

Ministry of Housing, Communities and Local Government

-and-

Epsom and Ewell Borough Council

1. Purpose

- 1.1. This Memorandum of Understanding ('MOU') sets out the agreed working relationship between the Ministry of Housing, Communities and Local Government ('MHCLG') and Epsom and Ewell Borough Council ('the Council') regarding the administration and delivery of the Local Authority Housing Fund – third funding round ('LAHF R3').
- 1.2. This MOU will be for the period 2024/25-2025/26. It will be reviewed and updated only where either of the signatories deem it necessary, in which case it will require joint agreement. Further detail on changing the MOU is set out in Paragraph 5.5.
- 1.3. This MOU is not intended to create legal or binding obligations. It describes the understanding between both parties for the use of funding specified in Section 3 of this agreement.

2. Background

- 2.1. LAHF R3 was launched in March 2024. The details of the fund were shared with the Council in the document 'Local Authority Housing Fund - third funding round: Prospectus and Guidance' ('the Prospectus').
- 2.2. LAHF R3 is a £450m grant fund, with objectives to:
 - Reduce local housing pressures and use of expensive and unsuitable accommodation, by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
 - Reduce temporary accommodation costs.
 - Provide sustainable settled housing to those on ACRS so that they can build new lives in the UK, find employment and integrate into communities.
 - Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.

3. Total delivery target and Total allocation

- 3.1. MHCLG has accepted the Council's plan to provide 6 homes ('the total delivery target') under LAHF R3, of which 0 homes shall be new homes

(‘the new homes delivery target’), and MHCLG will provide a grant of £1,493,250 (‘the total allocation’).

- 3.2. The total allocation includes any New Homes uplift, the refurbishment allowance as calculated with reference to 6.3 of the Prospectus and revenue funding. The capital grant and revenue grant split is set out at 3.6
- 3.3. For the purposes of the New Homes Uplift, a new home is a property that will be delivered in FYs 24/25 or 25/26 as a direct new development, an ‘Off-the-shelf’ new build property purchased from developers, a property that has its use converted (delivering an extra residential unit), or a property that has its use changed (delivering an extra residential unit).
- 3.4. The total allocation will be provided as £258,250 in 2024-2025 (‘the Year 1 allocation’) and £1,235,000 in 2025-2026 (‘the Year 2 allocation’). The Year 1 allocation includes the revenue grant.
- 3.5. The Council agrees the following targets to deliver at least:
 - 5 properties to be allocated to households that meet the **TA element** eligibility criteria outlined in section 5.1 of the Prospectus.
 - 1 properties for households that meet the **R3 resettlement element** eligibility criteria outlined in section 5.2 of the Prospectus.
 - 0 properties (4+ bed) for households that meet the **R3 large resettlement element** eligibility criteria outlined in section 5.2 of the Prospectus.
- 3.6. The total allocation comprises the capital grant of £1,482,000 and the revenue grant of £11,250
- 3.7. This MOU covers the funding commitments from MHCLG and the delivery, financial expenditure, agreed milestones, reporting and evaluation, and communications between the Parties. It also sets out the steps MHCLG could take in the event of underperformance if required.

4. Purpose of the Funding

- 4.1. LAHF R3 funding has been provided specifically for spending on LAHF R3 priorities as specified at 2.2 to deliver properties for use by households that meet the LAHF R3 eligibility criteria and the Council agrees to spend LAHF R3 funding on activity set out in this MOU as agreed with MHCLG or subsequently agreed with MHCLG as per Paragraph 5.5.

- 4.2. LAHF R3 funding is unlikely to meet all the Council's acquisition/ delivery costs. The Council or its delivery partner(s) will fund any outstanding sum required.
- 4.3. The Council will use its best endeavours to meet the delivery target and to achieve value for money. The Council should ensure it complies with the Code of Practice for Local Authority Accounting.
- 4.4. The Council may determine how it uses the total allocation and the revenue funding as long as the delivery target and the new home delivery target are met.
- 4.5. Revenue funding has been provided to the Council for any activities which support delivery of the total allocation, including but not limited to programme/ administration resource or professional services (e.g., fees, conveyancing). Revenue funding will be paid in full alongside the Tranche 1 allocation.

5. Delivery Profile

- 5.1. Delivery of the fund will be measured on the basis of exchange of contracts, or equivalent milestone where exchange of contract will not occur, and the number of households accommodated in the properties. Any variations to this, and necessary changes to the MOU, will need to be agreed by the parties and an amendment to this MOU made.
- 5.2. Funding outlined in Table 1 is provided to deliver the total delivery target. The Council agrees to make best endeavours to meet the total delivery target by 31 March 2026.
- 5.3. The Council agrees to deliver 1 properties in financial year 2024-25 ('the Year 1 delivery target') and 5 properties in financial year 2025-26 ('the Year 2 delivery target'). The property types that the Council agrees to delivery in each year is outlined in Table 1.

Table 1 – delivery profile

Property type	Year 1 delivery target (2024-25)	Year 2 delivery target (2025-26)	Total delivery target
TA element	0	5	5
R3 resettlement element	1	0	1
R3 large resettlement element	0	0	0

All property types	6	0	6
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- 5.4. This MOU is for the full term of the total allocation unless signatories agree to change as per Paragraph 5.5. A further Grant Determination Letter (GDL) will be provided following confirmation of each tranche payment.
- 5.5. MHCLG and the Council both have the right to request a change to the MOU. With regards to changing the target number of units, the Council may ask for either a higher or lower target. Any proposed change will impact the amount of funding received (as set out in the Prospectus) unless the Council is seeking to deliver more units for the same amount of money. Requests will be considered based on the progress of the reallocations process as outlined in Section 11 of the Prospectus and confirmed in writing.

6. Financial Arrangements

- 6.1. The agreed funds will be issued to the Council as grant payments under section 31 of the Local Government Act 2003. The Council may pass on the funding to a third party (e.g. Registered Providers) as appropriate to deliver the delivery target, complying with the Subsidy Control Act 2022.
- 6.2. The capital funding will be provided by MHCLG in four tranches with the revenue funding paid in full in 'Tranche 1'. The 'Tranche 1 allocation' is 30% of the Year 1 capital allocation and 100% of the revenue allocation. The 'Tranche 2 allocation' is 70% of the Year 1 capital allocation. The 'Tranche 3 allocation' and the 'Tranche 4 allocation' are both 50% of the Year 2 capital allocation. Tranches are set out in Table 2.

Table 2 – Capital funding allocation

	Tranche 1 allocation (capital and revenue)	Tranche 2 allocation	Tranche 3 allocation	Tranche 4 allocation	Total allocation
Total funding	£85,350	£172,900	£617,500	£617,500	£1,493,250

- 6.3. Table 3 sets out the timetable for payments to be made to the Council. The earliest payment date for the Tranche 1 allocation is in September 2024. The Tranche 2 allocation will be paid once the Council has demonstrated that at least 60% of the capital element of the Tranche 1 allocation has been committed ('the Tranche 2 spend requirement') via a Section 151 officer Statement of Grant Usage. Commitment of the revenue grant is not a requirement for release of Tranche 2, 3 or 4.
- 6.4. The Tranche 3 allocation will be paid once the Council has demonstrated that at least 80% of the Tranche 1 and Tranche 2 allocations have been committed ('the Tranche 3 spend requirement') via a Section 151 officer Statement of Grant Usage.

- 6.5. The Tranche 4 allocation will be paid once the Council has demonstrated that at least 80% of the Tranche 1, Tranche 2 and Tranche 3 allocations have been committed ('the Tranche 4 spend requirement') via a Section 151 officer Statement of Grant Usage.
- 6.6. Should the Council not meet the spend requirement for Tranche 2, 3 or 4 payments by the dates set out in Table 3, MHCLG will consider putting in place further payment dates.
- 6.7. The Council may wish to return unspent monies to the Department.
- 6.8. MHCLG reserves the right to request the return of some or all of the capital and resource funding if the Council significantly reduces its agreed delivery target or withdraws from LAHF R3 completely.

Table 3 – Payments timetable

Payment milestone	Requirements for payment milestone*	Expected Payment by
<p>Tranche 1 (30% of total Year 1 capital allocation) and 100% of programme revenue allocation</p>	<p>MOU signed with MHCLG</p>	<p>By 6 September 2024 (if a MOU is signed by 16 August 2024) Or By 7 October 2024 (if a MOU is signed by 16 September 2024)</p>
<p>Tranche 2 (70% of Year 1 capital allocation)</p>	<p>Statement of Grant Usage (SOGU) demonstrating <u>60% of the Tranche 1</u> first tranche has been committed*, AND</p> <p>Relevant monitoring information (MI) submitted</p>	<p>By 4 November 2024 (if SOGU provided by 7 October) and all MI submitted to schedule. Or By 13 December 2024 (if SOGU provided by 8 November) and all MI submitted to schedule.</p> <p>(With further payment windows in January 2025, and March 2025 deadlines TBC)</p>

Please note that Year 2 allocation can be paid in full, in a combined tranche 3 & 4 payment if the relevant milestone is met and SOGU submitted by relevant deadline¹.

<p>Tranche 3 (50% of Year 2 capital allocation)</p>	<p>Statement of Grant Usage (SOGU) demonstrating <u>80% of the Tranches 1 (capital only) and 2</u> have been committed*, AND</p> <p>Relevant monitoring information (MI) submitted</p>	<p>By 2 April 2025 (if SOGU provided by 3 March) and all MI submitted to schedule.</p> <p>Or</p> <p>By 4 July 2025 (if SOGU provided by 2 June) and all MI submitted to schedule.</p> <p>(With further payment windows in September 2025, November 2025, January 2026, and March 2026 deadlines TBC)</p>
<p>Tranche 4 (50% of Year 2 capital allocation)</p>	<p>Statement of Grant Usage (SOGU) demonstrating <u>80% of the Tranches 1, 2 and 3</u> have been committed*, AND</p> <p>Relevant monitoring information (MI)</p>	<p>By 2 June 2025 (if SOGU provided by 2 May) and all MI submitted to schedule.</p> <p>By 3 November 2025 (if SOGU provided by 6 October) and all MI submitted to schedule.</p> <p>Or</p> <p>By 12 December 2024 (if SOGU provided by 7 November) and all MI submitted to schedule.</p> <p>(With further payment windows in January 2026, and March 2026 deadlines TBC)</p>

* Note: Committed refers only to capital grant spend (does not include revenue grant spend).

¹ For local authorities seeking to accelerate delivery, a combined tranche 3 & 4 payment can be made. The SOGU needs to demonstrate the local authority has committed 80% of the combined Tranche 1, 2 and 3 total grants paid (or due).

7. Charging Affordable Rents for LAHF R3 funded homes

- 7.1. The LAHF Prospectus specifies “It is up to local authorities to determine the precise rent level and tenure of homes in line with the fund objectives. This could include...Affordable Rent.”
- 7.2. The Rent Standard <https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2023-accessible-version> provides that Affordable Rents may be charged only in limited circumstances.
- 7.3. This MOU records the agreement between the Secretary of State and the Council that relevant accommodation, provided by the Council or a partner Registered Provider pursuant to LAHF grant funding, is permitted to be let at an Affordable Rent, and that accordingly that an Affordable Rent may be charged for such accommodation in accordance with paragraph 3.8b of the Rent Standard - April 2023.
- 7.4. In Paragraph 7.3, “relevant accommodation” means accommodation:
- in the Council area;
 - which is being used to further the LAHF objectives set out at paragraph 2.2 of the MOU;
 - which has never been let at a social rent; and
 - where the accommodation is provided by a partner Registered Provider, for which the Council has agreed that the partner Registered Provider may charge affordable rent.

8. Roles and Responsibilities

MHCLG Responsibilities

- 8.1. MHCLG is responsible for setting national housing policy, providing grant(s) to the Council and monitoring the delivery of homes.

Council Responsibilities (fund delivery)

- 8.2. The Council will make housing investment decisions, review existing housing policies and products, maximise leverage of this public sector investment and ensure that funds provide value for money and are deliverable within the timescale of the fund. The Council may work in partnership with private Registered Providers, local authority housing companies or other bodies to deliver homes. The Council will also report on the fund by providing Management Information (MI) as set out in **Annex A** of this MOU and will work with MHCLG to ensure they have the capability to deliver the fund and provide MI within the set timescales.
- 8.3. The Council is expected to have the necessary governance and assurance arrangements in place and that all legal and other statutory obligations and consents will be adhered to, which may include, but not solely:

- **subsidy control**, at all levels e.g. the funding the Council allocates to project deliverers and subsidies that project deliverers provide to third parties.
- **equalities duties**, the Council must ensure that all LAHF funded activity is delivered in accordance with its obligations under the public sector equality duty (PSED.)
- **procurement**, the Council must ensure that the allocation of funding to project deliverers that constitutes a procurement is managed in compliance with the public contract regulations.
- **fraud**, the Council must ensure that robust arrangements are in place to manage fraud risk, including ensuring that project deliverers have robust fraud risk management process and paying particular attention to projects that involve the payment of grants to beneficiaries e.g. businesses.

8.4. The Council's Section 151 Officer is expected to ensure that these legal duties and all other relevant duties are considered and that delivery of LAHF investment is carried out with propriety, regularity, and value for money.

Council Responsibilities (Affordable Rents – where required by LAs)

- 8.5. The Council should note (and remind partner Registered Providers) that conversion of social rent properties to affordable rent is not permitted pursuant to paragraph 3.15 of the Rent Standard other than in the circumstances set out in chapter 2 of the Rent Policy Statement.
- 8.6. Where the Council has agreed that a partner Registered Provider may charge affordable rent, the Council will confirm to the Registered Provider that the Registered Provider may charge affordable rent in accordance with Paragraph 7.3 of this MOU.
- 8.7. The Council will require partner Registered Providers to provide details to the Council of any accommodation provided pursuant to LAHF grant funding for which Affordable Rent is charged.
- 8.8. The Council will maintain a register of any accommodation provided pursuant to LAHF grant funding for which it or a partner Registered Provider is charging Affordable Rent. This register should be available for inspection upon request by either MHCLG or the Regulator for Social Housing. The fields of information required in register are specified in **Annex C**.

9. Monitoring Arrangements and Accountability

- 9.1. The Council will put in place appropriate governance and oversight arrangements to ensure that delivery of housing is on track and that plans remain ambitious and provide value for money.

Reporting Arrangements

- 9.2. The Council has agreed to provide reporting information to MHCLG on fund allocations and delivery. The Council will be asked to provide a mix of quantitative and qualitative summary updates to MHCLG; a full list of MI can be found in **Annex A**.
- 9.3. The first report will be due in October 2024 and then every two months thereafter, until the Council's programme has completed. The schedule for monitoring reports is outlined in **Annex B**.
- 9.4. Spend outturn and forecast should be signed off by the Section 151 officer or deputy Section 151 officer.
- 9.5. A Statement of Grant Usage Section 151 officer or deputy Section 151 officer should be submitted when:
 - at least 60% of the Tranche 1 allocation has been committed.
 - at least 80% of the Tranche 1 and 2 allocations have been committed.
 - at least 80% of the Tranche 1, 2 and 3 allocations have been committed.
 - Committed spend only refers to the capital grant. We will ask for information on what the revenue grant has been used for through the MI.
- 9.6. The Council also agrees to work with the department to provide any reasonable additional MI as and when requested by the MHCLG Senior Reporting Officer (SRO). MHCLG will provide an appropriate amount of time to return any additional MI requests.
- 9.7. The Council agrees to work collaboratively with any requests from MHCLG to support any retrospective assessment or evaluation as to the impact or value for money of LAHF. As a minimum, the Council is expected to monitor spend, outputs and outcomes against agreed indicators and keep this information for at least 5 years.

10. Governance & Assurance

- 10.1. The Council is expected to ensure that all legal and other statutory obligations and consents will be adhered to, which may include, but not solely, state aid / subsidy control, equalities duties, procurement, health and safety, and fraud prevention. The Council has prerogative to establish internal governance and assurance arrangements as they see fit to achieve this.
- 10.2. The Council will ensure data can be shared for the prevention and detection of fraud by including the following clause in all agreements with companies or external entities in relation to LAHF – including, but not

limited to, property contracts, professional services contracts, construction contracts and lease agreements:

“Data may be shared with other enforcement agencies for the prevention and detection of crime.”

Signed for and on behalf of MHCLG

Signature:

Name:

Position:

Date:

**Signed for and on behalf of Epsom and Ewell
Borough Council**

Signature:

Name:

Position:

Date:

Annex A – Reporting and Monitoring Arrangements

Scope and Purpose

1. This annex sets out the agreed reporting and monitoring arrangements for LAHF, including the expected frequency and content of the regular reports that the Council will provide to MHCLG.

MHCLG Role

2. MHCLG will support the running of the fund and maintain a national picture of delivery by putting in place a proportionate monitoring and governance framework. This will include a fund governance board(s) attended by the MHCLG Senior Reporting Officer (SRO) and other relevant stakeholders. Wherever possible MHCLG will avoid duplication of requests towards the Council.

Council Role

3. Day-to-day project monitoring and delivery responsibilities will be delegated to the Council. The Council will submit reports to MHCLG in accordance with the agreed timescales and frequency set out in the MoU. The Council will also work with MHCLG to provide any reasonable additional MI required as and when requested by the MHCLG Senior Reporting Officer. MHCLG will provide an appropriate amount of time to return any additional MI requests.

Management Information (MI)

4. The list of MI is split between operational data – required for monitoring the ongoing fund delivery (Table 4) and evaluation data (Table 5) required to assess the strategy-level success of the fund and inform future policy development. Tables 4 and 5 present the required routine MI and is subject to change, with agreement by MHCLG and the Council. For MI and payment purposes, “committed spend” is considered funding which has been allocated to a property where there has been an exchange of contracts or equivalent milestone where exchange of contract will not occur.

Table 4 – Monitoring Data

Item	Frequency
Number of properties where contracts exchanged, including: <ul style="list-style-type: none"> • bedroom size • whether located in another borough area • who will own the dwellings • how properties obtained 	Every 2 months
Number of properties occupied/ ready to let, including bedroom size	Every 2 months
Number of resettlement scheme households housed	Every 2 months
Number of pending resettlement scheme properties pre-matched to current/former bridging hotel households	Every 2 months
MHCLG grant used	Every 2 months
Overall assessment (RAG rated) of whether delivery is on track as determined by the responsible Council officer	Every 2 months

Table 5 – Evaluation Data

Item	Frequency
How properties have been sourced (e.g., through stock acquisition or another delivery route)	Post April 2026 and thereafter upon request to aid with evaluation of the fund
How the Council has funded its contributory share	
Breakdown of resettlement scheme households housed by previous housing situation, e.g., in bridging hotel, in LA emergency accommodation/temporary accommodation	
Tenancy duration	
Rent levels	
Number of properties obtained outside the local authority's area, if applicable, and where these are located.	

5. In addition, to enable the assessment of relative value for money and to assist with future spending reviews, we may occasionally ask for additional information including details of how the fund is delivered and housing market conditions. This will provide important data to support future policy developments and will also support engagement with HM Treasury. This information will be provided to agreed timeframes when requested by MHCLG.
6. Should the Council wish to amend and/or not collect any of these proposed data points, they should submit a proposal to MHCLG for agreement.

Frequency of Reporting

7. The Council will be asked to provide reports every two months. The schedule for monitoring reports is outlined in Annex B.

Data Consistency

8. MHCLG and the Council have a shared commitment to ensure that, for clarity and transparency purposes, consistent methods of recording outputs are maintained. It is expected that the provided reporting will be robust, accurate and quality assured to a high standard. As such minimal revisions would be expected – although, where these are required, MHCLG should be advised as soon as practical.

Use of Material Provided

9. MHCLG will use the provided material to monitor delivery nationally.

Annex B – Monitoring Milestones

1. The Council is requested to submit the monitoring information summarised in **Annex A** every two months by 5pm on the dates outlined below. MHCLG will provide the link to the return directly to the Council well in advance of each touchpoint date.
2. MHCLG will provide full guidance for submitting the return directly well in advance of each touchpoint date.

Table 6 – Monitoring Touchpoint Dates

Monitoring touchpoint	MI Return to be submitted by 5pm on the following dates
Touchpoint 1	01 November 2024
Touchpoint 2	20 January 2025
Touchpoint 3	03 March 2025
Touchpoints 4-12	TBC
Evaluation	TBC

Annex C – Register of LAHF accommodation for which an Affordable Rent is charged

This annex sets out the agreed information which will be contained in the Council's Register of LAHF accommodation for which an Affordable Rent is charged.

This register should be available for inspection upon request by either MHCLG or the Regulator for Social Housing.

Property address			
Completion date			
Name of Registered Provider			
Registration Code			

(Note: The Council is not required to submit this information as part of regular delivery monitoring submissions.)