

## BARNSELY METROPOLITAN BOROUGH COUNCIL

**REPORT OF:** Executive Director of Growth & Sustainability

**TITLE:** Local Authority Housing Fund (LAHF) Round 2

<b>REPORT TO:</b>	<b>Cabinet</b>
<b>Date of Meeting</b>	<b>26<sup>th</sup> July 2023</b>
<b>Cabinet Member Portfolio</b>	<b>Regeneration and Culture Public Health and Communities</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Public or Private</b>	<b>Public</b>

### **Purpose of report**

This report seeks approval to accept funding under the Local Authority Housing Fund (LAHF) Round 2 and to enter into a Memorandum of Understanding (MOU) with the Department for Levelling Up, Housing and Communities (DLUHC) in line with the grant terms and conditions.

### **Council Plan priority**

This report addresses the following Barnsley 2030 priorities:

- *Growing Barnsley:* People have a wide choice of quality, affordable and sustainable housing

### **Recommendations**

That Cabinet: -

1. Approves the acceptance of £1,040,000 grant funding awarded as part of Local Authority Housing Fund Round 2 allocations.
2. Notes the key terms and conditions attached to the grant as detailed in Appendix B, the match funding requirements for the Council and the risks associated in programme delivery.
3. Delegates authority to the Service Director Legal and Governance and Director of Finance to negotiate, conclude and execute the Memorandum of Understanding (MOU) with DLUHC to enable the drawdown of grant. It is currently understood that this will need to be in advance of 14<sup>th</sup> August 2023.

## 1. INTRODUCTION

- 1.1 The Local Authority Housing Fund (LAHF) is a capital fund that supports local authorities in England to obtain housing for those who are unable to find settled accommodation on resettlement schemes. Round 1 provided £500M of funding for local authorities to obtain accommodation for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. **Barnsley was not included in Round 1.**
- 1.2 Round 2 provides a further £250M of funding: the majority of which will be used to house those on Afghan citizen resettlement schemes currently in bridging accommodation, and the rest used to ease wider homelessness pressures. Barnsley is included in Round 2 and has been offered a grant of £1.040M to increase our social housing supply by 13 units, 12 units for rental and one unit for temporary accommodation.
- 1.3 The LAHF is aimed at providing a lasting affordable housing asset for the future. 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.
- 1.4 Alongside LAHF Round 2, the Government is providing an addition £35M funding to enable councils to provide increased support for Afghan Resettlement and Assistance Policy/Afghan Citizen Resettlement Scheme (ARAP/ACRS) households to move from hotels into settled accommodation as well as considerable new flexibilities within existing funding. Additional funding will also be made available to councils who accept homelessness duties from ARAP/ACRS households because of the bridging hotel closure plan.
- 1.5 All five bridging hotels in Yorkshire & Humber (there are none in Barnsley) have been served with a 12 week notice to close. This displaces an estimated 562 individuals and families. The notices are due to expire in August 2023. This will place massive pressure on the private rental sector and potentially the Council's homeless services. The LAHF is thus aimed at reducing pressure on the housing market by increasing supply.
- 1.6 **Barnsley's offer comprises, a grant allocation of £1,040,000 which is split:**
  - £780,000 capital funding – to contribute to acquisition or build costs. This equates to £60,000 per unit which is Barnsley's calculated allocation based on 40% of the median average house price within our borough.
  - £260,000 revenue funding – to contribute to repair and maintenance costs. This equates to £20,000 per unit.
  - To draw down the full allocation, the Council must match the capital grant. This means a 60% contribution is required and equates to an average of £90,000 per unit - £1,170,000 in match.
  - There is thus an average of £150,000 capital available per unit and £20,000 to ensure that the property meets decency standards for relet.
  - The Council does not need to match the revenue element of the grant and must use the money to increase the provision of affordable accommodation by 13

units. 12 of these units will remain affordable homes in perpetuity and 1 unit will be used as additional temporary accommodation.

- The additional homes can be acquired, built or existing stock that is currently unavailable for residential let.

- 1.7 The EOI was completed and submitted on 5<sup>th</sup> July 2023: the MOU confirming the funding offer was received from DLUHC on Monday 10<sup>th</sup> July 2023. The MOU must be signed and returned by 14<sup>th</sup> August 2023.
- 1.8 In responding to DLUHC, the Council has been very clear in identifying the risks associated with the anticipated delivery timescales for this project and the level of match funding required from the Council to support the programme.

## **2. PROPOSAL**

- 2.1 It is recommended that Cabinet accepts the grant funding; entering into a MOU with DLUHC, as required. In accepting the grant, the Council will receive a capital contribution of up to £780,000 to support the delivery of additional affordable homes via direct build, acquisition, or refurbishment. This will increase the provision of affordable homes in the borough, longer term, and mitigate against the additional housing pressures which Barnsley may experience when the local bridging hotels close.

## **3. IMPLICATIONS OF THE DECISION**

### **3.1 Financial Implications**

- 3.1.1 Consultations have taken place with representatives of the Director of Finance (S151 Officer).
- 3.1.2 This report seeks Cabinet approval for the acceptance of £1.040M grant funding from the Local Authority Housing Fund: Round 2, administered by the Department for Levelling Up, Housing and Communities (DLUHC).
- 3.1.3 The grant funding will be matched with HRA resources to enable the acquisition of 13 properties to be held as stock within the HRA.
- 3.1.4 The grant funding allocation has been calculated by government based on a median house price of £0.150M. The estimated match funding requirement from the HRA on this basis will be £1.170M. Total scheme costs are estimated at £2.210M as detailed in the table below.

LAHF Round 2	2023/24
	£M
Property Acquisitions	1.950
HRA Decency Standard Refurbishments	0.260
<b>Total Expenditure</b>	<b>2.210</b>
LAHF Grant - Acquisitions	0.780
LAHF Grant - Decency Upgrades	0.260
HRA Resources	1.170
<b>Total Funding</b>	<b>2.210</b>

3.1.5 Cabinet to note any increase in property prices above £0.150M will not be eligible for additional grant and be required to be funded 100% by the HRA.

3.1.6 The financial implications of these proposals are summarised in the attached Appendix A.

## 3.2 Legal

3.2.1 The Council will be required to sign a Memorandum of Understanding (MOU) with DLUHC to drawdown the grant funding and must ensure that we adhere to the terms and conditions of the funding, which is set out in Appendix B. The grant funding requires the Council to provide a bi-monthly return to DLUHC from October 2023 and have completed the project by 29<sup>th</sup> March 2024.

3.2.2 The specific legal implications arising from the recommendations in this report are that the Council will be required to enter into a non-legally binding Memorandum of Understanding (MOU) with the Government as a pre-cursor to being able to access the funding. The wording of the MOU is expressed to be non-negotiable by Government, however, there is nothing unduly onerous within it.

3.2.3 The LAHF is intended to mitigate against pressures on local authority homelessness and social housing resources which arise from the eligible cohort (as defined at section 3.2 of the Prospectus) 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.

3.2.4 As per the Prospectus issued by DLUHC this scheme is focused on Afghans who had been supporting British operations in Afghanistan and the funding is primarily to resettle them, especially those who are currently residing in the bridging accommodation/hotels. Paragraph 2.4 of the MOU says that DLUHC has accepted the Council's plan whereby it would purchase 12 units for rent (+1 temporary accommodation unit) for the Afghan Resettlement Scheme and pay 60% of the purchase price. That may add an asset to the existing housing stock of the Council in the long run. Paragraph 4.4. of the draft MOU presents scope for a change request should there not be any or enough demand for the

acquired properties by eligible Afghans. This could allow the council to use these properties for any other purpose relating to its housing needs.

### **3.3 Risks**

3.3.1 There are significant risks in delivering this project due to the short delivery timeframe, the availability of suitable stock (linked to location and size), the extent of grant made available for both capital and revenue spend (these levels may be insufficient) and the availability of match funding from council resources which are stretched and may not cover the cost of match required to acquire/renovate all 13 properties. The identification of suitable units also takes time - as does negotiation, conveyancing, and the delivery of remedial works. To ensure that the council can deliver these units, it is essential that we develop a project group which will map out a clear delivery route and timeframe for all key milestones on the critical path as properties are identified. **There is no guarantee at this time that we will be able to deliver all 13 properties by 29<sup>th</sup> March 2024, and this has been communicated to DLUHC.**

3.3.2 However, there are also risks in not accepting the funding which could result in additional demands on our services with no support made available from Government. This funding is aimed to increase affordable provision across the board and will ultimately benefit Barnsley residents. Should there not be demand for this accommodation from those involved in the ARAP/ACRS schemes, the Council will be able to make the additional units available for general let in perpetuity.

### **3.4 Equality**

3.4.1 In preparing this report, due consideration has been given to the councils' statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. As this report is partly for information and partly to accept DLUHC grants there are no direct equality implications at this stage. If agreed, and once we move to the delivery phase, a full Equality Impact Assessment will be undertaken.

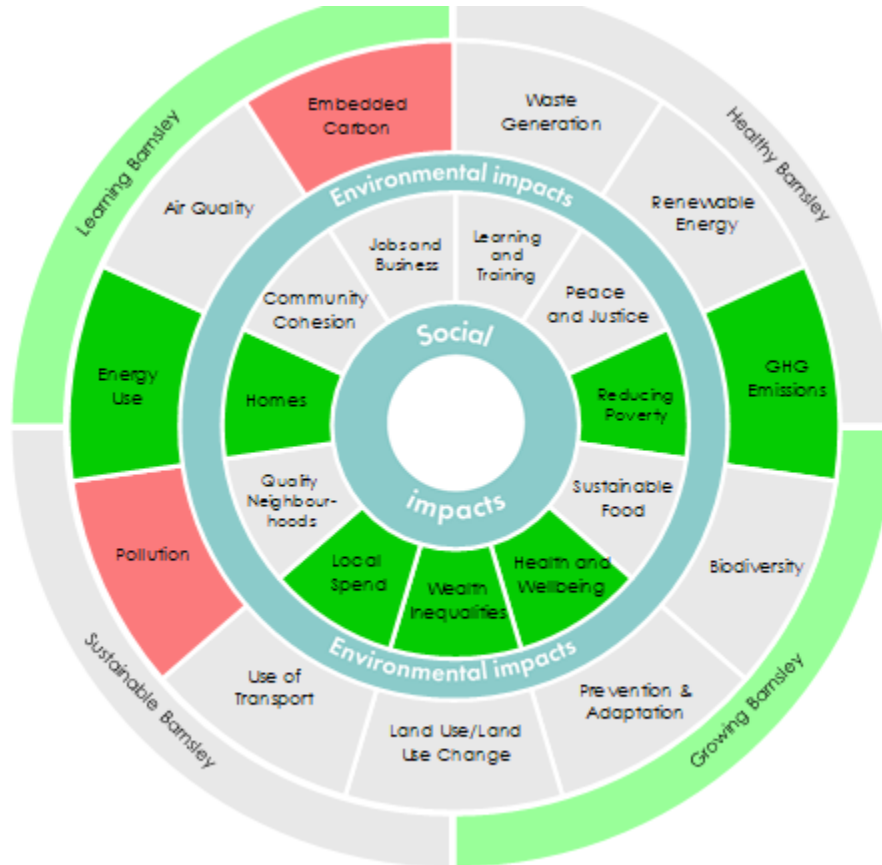
3.4.2 DLUHC confirm the LAHF scheme is aimed at increasing the affordable housing supply over the long term. Therefore, no one group is negatively affected by the project.

### **3.5 Sustainability**

3.5.1 The sustainability decision-making wheel has been used to assess this project and the overall impacts are positive, particularly around reducing carbon emissions (acquiring new homes and renovating existing stock currently not in use), reducing poverty, and improving health and well-being of our residents.

3.5.2 Embedded carbon in the construction of new homes and the supply chain are highlighted as areas of negative impact. However, work is on-going with the

procurement team to address how we can build a more sustainable supply chain going forwards. All council build homes are built to the Barnsley Low Carbon Standard and void works in properties will include retrofit measures; making homes more energy efficient.



**Figure 1: Sustainability Decision-Making Wheel**

### 3.6 Employee

3.6.1 There are no direct employee implications relating to the acceptance of grant, although there is no funding within the grant to cover project management. As such, this will need to be managed across the Strategic Housing and Safer Barnsley Teams involved in delivering the project and will impact on resourcing and progress on other schemes.

3.6.2 Resource from Legal will be required to review the final version of the Grant Agreement/MOU, once available.

### 3.7 Communications

3.7.1 There will need to be robust management of the communication around this scheme to ensure that Members and residents of Barnsley are clear of the funding opportunity in increasing the provision of affordable housing in our borough. Communication is particularly important given the implementation of the Council's new Lettings Policy in December 2023 and the current

consultation with existing waiting list applicants.

- 3.7.2 Strategic Housing and the Strategic Migration, Asylum and Refugee Officer will work closely with Communication colleagues and Berneslai Homes Neighbourhood Teams to identify and sensitively manage any community tensions.

#### **4. CONSULTATION**

- 4.1 Consultations have taken place with the Council's Senior Management Team, Portfolio Leads and Berneslai Homes.

#### **5. ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 **The Council does not accept the funding allocated** - This is not recommended given that support is being provided to increase affordable housing provision in our borough to manage/mitigate against the potential for a significant increase in demand for our housing services given the closure of local bridging hotels. We have been advised that most neighbouring authorities will also be accepting the grant.

#### **6. REASONS FOR RECOMMENDATIONS**

- 6.1 The funding will provide a 40% (plus £20k per unit revenue) match to enable the Council to acquire/build or bring back into use 12 permanent properties and 1 unit of temporary accommodation.
- 6.2 Although the match funding requirement is 60%, there is still a £80,000 per unit contribution from Government.

#### **7. LIST OF APPENDICES**

Appendix A: Financial Implications

Appendix B: Sample MOU document

Appendix C: Link to LAHF Round 2 Prospectus -

<https://www.gov.uk/government/publications/local-authority-housing-fund-round-2/local-authority-housing-fund-round-2-prospectus-and-guidance#funding-formula-and-process>

#### **8. REPORT SIGN OFF**

<b>Financial consultation &amp; sign off</b>	Senior Financial Services officer consulted and date  <i>See Appendix A</i> Ashley Gray 13/07/23
--	---

<b>Legal consultation &amp; sign off</b>	Legal Services officer consulted and date Irfan Sheikh 12/07/2023
--	--

**Report Author:** Sarah Cartwright in partnership with Paul Brannan/  
Christine Staniforth  
**Post:** HOS Strategic Housing  
**Date:** 13/07/23