

## LOCAL AUTHORITY HOUSING FUND: ROUND 3

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| <b>Head of Service:</b>                         | Rod Brown, Head of Housing & Community   |
| <b>Report Author:</b>                           | Arjan de Jong  |
| <b>Wards affected:</b>                          | (All Wards);   |
| <b>Urgent Decision? No</b>                      | No   |
| <b>If yes, reason urgent decision required:</b> |  |
| <b>Appendices:</b>                              | Appendix 1: Proposed Memo of Understanding between the Council and the Ministry of Housing, Communities and Local Government<br>Appendix 2: Town & Country Housing grant agreement |

### Summary

This report seeks approval to enter into an agreement with the Ministry of Housing, Communities and Local Government (MHCLG) to purchase 5 properties for use as in borough temporary accommodation and 1 property for use as an Afghan resettlement home as part of the Afghan Citizens Resettlement Scheme. To be funded by £1,493,250 from the Local Authority Housing Fund 3 and a Council contribution of £750,000 from s106 commuted sums.

### Recommendation (s)

#### The Committee is asked to:

- (1) Agree to enter into an agreement with the Ministry of Housing Communities and Local Government (MHCLG) to receive £1,493,250 funding, to enable the purchase of one resettlement home for an Afghan family on the Afghan Citizens Resettlement Scheme (ACRS) and five properties for use as temporary accommodation for homeless households in Epsom & Ewell.**
- (2) Approve an allocation of £750,000 from Section 106 commuted sums held by the Council to ensure sufficient funding is available for the purchase of six properties**
- (3) Authorise the Council to sign the Memo of Understanding attached as Appendix 1.**
- (4) Nominate and authorise the Director of Environment, Housing and Regeneration to purchase six properties at a cost of no more than £2,243,250, in consultation with the Council's Chief Finance and Chief Legal Officers. Those properties are to meet the criteria identified within the Memo of**

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**Understanding entered into with the Ministry of Housing Communities and Local Government (MHCLG).**

- (5) Nominate and authorise the Director of Environment, Housing and Regeneration to transfer a payment of up to £375,000 for the purchase of the ACRS unit to Town & Country Housing (TCH) on the terms set out in paragraph 3.2 of this report.**
- (6) Nominate and Authorise the Director of Environment, Housing and Regeneration to negotiate and sign the Grant Agreement (either as attached as Appendix 2 or as amended) further to consultation with the Council's Chief Finance and Chief Legal Officers.**

### **1 Reason for Recommendation**

- 1.1 The Council has a statutory duty to assist homeless households under the Housing Act 1996 and Homelessness Reduction Act 2017. The Council's expenditure on temporary accommodation (including nightly paid) during 2023/24 was £2.34m. This MHCLG funding will help the Council reduce the annual cost of TA by providing an increase of in-borough temporary accommodation (TA).

### **2 Background**

- 2.1 The Council has received a one-off provisional funding allocation of £1,493,250 from MHCLG from the Local Authority Housing Fund R3 (LAHF R3). The Council declined the opportunity to participate in the previous rounds (LAHF R1&2), initially due to the funding restrictions and subsequently the inability to partner with a willing Registered Provider (RP).
- 2.2 The third round of the Local Authority Housing Fund (LAHF R3) has significantly less restrictions, which makes it a more appealing scheme and therefore worthy of consideration.
- 2.3 In exchange for the funding, the Council would be expected to provide a minimum of **5** homes for the TA element, and a minimum of **1** home for the resettlement element.
- 2.4 To support delivery, each LA is being provided with an indicative allocation of £11,250 of revenue funding (included in the £1,493,250 total). We would anticipate utilising this funding to help purchase the street properties, including conveyancing and legal fees.

### **3 Proposal**

- 3.1 This proposal is to enter into an agreement with MHCLG to utilise the total funding amount offered by MHCLG of £1,493,250 to provide one 2-3 bedroom resettlement unit for an Afghan family on the ACRS, plus five 2-3 bedroom homes for use as in-borough temporary accommodation.

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- 3.2 The Council would transfer the associated funding, of up to £375,000, for the ACRS unit to Town & Country Housing Association (TCH) to enable TCH to purchase and manage. This is because this unit must be offered as settled accommodation, (that is an assured or a secure tenancy), in line with the terms of the funding agreement and as the Council does not own stock, this element can only be satisfied by a Registered Provider. TCH has confirmed that it is willing to participate, and a property has been identified. This transfer would take place according to the terms of the Town & Country Housing grant agreement (appendix 2).
- 3.3 The remainder of the funding would be utilised by the Council to purchase the five TA properties for use as in-borough temporary accommodation. The TA properties would be wholly owned by the Council and managed by the housing team in addition to the existing TA accommodation.
- 3.4 The anticipated cost of the resettlement home and each street property is c£375,000 resulting in a total cost of providing all 6 units of approximately £2.25m.
- 3.5 Based on the above calculations, the Council's expected contribution would be up to a maximum of £750,000 from s106 receipts.
- 3.6 The Council's proposal supports the following objectives:
- Reduce local housing pressures by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
  - Reduce emergency and temporary accommodation costs.
  - Provide sustainable housing to those on the Afghan Citizens Resettlement Scheme (ACRS) at risk of homelessness, so that they can build new lives in the UK, find employment, and integrate into communities.
  - Reduce impacts on the existing housing and homelessness systems and those waiting for social housing.
- 3.7 The below table outlines the costs and savings associated with the purchase of the five street properties for temporary accommodation. The revenue cost includes maintenance and servicing as well as tenancy support costs. The temporary accommodation team will oversee the management of these homes in addition to others in the temporary accommodation portfolio.

Table 1: Estimated total annual revenue savings resulting from this proposal:

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|                    | <b>Capital Cost (to Council)</b> | <b>Revenue annual cost</b>             | <b>Annual estimated savings nightly paid (net)</b> | <b>Total estimated annual revenue savings</b> |
|--------------------|----------------------------------|--|--|---|
| <b>5 x 2-3 bed</b> | <b>£750,000</b>                  | <b>£35,000 (including maintenance)</b> | <b>£115,000</b>                                    | <b>£80,000</b>                                |

- 3.8 The direct payback period for the £750,000 is therefore expected to be 9.375 years.
- 3.9 If the Council is unsuccessful in purchasing the homes by March 2026 (see paragraph 5.2), the funding must be returned to MHCLG. There will be no penalty for non-delivery.
- 3.10 The proposed scheme is considered eligible to be funded by S106 affordable housing sums, because it meets the following two criteria:

*Where a financial analysis of the s106 investment required can be demonstrated to represent good value for money, either by reference to the number of homes delivered for the investment (e.g. by comparing the level of investment to the average level of grant that might be paid by the Homes & Communities Agency for a home of a similar size and quality) or where the s106 capital investment can be demonstrated to help the Council to achieve revenue savings elsewhere, such as reducing the cost of temporary accommodation.*

*Where housing schemes will help the Council to prevent homelessness e.g. through the delivery of larger family sized accommodation.*

## 4 Risk Assessment

Legal or other duties

### 4.1 Equality Impact Assessment

4.1.1 Minimising homelessness will have a positive impact on inequalities.

### 4.2 Crime & Disorder

4.2.1 None for the purposes of this report.

### 4.3 Safeguarding

4.3.1 Assisting homeless households to access safe and secure accommodation will have a positive impact on safeguarding.

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### 4.4 Dependencies

4.4.1 Progress will be closely monitored and reported regularly to Chair and Vice chair of this Committee, Director of Environment, Housing and Regeneration and the Council's s151 officer. A progress report will also be provided for the Strategy & Resources Committee July 2025.

### 4.5 Other

4.5.1 None for the purposes of this report.

## 5 Next steps

5.1 Should the Committee approve the recommendations, the Council will enter into the Memo of Understanding (MOU) with the MHCLG. A copy of the MOU is attached as Appendix 1. The Council will also agree the grant agreement with TCH.

5.2 The timeframe for completing the purchase of the ACRS home is March 2025 and for complete delivery of the scheme is March 2026.

## 6 Financial Implications

6.1 The Council holds £1.106m of uncommitted S106 affordable housing receipts. Utilising £750,000 as match funding to leverage in the MHCLG grant will reduce the remaining balance of S106 receipts available for other projects to £0.356m.

6.2 While there will be a reduction in annual treasury management income of c.£27,000 (assuming investment returns of 4.5%), this will be more than offset by savings achieved on temporary accommodation, as set-out in Table 1.

6.3 Excluding interest (as S106 funds are not held primarily for treasury investment, but for the provision of affordable housing), the payback period for the £750,000 investment is expected to be 9.375 years, based on the expected £80,000 annual revenue saving set out in Table 1.

6.4 **Section 151 Officer's comments: Financial implications are set out in the body of the report.**

## 7 Legal Implications

7.1 The Council's obligations, powers and duties in relation to homeless households are contained within the Housing Act 1996 and Homelessness Reduction Act 2017. If the Council does not meet its statutory obligations, then the Council will be in breach of its obligations and open to legal challenge.

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- 7.2 Entering into the MOU with the MHCLG commits the Council to the delivery of one unit for the ACRS and five units for temporary accommodation for the funding commitment of £1,493,250.
- 7.3 The Council will enter into a grant agreement with TCH, for TCH to deliver the ACRS unit (Appendix 2).
- 7.4 **Legal Officer's comments:** As the Memorandum of Understanding states at para 1.3 that "This MOU is not intended to create legal or binding obligations", there is no requirement for the to be reviewed by a legal officer and anything of note within the agreement should be referred to by the report writer within the contents of this report or by way of answering an questions raised by members of this Committee at the meeting.
- 7.5 If the recommendations are passed, the Grant Agreement shall be reviewed by external lawyers to be appointed on behalf of the Council and settled by officers upon approval of the recommendations noted in this report.

## 8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** The following Key Priorities are engaged:
  - Safe & Well: Work with partners to improve health and wellbeing of our communities, focusing on those who are more vulnerable.
  - Managing our resources – The proposal will increase the Council's assets as well as increase the availability of in borough temporary accommodation, reducing the Council's reliance on expensive out of borough nightly paid accommodation.
- 8.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations:** The Council will ensure that all properties purchased will have, or be brought up to, an Energy Performance Certificate rating of no lower than C.
- 8.4 **Sustainability Policy & Community Safety Implications:**
- 8.5 **Partnerships:** This proposal represents a partnership between the Council and the Ministry of Housing Communities and Local Government, Town & Country Housing and Town and Country Housing Association.

## 9 Background papers

- 9.1 The documents referred to in compiling this report are as follows: None
- Previous Reports:**

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- None