

# Local Authority Housing Fund

For Cabinet on 14<sup>th</sup> March 2023

## Summary

**Lead Member:** Cllr Hugo Pound – Cabinet Member for Housing and Planning

**Lead Director:** Paul Taylor- Director of Change and Communities

**Head of Service:** Gary Stevenson – Head of Housing, Health and Environment

**Report Author:** Stuart Clifton – Housing Services Manager

**Classification:** Public document (non-exempt)

**Wards Affected:** All

Approval Timetable	Date
Housing Advisory Panel	2 February 2023
Management Board	18 January 2023
Portfolio Holder	18 January 2023
Communities and Economic Development CAB	8 March 2023
Overview and Scrutiny Committee	13 March 2023
Cabinet	14 March 2023

## Recommendations

Officer recommendations as supported by the Cabinet Member:

1. That Cabinet agrees to the Council participating in the Local Authority Housing Fund.
2. That Cabinet approves the use and release of up to £3.2m in Section 106 commuted sums for the purpose of providing affordable housing in the Borough, as the Council's capital contribution to deliver the 15 properties in line with the Local Authority Housing Fund's objectives.
3. That delegated authority be given to the Head of Housing, Health and Environment to sign the Memorandum of Understanding (MOU) with the Department of Levelling Up, Housing and Communities (DLUHC).
4. That delegated authority be given to the Head of Housing, Health and Environment, in consultation with the Director of Finance, Policy and Development, the Director of Change and Communities, the Head of Mid Kent Legal Services, and Portfolio Holder

for Housing and Planning, to negotiate and enter into any legal documents, contracts or partnership agreements to acquire and deliver the 15 properties.

## **CALL IN AND URGENCY**

*The report is urgent in accordance with Section 100B(4) of the Local Government Act 1972 for the reason that a delay in signing the Memorandum of Understanding (MOU) with the Department of Levelling Up, Housing and Communities (DLUHC) by the deadline of 15 March 2023 would seriously prejudice the Council's ability to participate in and receive capital grant funding through the Local Authority Housing Fund Programme for 2022/2023 and 2023/2024.*

In accordance with the provisions of Overview and Scrutiny Procedure Rule 14 in Part 4 of the Constitution, the Chairman of the Overview and Scrutiny hereby gives prior agreement that this decision is urgent and will not be subject to call-in as delay would seriously prejudice the Council's or the public's interest.

Councillor Sean Holden, Chair of Overview and Scrutiny – 24 February 2023

# **1. Introduction and Background**

- 1.1 Tunbridge Wells Borough Council has received notification that the authority has been allocated funding as part of the Local Authority Housing Fund (LAHF), which will run over the 2022-23 and 2023-24 financial years.
- 1.2 The LAHF is a new Department for Levelling Up, Housing, and Communities (DLUHC) £500 million capital fund being provided directly to English councils in areas that have been assessed as facing the most significant housing pressures because of recent Ukrainian arrivals, to provide move-on and settled accommodation. The capital fund has also been designed to provide move-on accommodation for Afghan refugees currently residing in Home Office funded Bridging Hotels.
- 1.3 As well as helping to fulfil the UK's humanitarian duties to assist those fleeing war, the fund intends to create a lasting legacy for UK nationals by providing a new and permanent supply of affordable housing for TWBC and other local authorities within the social rent letting levels to help address local housing and homelessness pressures.
- 1.4 As with other affordable housing provision, DLUHC expects local authorities to part fund or finance some of the required capital costs.
- 1.5 For the 'main element' housing, government funding equates to 40% of total capital costs (Average £120,000 grant per property) plus £20,000 per property. For the 'bridging element' housing, government funding equates to 50% of total capital costs (Average £285,332 grant per property) plus £20,000 per property.
- 1.6 The Council has provisionally been identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with the following indicative allocation:

- **Main element: £1,960,000 in funding.** With this funding the Council is expected to provide a minimum of 14 homes
- **Bridging element: £305,332 in additional funding.** With this funding the Council is expected to provide a minimum of 1 larger 4+ bed home(s) to be allocated to households currently residing in bridging accommodation.

1.7 The total government capital grant funding the Council has been allocated under the LAHF is £2,265,332 to deliver 15 properties, of which at least one property must be a minimum of four bedrooms in size.

## 2. LAHF

2.1 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 properties in order to provide sustainable housing for those unable to secure their own accommodation. The eligible cohort are those persons who are resident in the UK under the following schemes:

- Afghan Citizen Resettlement Scheme (ACRS) and Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes),
- Ukraine Family Scheme, Homes for Ukraine and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes)

2.2 As well as helping to fulfil the UK's humanitarian duties to assist those fleeing war, this fund will reduce the impact of new arrivals on existing housing pressures and ultimately create a lasting legacy for domestic households by providing a new and permanent supply of accommodation for local authorities to help address local housing and homelessness pressures.

2.3 Local authorities will be allocated capital funding under section 31 of the Local Government Act 2003 on the basis of a formula. The grants will be non-ringfenced and with a Memoranda of Understanding being signed with authorities.

2.4 The objectives of the fund are to:

- 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;
- 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;
- 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;

- Reduce emergency, temporary and bridging accommodation costs;
  - 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);
  - Utilise accommodation solutions to enable effective resettlement and economic integration of the eligible cohort.
  - Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.
- 2.5 The fund will pay capital funding in two tranches, to be spent in financial years 2022/23 and 2023/24. The council is not able to combine this fund with the Affordable Homes Programme and there is no revenue funding available.
- 2.6 The LAHF prospectus assumes a basic model of stock acquisition. In practice this could include, but is not limited to:
- Refurbishing and/or converting local authority-owned residential or non-residential buildings, including defunct sheltered accommodation;
  - Acquiring, refurbishing and/or converting non-local authority owned residential or non-residential buildings, including bringing empty or dilapidated properties back into use;
  - Acquiring new build properties 'off-the-shelf', including acquiring and converting shared ownership properties; and
  - Developing new properties, including developing modular housing on council owned sites.
- 2.7 However, the Council may choose the most appropriate delivery mechanism to achieve the fund's objectives, and to bring on stream the accommodation as quickly as possible.
- 2.8 It is expected that all homes delivered through this fund will be affordable/low-cost housing to support wider local authority housing and homelessness responsibilities for the remainder of their lifetime, but the precise rent level of homes can be determined by the Council in line with the fund objectives. This could include social rent, affordable rent, or a discounted private rent.
- 2.9 All 15 properties are expected to be acquired by 30 November 2023, however this is a target date, and DLUHC capital grant payments will be honoured assuming delivery within financial years 2022/23 and 2023/24.

### **3. TWBC Capital Costs Contribution**

- 3.1 For 'main element' housing, government funding equates to 40% of total capital costs (Average £120,000 grant per property) to deliver 14 properties. The Council will

therefore be required to contribute the remaining 60% of the total capital costs, which would equate to a minimum of £2.52m contribution being required.

- 3.2 For 'bridging element' housing, government funding equates to 50% of total capital costs (Average £285,332 grant per property) to deliver at least one 4+ bedroom property. The Council will therefore be required to contribute the remaining 50% of the total capital costs, which would equate to a minimum of £285,332 contribution being required.
- 3.3 The total sum of the Council's capital contribution equates to a minimum of £2,805,322.
- 3.4 The Council currently holds £4.394M in Section 106 (Town and County Planning Act 1990) affordable housing contributions. These are financial contributions from housing developers collected in lieu of the required on-site delivery of affordable housing, where for reasons of viability, affordable housing units were not able to be delivered.
- 3.5 Additionally, the Council is also awaiting receipt of a payment of £716,201.89 of affordable housing contributions from 18/03262/FULL 24-38 Commercial Road, Paddock Wood and anticipates a further receipt of £1,789,670 in commuted sums still to be collected for sites currently being developed.
- 3.6 It is proposed that the Council uses a proportion of these affordable housing contributions, up to a maximum amount of £3.2M, as the capital contributions required to deliver the 15 properties under the LAHF. The Council will, therefore, be delivering a further 15 properties for rent within the social rent level for approximately £213,000 each, with the Government contributing the remainder of the purchase price.
- 3.7 The Council's Affordable Housing and Enabling Officer has separately been developing a Section 106 Commuted Sums Policy and a separate Section 106 Commuted Sums Position Statement and Calculator which will be presented to Cabinet in the coming months. This policy will set out the differing ways in which the Council intends to use affordable housing contributions collected in ways to increase the delivery of affordable housing within the Tunbridge Wells borough.
- 3.8 The Section 106 Commuted Sums Position Statement and Commuted Sums Calculator will provide guidance to developers, including Housing Associations and other Registered Providers, on the Council's approach to how and when commuted payments in lieu of on-site affordable housing will be considered and how the contributions will be calculated, to reflect the likely cost of delivering the affordable housing units which have not been provided on site.
- 3.9 It is proposed that the Council does not restrict itself to committing to one method to acquire and deliver the 15 properties under the LAHF and retain the option to consider the method which will enable the quickest delivery of the properties, given the tight timescales to acquire the properties. Discussions have taken place already with Town and Country Housing regarding a partnership arrangement to deliver some of the LAHF properties. Additional delivery options are under consideration and include purchasing market properties that could be leased to either a newly established company or to the Tunbridge Wells Property Holdings Limited as low-cost private

rental and bringing empty properties at 33-36 Crescent Road back into use, as well as approaching owners of empty properties.

- 3.10 There will be resource and revenue budget implications to the Council, dependent on the acquisition and delivery method of the 15 properties. Each method will be carefully considered, but cannot, in any event, have a detrimental effect on the revenue budget, due to the Council's budget deficit for 2023/24 and its lack of reserves.
- 3.11 In addition to developing the Section 106 Commuted Sum Policy to provide a framework for using the contributions to increase the delivery of affordable housing within the borough, it is projected that 205 units of affordable housing will be delivered over the next financial year, based on sites currently under development and the delivery pipeline information provided by Developers and Registered providers`.

## 4. Options Considered

- 4.1 **Option 1** – To enter into a MOU with DLUHC to deliver 15 properties under the LAHF, using up to £3.2M of the S106 affordable housing commuted sums held by the Council. This will enable the Council to increase the affordable accommodation provision to support the additional housing pressures facing the Council arising from Ukrainian and Afghan nationals who have arrived in the borough under the resettlement schemes and to create a lasting legacy of additional affordable housing to meet the housing need of households on the Council's Housing Register and homeless households' residing in the borough.
- 4.2 **Option 2** – Would be to not take part in the LAHF to deliver the 15 properties. This option would mean the Council would not receive the £2,265,332 of government capital funding to deliver 15 units of affordable housing and help mitigate against increased homelessness pressures. The Council would continue to retain the £4.3M of S106 affordable housing contributions which have yet to be committed to any projects to increase the borough's affordable housing provision.

## 5. Preferred Option and Reason

- 5.1 Option 1 is the preferred option. This option would enable the Council to deliver 15 units of affordable housing to initially help mitigate against increased housing and homelessness pressures arising from the Ukrainian and Afghan nationals who have arrived in the borough under the resettlement schemes, and subsequently support to meet the ongoing housing and homelessness needs of residents within the Tunbridge Wells borough. It will also enable the Council to spend some of the uncommitted S106 affordable housing contributions collected from housing developers, where onsite affordable housing was unable to be delivered, for the purpose of which they were collected.

## 6. Consultation on Options

- 6.1 Consultation has taken place with the Cabinet Member for Housing and Planning, who is in support of the recommended option to participate in the LAHF and utilising the S106 affordable housing contributions as the Council's capital funding. Participation in the LAHF and use of S106 commuted sums are the Council's capital contribution has also been considered by the Housing Advisory Panel. This report will be considered at the Overview and Scrutiny committee on 13 March and comments reported to the meeting of Cabinet on 14 March 2023.

### Recommendation from Cabinet Advisory Board

- 6.2 To be updated following the report being heard at the Communities and Economic Development Cabinet Advisory Board on 8 March 2023.

## 7. Implementation

- 7.1 Should the recommendations be approved by Cabinet the Council must sign and return the MOU to DLUHC by the 15 March 2023.
- 7.2 Following the MOU being signed, officers will commence work to deliver the 15 properties in line with the LAHF requirements, including identifying the best methods of acquiring the properties by the deadline of the 30 November 2023.

## 8. Appendices and Background Documents

Background Papers:

- Local Authority Housing Fund Prospectus - <https://delta.communities.gov.uk/document-repository/public/download?uri=/document-repository/Local-Authority-Housing-Fund-Prospectus-Final.pdf>

## 9. Cross Cutting Issues

### A. Legal (including the Human Rights Act)

If using the S106 affordable housing contributions as the Council's capital funding contribution, consideration will need to be given to the exact wording of the planning agreement to ensure the spending of the sums is compatible with the purpose for which they were collected and in accordance with planning policy.

The MOU provides the governments terms and conditions for the LAHF and cannot be amended, but is non-binding on the Council in any event.

Lucinda MacKenzie-Ingle, Team Leader Contracts and Commissioning, MKLS

## **B. Finance and Other Resources**

The LAHF provides government capital funding to deliver 15 units of affordable housing. This funding is equivalent to approximately 40% of the required capital costs for 14 of the properties, and approximately 50% of the capital costs to deliver the required 4+ bedroom property. The Council will therefore need to contribute the remaining capital costs to deliver the 15 properties, at a cost of at least £2,805,322. The Council currently holds £4.394M in S106 affordable housing contributions collected from housing developers in lieu of on-site affordable housing delivery. The S106 contributions held are sufficient to cover the required capital contribution from the Council without the need for any additional borrowing.

There will be resource and revenue budget implications to the Council, dependent on the acquisition and delivery method of the 15 properties. Each method will be carefully considered, but cannot, in any event, have a detrimental effect on the revenue budget, due to the Council's budget deficit for 2023/24 and its lack of reserves.

Jane Fineman, Head of Finance and Procurement, 23 February 2023

## **C. Staffing**

The recommendations can be met within existing staff resources.

Stuart Clifton, Housing Services Manager, 21 February 2023

## **D. Risk Management**

The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's strategic risk register. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per Policy.

Stuart Clifton, Housing Services Manager, 21 February 2023

## **E. Environment (inc. Biodiversity) and Sustainability**

The recommendations will support the environment and sustainability by delivering 15 affordable housing properties. Works undertaken to bring the properties up to the required housing standards will be carried out considering sustainability requirements and ensuring the properties fall within the minimum energy efficiency standards.

Stuart Clifton, Housing Services Manager, 21 February 2023



## **F. Community Safety**

The recommendations will have a no impact on Crime and Disorder.

Stuart Clifton, Housing Services Manager, 21 February 2023

## **G. Equalities**

The recommendations have do not result in any equalities issues. Whilst the initial eligible cohort to occupy the 15 properties with be Ukrainian and Afghan nationals who have been resettled in the UK under the government's resettlement schemes, the properties will remain available for future use to ease the Council's housing and homelessness pressures and be available for residents of the Tunbridge Wells borough.

## **H. Data Protection**

The recommendations will have no implications on data protection.

Stuart Clifton, Housing Services Manager, 21 February 2023

## **I. Health and Safety**

The acquisition and delivery of the 15 properties will be carried out in accordance with corporate Health and Safety responsibilities.

Stuart Clifton, Housing Services Manager, 21 February 2023

## **J. Health and Wellbeing**

The recommendations will have a positive impact on the health and wellbeing of households in housing need who will be accommodated within the 15 properties, by providing affordable and secure accommodation and help to support the prevention of homelessness.

Stuart Clifton, Housing Services Manager, 21 February 2023