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NORTH HERTFORDSHIRE DISTRICT COUNCIL

CABINET

TUESDAY, 31ST JANUARY, 2023

SUPPLEMENTARY REPORT

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No	Item
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| 9. | <u>THE ALLOCATION OF DLUHC HOMELESSNESS GRANT</u> (Pages 3 - 6) |
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REPORT OF THE SERVICE DIRECTOR – REGULATORY

This report details proposals for the remaining allocation of this funding and provides updates on other relevant DLUHC funding opportunities.

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CABINET
31 January 2023

PART 1 – PUBLIC DOCUMENT

THE ALLOCATION OF DLUHC HOMELESSNESS PREVENTION GRANT – ADDENDUM REPORT

REPORT OF SERVICE DIRECTOR - REGULATORY

EXECUTIVE MEMBER: COUNCILLOR SEAN PRENDERGAST

COUNCIL PRIORITY: PEOPLE FIRST

This Addendum report expands upon paragraph 8.16 of the original report to provide further detail on the Local Authority Housing Fund (LAHF) and the investigations officers have been undertaking in respect of it.

LAHF allocation and conditions

8.17 The original report sets out the headline allocation for North Herts. A more detailed breakdown of the allocation is set out below.

Main element: £2,022,000 in funding. With this funding we are expected to provide a minimum of 15 homes.

Bridging element: £546,240 in additional funding. With this funding we are expected to provide a minimum of 2 larger 4+ bed home(s) to be allocated to households currently residing in bridging accommodation.

Match funding: we are expected to part fund or finance some of the required capital. For 'main element' housing, government funding equates to 40% of total capital costs (Average £114,800 grant per property) plus £20,000 per property. We are expected to match-fund at least £172,200 per home). For 'bridging element' housing, government funding equates to 50% of total capital costs (Average £253,120 grant per property) plus £20,000 per property. We are expected to match-fund at least £253,120 per home.

The allocation is split across 2022/23 and 23/24, with a clear indication from government that funding should be committed (e.g. exchange of contracts) by November 2023.

The bridging element can be delivered on its own, without the main element. However the main element funding is only available if you also commit to the bridging element (i.e. our requirement is at least 2 homes, and up to 17 homes).

8.18 The funding has been provided to enable additional homes to be brought into the system, therefore simply repackaging existing affordable housing is not permitted. There is a great amount of flexibility for local authorities to shape local delivery according to local circumstances. Whilst the government has assumed most delivery will be via stock acquisition, local authorities have the flexibility to choose their delivery route. This could include refurbishment or conversion of buildings, acquiring new build properties from

developers, building new homes, or passing on the funding to enable housing association delivery.

- 8.19 The accompanying prospectus outlines the fund in more detail – see <https://delta.communities.gov.uk/document-repository/public/download?uri=/document-repository/Local-Authority-Housing-Fund-Prospectus-Final.pdf>. The process required completing a validation form (effectively an expression of interest) by 25 January 2023, however as a non-stock holding authority the Council was granted an extension of time until 3 February 2023. Completing the validation form is not a commitment to receiving funding or delivering the programme, but provides more time to work up proposals in detail, at which point a Memorandum of Understanding would need to be signed (anticipated deadline 1 March 2023), which would commit the Council to delivery.

Opportunities considered

- 8.20 The Council has considered utilising its own fledgling housing company to hold the housing, however with no current suitable development pipeline and no available capital for the match funding element, together with the additional overheads to manage the properties on an ongoing basis, it has not proved financially viable. It is estimated that it would cost the Council approximately £4,500 per property, per year, to subsidise this scheme. This figure is consistent with calculations undertaken by another Hertfordshire authority who have chosen not to pursue the opportunity. It is worth noting that the Council has found investing in the private rental sector (by purchasing property) to not be financially viable and therefore investing in properties which would be rented at social rent, affordable rent, or a discounted private rent is also unviable, even with the subsidy offered. It is understood that other grants cannot be used in conjunction with LAHF, which means that money the Council currently holds in reserve for refugees cannot be used (there are alternative plans for using this reserve), even if it was considered that subsidising the LAHF was a good use of the funding.
- 8.21 The Council has approached a number of Registered Providers (Housing Associations) to see whether they could deliver properties for the scheme. The basis on which these approaches have been made is that the Council would transfer the government grant and the RP would provide the match funding and then own and manage the properties. Officers are grateful for the work undertaken by colleagues at the RPs, however the responses were as follows:-
- RP1 – could possibly provide 2 houses for the main element within their development pipeline, but nothing for the bridging element. Also looked at purchasing from developers or open market, but cannot make it financially viable without significant ongoing subsidy, or ~20% discount from developers. Their conclusion is that whether it was a local authority or a partner RPA purchasing, the level of match funding required and the long term support required would mean taking a loss.
 - RP2 – not interested.
 - RP3 – we chose not to approach, given previous difficulties.
 - RP4 – possibly interested, having internal discussions, although unclear how they would be able to deliver the properties.
 - RP5 - suggested by government LAHF team, but do not currently have a presence in the district.

8.22 Council officers and executive members have attended two government webinars which have sought to promote/explain the scheme. The ideas shared on those webinars are the ideas that the Council has been exploring. A number of enquiries have also been raised with government, including whether the amount of grant funding allocated could be reviewed (particularly in light of the feedback from RP1).

Difficulties with the LAHF

8.22 The Council has taken the approach of trying to make the scheme work, as we recognise the need for additional homes for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement schemes. However there are a number of issues identified, which have so far prevented us finding a solution. These are summarised in the list below:-

- Whilst the Council was able to secure an extension of time to consider whether to submit an expression of interest, insufficient time or notice was given to allow detailed consideration of options.
- If the Council was purchasing property via its housing company, the additional cost of SDLT would need to be accounted for. This is not covered by the grant.
- In the medium-term the Council would need to borrow to provide the match funding. Any borrowing would come with a revenue cost (relating to Minimum Revenue Provision and interest costs). This is likely to be a cost in the region of 6.5% of the amount borrowed, so for each main element home would be a cost of around £11k per year.
- The timelines for delivering the properties (i.e. commitment by November 2023) prevents considering medium or longer term opportunities within the development pipeline and instead limits to existing housing stock or developments which are already on site and well advanced.
- The progress of the Local Plan means many larger schemes, where negotiation could have taken place with developers over availability of housing, are not sufficiently advanced to be able to be considered.
- The Council is not sufficiently advanced with plans to deliver housing on any of its land holdings to enable those sites to be considered.
- The Council currently does not currently have the systems, resources and capacity to manage the properties itself, therefore incurring additional ongoing cost by needing to outsource that work.
- The RPs approached are either not interested or are unable to make the scheme financially viable. The scheme states that other grants or Right to Buy receipts can not be used, which may have helped to make it more viable.
- The level of grant is not sufficient to acquire the properties, without greater subsidy.
- The allocation being based on the average lower quartile property price infers that councils will look to acquire homes in the cheapest areas of the district, increasing even further existing housing pressures within those areas.
- Whilst £20,000 is notionally available per property and could be pooled if some properties needed greater investment, by making calculations based on the cheapest homes these are also likely to include homes that are in need of investment to make them comfortable.
- Ukrainian and Afghan households, who will have established links and support networks in certain areas will be expected to move to other areas.

8.22 Officers have been liaising with colleagues in other Councils. It is fair to say the response to LAHF has been mixed, with some authorities potentially able to make the scheme work where local housing market conditions allow, or existing housing/regeneration projects are sufficiently advanced to be utilised. Others have not been able to make the scheme work, including those who have calculated they would need to subsidise the cost of the property on an ongoing basis, therefore making the scheme unviable.

Conclusions

8.23 It would appear that, unfortunately, the Council will likely be unable to make use of LAHF due to the reasons set out above. Cabinet is therefore asked to consider the following options:-

1. Cease work now, on the basis that there is no prospect of success.
2. Submit the validation form, in order to gain additional time, to ensure all avenues are exhausted.
3. Give further consideration to whether we could deliver the bridging only element (on the basis that it is only two houses and therefore reduced ongoing liability). This would need to be coupled with option 2.

Whichever option is chosen, it is suggested that the Council considers providing feedback to government, and potentially local MPs, on the issues we have found with the scheme. This might enable any future iteration of the scheme to be revised to take account of the issues identified.