



## Report to Strategy and Resources Committee

**Author/Lead Officer of Report:** Janet Sharpe,  
Director of Housing, Housing and Neighbourhood Services

**Tel:** 0114 2735493

**Report of:** Executive Director, Operational Services

**Report to:** Strategy and Resources Committee

**Date of Decision:** 15<sup>th</sup> March 2023

**Subject:** Local Authority Housing Fund (LAHF)

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 718				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				

### Purpose of Report:

To outline the allocation of funding from the Local Authority Housing Fund and to outline the proposed use to purchase homes.

To seek approval to receive and spend the funding and progress to acquiring new housing.

To approve use of capital to supplement the grant with repayments of the loan being met from rental income.

**Recommendations:****It is recommended that the Strategy and Resources Committee:**

- i. Approves the acceptance and spend of the DHLUC grant offer of £2,803,007.
- ii. Approves capital funding of £2,959,672.
- iii. Approves the acquisition of up to 39 properties.

**Background Papers:****Appendix A** – Memorandum of Understanding (MoU)**Appendix B** – Local Authority Housing Fund prospectus**Appendix C** – Climate Impact Assessment

Lead Officer to complete:-								
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<b>Date:</b> <i>27/02/2023</i>								

## 1. PROPOSAL

- 1.1 On 14 December 2022 the government made several announcements to support the ongoing Homes for Ukraine Scheme.
- 1.2 One element of the announcement was the provision of a £500 million Local Authority Housing Fund to support property acquisitions and redevelopment. Capital funding will be provided directly to English councils in areas that are facing the most significant housing pressures from recent Ukrainian refugee arrivals.
- 1.3 The funding will be Section 31 non-ringfenced capital grant (no revenue funding). Funding will be paid in two tranches, 30% in 2022/23 and 70% in 2023/24
- 1.4 Allocations are based on a main fund allocation: 40% of average lower quartile property price + £20k per property and a bridging fund allocation: 50% of average lower quartile property price + £20k per property
- 1.5 The funding cannot be combined with Affordable Homes Programme grant or Right to Buy receipts and monitoring returns will be requested every 2 months.
- 1.6 Households eligible for the acquired housing are those who are homeless, at risk of homelessness or who live in unsuitable temporary accommodation (including bridging accommodation) and who are here on one of the following schemes:
  - Afghan Citizen Resettlement Scheme (including eligible British Nationals under this scheme) (ACRS)
  - Afghan Relocations and Assistance Policy (ARAP)
  - Ukraine Family Scheme (UFS)
  - Homes for Ukraine (HFU)
  - Ukraine Extension Scheme (UES)
- 1.8 Delivery routes include but are not limited to:
  - Repurposing council owned buildings
  - Acquiring existing buildings
  - Acquiring new build homes
  - Expanding existing housing delivery programmes
  - Delivering through council owned housing companies or housing associations
- 1.9 Homes should be affordable/low-cost housing. The stock is expected to become available to support wider housing and homelessness responsibilities after the immediate needs of the eligible cohort have

been addressed. The fund will not mandate local authorities to apply a fixed tenancy duration.

1.10 Sheffield's allocation of funding is outlined below:

Main element: £1,702,000 (Average £54,000 per property plus £20,000)

Bridging element: £1,101,007 (Average £137,287 per property plus £20,000)

The initial award suggests Sheffield would be able to fund a minimum of 23 main element properties and 7 bridging allocation properties based on DHLUC calculations. Further work based on the current purchase costs of SCC acquisitions suggests the authority could realise 28 main element properties and 11 bridging allocation properties from this funding.

1.11 Capital will also be required to fulfil the purchase of the properties with repayments being met from rental income.

**2. HOW DOES THIS DECISION CONTRIBUTE ?**

2.1 To date 322 cases incorporating 633 individuals have arrived in Sheffield on the Homes for Ukraine Scheme. So far 107 cases have moved on from their initial sponsor accommodation. Currently 215 cases remain within sponsor accommodation. The opportunity to purchase a minimum of 23 properties to assist with move on accommodation would reduce demand on mainstream services.

2.2 The Home Office also has a need to move Afghan families on from bridging hotels. A number of the families requiring move on are between 7 and 9 people in size in need of four bed accommodation. The opportunity to purchase a minimum of 7 larger properties to assist with move on accommodation for Afghan refugees would provide a proportion of the authorities pledge to rehouse 88 refugees in the next financial year.

**3. HAS THERE BEEN ANY CONSULTATION?**

3.1 The Council is not required to carry out a consultation process in respect of this proposal. A formal consultation process has not been carried out.

**4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

4.1 Equality Implications

4.1.1 An EIA is currently in place that supports the Council's activity to support all refugees arriving in the city and has already been published.

## 4.2 Financial and Commercial Implications

- 4.2.1
- Capital payment of £2,803,007 made to Sheffield City Council (SCC) by the Department for Levelling Up, Housing and Communities (DLUHC).
  - The funding will be Section 31 non-ringfenced capital grant (no revenue funding). The Grant shall be treated as restricted.
  - The funding formula for the Grant is as follows:

	<b>Eligible Costs</b>	<b>Additional Grant</b>
Bridging Element	50% of the SCC charge to the SCC Capital Budget.	Up to £20,000 per property
Main Element	40% of the SCC charge to the SCC Capital Budget.	Up to £20,000 per property

- A separate grant per property is made available for certain eligible costs. Eligible costs include (but are not restricted to) acquisition fees/disbursements and certain categories of improvement/refurbishment works (see details).
- The Funding Allocation for the Grant is as follows:

<b>Item</b>	<b>2022/23 (30% of Funding)</b>	<b>2023/24 (70% of Funding)</b>	<b>Total Funding</b>
Main Element (split between Acquisition and Refurbishment Grants)	£510,600	£1,191,400	<b>£1,702,000</b>
Bridging Element (split between Acquisition and Refurbishment Grants)	£330,302	£770,705	<b>£1,101,007</b>
<b>Total</b>	<b>£840,902</b>	<b>£1,962,105</b>	<b>£2,803,007</b>

- Payments are to be made to SCC from DLUHC on the last working days in March 2023, May 2023 and, if applicable, July 2023.
- The Grant may be applied to already incurred expenditure.
- Funding cannot be carried over into the 2024/25 Financial Year.
- SCC may accept only the Bridging Element of the Grant, however, SCC cannot accept the Main Element only.
- In order to receive 2023/24 funding, SCC must have spent 60% of the 2022/23 funding by May 2023 specified in the MOU.
- The Bridging Fund is made available to SCC to resettle refugees under the Afghan Schemes currently occupying Home Office bridging accommodation. Homes acquired with the Bridging Element is made available to SCC for the purposes of acquiring larger (4+ bedrooms) properties (see details).

- SCC is expected to fund all other costs of delivery of the Project. Borrowing and partnership funding for the Project delivery are permitted.
- SCC must meet any acquisition costs exceeding the grant allocation for any individual property to be acquired.
- SCC is expected to use funds in line with the overarching refugee resettlement objectives of the Project, including whole-life cost funding.

4.2.2 The table below highlights the level of additional borrowing required, the annual repayment costs and annual rental income:

Item	Proposed capital borrowing	Annual repayments over 30 years	Annual rental income from properties
Main element	£2,016,510	£116,615	£133,282
Bridging element	£ 943,162	£ 54,543	£ 58,018
Total	£2,959,672	£171,158	£191,300

4.2.3 This example is based on purchasing 28 main element properties and 11 bridging element properties, 39 properties in total. Rental income from the acquired properties will meet the loan repayment costs. It is expected with annual rent increases this will remain the case for the 30 year term of the loan. The purchase cost of properties will be met from the LAHF grant and rental income meeting loan repayment costs.

4.2.4 A Final Business Case is going through the capital approval process for approval to add the scheme to the Capital Programme.

#### 4.2.5 **Capital Implications**

- The Grant can only be used to acquire new housing stock or bring dilapidated unusable stock back into a usable condition. The Grant cannot be used to refurbish currently habitable housing stock.
- SCC is permitted to acquire housing stock in areas neighbouring the Sheffield local authority area.
- Stock acquired under the terms of the Grant may be used to support wider local authority general housing/homeless responsibilities once the needs of the Ukraine and Afghan scheme recipients have been met.
- Any homes acquired under the terms of the Grant that are subsequently disposed are subject to the Recycled Capital Grant

regulations and therefore sale proceeds may be subject to additional restrictions (see details).

- Local authorities cannot combine this fund with the Affordable Homes Programme or Right to Buy receipts. S.106 funding may be applied to the project where it meets the requirements of the S.106 Agreement and the terms of the Grant Agreement.

#### 4.2.6 **General Implications**

- MOU not intended to be legally binding, no legal obligations or rights shall arise between the Parties. Both parties intend to honour all MOU commitments.
- MOU is not intended to establish any partnership, joint venture or relationship of employment between Parties, constitute either party as the agent of the other party, nor authorise either of the Parties to make or enter any commitments for or on behalf of the other party.
- SCC will ensure the use of the Grant does not breach any subsidy controls.
- SCC is to comply with the accounting audit, monitoring, management information and reporting requirements specified in the grant agreement (see details).
- SCC must comply with the detailed performance management and key performance indicator requirements specified in the Grant Agreement (see details)
- The MOU does not specify a retention period.

#### 4.2.7 **Commercial Implications**

All public sector procurement is governed by and must be compliant with the Grant Agreement and UK National Law. In addition, all procurement in SCC must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs).

CSO requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase / acquire services, goods or works must go via a competitive process, comply with the Local Government Transparency Code 2015 and s6.3 of the MOU. The Portfolio / Service Grant Manager will need to contact the Commercial Services Team for detailed guidance on adherence to these rules when spending grant monies.

#### 4.3 **Legal Implications**

- 4.3.1 The Council has a general power under section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in accordance

with the limitation specified in the Act. The general power of competence provides sufficient power for the council to accept the proposed funding.

- 4.3.2 The Council will be required to sign the MOU issued by Department for Levelling Up, Housing and Communities (DLUHC). This MOU sets out the terms that will apply to the working relationship between the Department for Levelling Up, Housing and Communities ('DLUHC') and Sheffield City Council regarding the administration and delivery of the Local Authority Housing Fund (LAHF).
- 4.3.3 This contains usual terms and conditions, and its terms are focussed to ensure achievement of the purpose for which grant is being given. While there is nothing onerous in the terms it is good to keep in view the grant requirements which may briefly be noted below:
- i. Grant is for a specific purpose/project which is explained in clause 1 and 3 of the agreement and must not be used for any other purpose.
  - ii. DLUHC will provide a grant of £2,803,007 ('the total allocation') and the Council will deliver at least the following:
    - a) 23 properties for households that meet the eligibility criteria outlined in section 3.2 of the Prospectus ('the main element');
    - b) 7 Four+ bed properties to be allocated to households currently in bridging accommodation ('the bridging element');
  - iii. The Council will endeavour to deliver the delivery target by 30 November 2023.
  - iv. The Council must comply with the Subsidy Control Act 2022 if the Council passes on the funding to a third party to deliver the delivery targets.
  - v. Clause 5 sets out the financial arrangements and provides the amount and frequency of the funding to be received each financial year.
  - vi. Clause 6.2 states the council responsibilities under this MOU. The Council's section 151 officer is expected to ensure that these responsibilities and all other relevant duties are considered and that delivery of LAHF investment is carried out with propriety, regularity and value for money.
  - vii. Clause 7 of the MOU sets out the monitoring and reporting requirements. The first report will be due in April 2023 and then every two months thereafter. The schedule for monitoring reports

is outlined in Annex B of the MOU. Spend outturn and forecast should be signed off by the S151 officer or deputy S151 officer.

4.3.4 In general, the draft agreement seems acceptable and may help the Council in achieving its objectives and deliver the project.

#### 4.4 Climate Implications

4.4.1 A climate impact assessment has been completed. The assessment concluded that the project would maintain similar levels of CO<sub>2</sub>e emissions compared to before.

4.4.2 Whilst there is no immediate reduction in emissions because of the project, up to 39 homes would be acquired. Housing officers would provide ongoing support to tenants in the new accommodation and advise on climate issues.

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

5.1 No alternative options were considered.

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

6.1 The authority completed a validation form with the proposed minimum number of properties on 25<sup>th</sup> January 2023. Completion of the validation form doesn't commit the local authority, only when a grant award is confirmed, and a Memorandum of Understanding (MoU) is signed by would the authority be committed to the scheme.

6.2 To secure the full funding the LAHF Team confirmed that ideally all purchases should be complete by 30<sup>th</sup> November 2023. If purchases are within the legal process at that point but not complete the funding for those properties will still be provided. Acquisitions currently being purchased can be included in this programme. To secure all funding, it is recommended to allocate this funding to current purchases within the Stock Increase Programme. This fund will then allow surplus funding of up to £2.8m to be generated for use within the Stock Increase Programme to deliver further additional properties.

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