme as articulated in the:

- (1) LAHF Memorandum of Understanding dated 14<sup>th</sup> March, including providing 22 units of suitable accommodation in return for accepting £3.04m of DLUHC funding, attached in Appendix 1.
- (2) The LAHF High-Level Business case, attached in Appendix 2.
- (3) The contracting of Aequus to deliver and manage the homes required as detailed within the report.

2.2 In consultation with the Cabinet Member for Resources, to delegate:

- (1) Entry to the B&NES and Aequus LAHF Agreement contracting delivery of the programme and;
- (2) All operational decisions, including agreement of individual property business cases, to the Director of Regeneration & Housing in consultation with the s151 and Monitoring Officers.

2.3 Safeguard the properties purchased through the grant funding by imposing a restrictive covenant on title requiring that the Council hold the properties solely for affordable housing purposes.

2.4 To amend the capital programme, having regard to the existing full approval of programme initiation costs of £250k, as follows

- (1) Full approval of a further sum of £1,812k reflecting estimates for 10 Open Market Purchases funded by DLUHC grant and full recognition of earmarked Homelessness Prevention Grant contribution of £267k.
- (2) Provisional Programme of £1,245k for the balance of DLUHC funding to be contingency for above and a sum for transferring Council Properties (creating 12 units) when estimates are fully completed (to be updated by future Officer Delegated Decisions).
- (3) Noting estimated loans of £1,328k to Aequus will be reflected in existing Approval for Property Company Investment - Council (Loan): Developments

## **3 THE REPORT**

3.1 On 22nd December 2022, the Department for Levelling Up Housing and Communities (DLUHC) announced the Local Authority Housing Fund (LAHF) which primarily aims to ensure Afghan and Ukraine households who have arrived in the UK via specified resettlement and relocation schemes are provided with safe and suitable long-term accommodation.

3.2 The specific objectives of the fund are to:

- (1) Ensure recent humanitarian schemes (Afghan and Ukraine schemes) which offer sanctuary, via an organised safe and legal entry route, to those fleeing conflict, provide sufficient longer term accommodation to those they support.

- (2) Support areas with housing pressures which have generously welcomed substantial numbers of Ukrainian refugees so that these areas are not disadvantaged by increased pressures from these arrivals on the existing housing and homelessness systems.
- (3) Mitigate the expected increased pressures on local authority homelessness and social housing resources which arise from the eligible cohort as sponsorship/family placements/bridging accommodation arrangements come to an end by increasing the provision of affordable housing available to local authorities to support those in the cohort who are homeless, at risk of homelessness, or in bridging accommodation;
- (4) Reduce emergency, temporary and bridging accommodation costs;
- (5) Deliver accommodation that as far as possible allows for the future conversion of housing units to support wider local authority housing and homelessness responsibilities to UK nationals (i.e. after usage by this cohort ends);
- (6) Utilise accommodation solutions to enable effective resettlement and economic integration of the eligible cohort.
- (7) Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.

3.3 On the 14th March the Council agreed a Memorandum of Understanding with DLUHC to provide 22 units of such accommodation in return for £3.04m of funding. These units will be provided through a combination of repurposing and refurbishment of existing stock and the open market acquisition of suitable properties as detailed in the attached business case to be contracted through a bespoke B&NES and Aequus LAHF Agreement.

3.4 The B&NES Aequus LAHF agreement will be defined by the following key principles:

- (1) Aequus will progress the necessary repurposing and refurbishment and purchase the open market properties. Once refurbished or acquired Aequus will provide a full housing management, maintenance and repair service for all properties, including responsibility for all health & safety compliance matters, except in any common parts where the Council, as landlord, retains responsibility.
- (2) The properties will be let by Aequus on Assured Shorthold Tenancies for a minimum duration of 6 months per tenancy at the relevant Local Housing Allowance Rate with the Council nominating households.
- (3) The programme is expected to be revenue neutral in operation with housing management, maintenance and repair services being funded through rental income. In the case of the Council owned properties any surplus rent is passed to the Council after reasonable deductions for management, maintenance and repairs.

- (4) The programme financials will be subject to regular and periodic reviews using open book reporting.
- (5) The open market purchases will be suitably covenanted, including to be available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed, as per the LAHF agreement.
- (6) The capital costs are fully funded by the Council, through a combination of LAHF grant; loan funding to Aequus (supported through rental receipts) and if required an individual business case top-up from the Homelessness Prevention Grant and/or alternative other funding sources.
- (7) Loans will be based on the 50-year Public Works Loan Board (PWLB) Annuity Certainty Rate as drawdowns are made. Loan repayments will be based the fixed sum of revenues after allowances for expenses, with sum loans adjusted by grant subsidy payments to match capital sums expended. This will mitigate potential interest rate movements between business case and implementation.
- (8) Individual property business cases will be agreed between Aequus & B&NES.

#### **4 STATUTORY CONSIDERATIONS**

4.1 The delivery and management of Housing is supported by the following:

- Local Government Act (section 2) which allows Councils to act to promote or improve the economic, social or environmental wellbeing of their area.
- Localism Act 2011 (sections 1-7) which provides the local authority's general power of competence.
- Aequus already operates a portfolio of properties using assured shorthold tenancies and the LAHF properties will form part of this portfolio, subject to the specific requirements set out in the LAHF Agreement.

4.2 The intention of the DLUHC grant funding is to provide a legacy of affordable rental properties. The resolution in 2.3 is intended to safeguard that legacy by restricting the legal title of those properties to that purpose.

4.3 To safeguard the future holding position of these assets for Affordable Housing purpose a restrictive covenant on title will be applied to prevent market disposal of the assets as a mitigation to future council financial pressures and to safeguard the assets for their original intended purpose and use.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 The high-level business case is detailed in Partially Exempt Appendix 2. The programme is revenue neutral in operation with rental income estimated at £135k p.a. supporting financing costs, management, maintenance, voids & bad debts.

5.2 The capital costs of £3,139k are fully funded by the Council, through a combination of LAHF grant, loan funding to Aequus (supported through net rental receipts) and if required an individual business case top-up from revenue grant contributions, with £267k earmarked from Homeless Prevention Grant. If needed, we will also review eligible S106 funding and use of right to buy capital receipts.

5.3 An Officer Delegated Decision on 11th April 2023 and updated on 3rd August 2023 fully approved an initial capital budget of £250k funded by LAHF grant to initiate technical design work. This decision will supplement that approval.

## **6 RISK MANAGEMENT**

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

## **7 EQUALITIES**

7.1 An Equalities Impact Assessment has not been completed. However, it is considered that this decision will have a positive impact on a group with a protected characteristic, particularly people of diverse races, religion and cultural backgrounds who have come to the UK, following an offer of sanctuary to those fleeing conflict, via an organised safe and legal entry route. This decision will support those affected to settle within and contribute to local communities.

## **8 CLIMATE CHANGE**

8.1 Housing is a key contributor to climate change. As a minimum all homes forming part of the programme will initially be EPC C rating. However, when refurbishment works are being undertaken full consideration will be given to how the energy efficiency of the property could be further improved. To further support this process of asset improvement the Council will remain vigilant for suitable funding opportunities, both internal and external.

## **9 OTHER OPTIONS CONSIDERED**

9.1 Do nothing. However, it should be noted that demand for suitable accommodation from these client groups remain high. Indeed, depending on individual households circumstances the Council already has a statutory obligation to house some of these clients. As such this funding supports existing obligations rather than just increasing demand.

9.2 Housing Services internally deliver the programme. This would require the recruitment of specific resources to purchase and manage the properties integrating into B&NES Homes as Registered Provider. This option would fail to deliver the pace needed to meet tight grant funding deadlines and expose the Council to unacceptable operational and financial risk.

9.3 Housing Service commission Aequus. This has been selected as the Council's preferred option using the council's Wholly Owned Company to contract the programme. This can meet the programme and provide the high quality and professional management of residential accommodation which fits with their purpose and expertise.

## **10 CONSULTATION**

10.1 Internal officer consultation, including with s151 officer, Monitoring Officer and Aequus Investment Board.

<b>Contact person</b>	Graham Sabourn, Head of Housing 01225 477949
<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format</b>	