

Waverley Borough Council

Report to: Executive

Date: 1 August 2023

Ward(s) affected: Borough Wide.

Report of Director: Community Wellbeing

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Report Status: Part Exempt

Housing Delivery

Local Authority Housing Fund

1.0 Executive Summary

- 1.1 The purpose of this report is to brief members on the purpose and details of funding allocated to the Council from the Local Authority Housing Fund (LAHF) and how the homes will be acquired or re-allocated under this scheme.
- 1.2 An independent LAHF Funding Appraisal Review has been undertaken and is attached as Exempt Annexe 1 to this report. This document assesses the financial viability appraisals completed by council officers and includes observations, best practice guidance on

delivery of the scheme and recommendations related to the location and purchase price of the seven homes to be acquired.

2.0 Recommendation to Executive

It is recommended that the Executive approves:

- i. The principles of the Council using the Local Authority Housing Funding Scheme, and forward financing the acquisition or allocation of property under this scheme.
- ii. Approves the principle of purchasing properties in the terms set out in the report and Exempt Annexe 1 and delegates to the Executive Head of Housing in consultation with the Portfolio Holder of Housing (Delivery and Operation) to approve the purchase of properties to deliver this project.
- iii. Approves the principle of allocation of the 11 homes as set out in 'Allocations' (Section 10) of this report. With the additional wording for the Allocation scheme to be approved by Executive Head of Housing and Housing Portfolio Holder (Operations) in line with Waverley's Allocations Scheme for housing applicants.
- iv. Delegates to the Executive Head of Housing the authority to tender and enter into any contract to repair or bring up to standard any property purchased under this project in accordance with the principles set out in the Exempt Annexe 1
- v. Grants delegated authority to the Executive Head of Legal and Democratic Services to approve the final form of wording of any legal agreement related to the project.
- vi. Approves the reallocation of 4 two bed shared ownership homes at Ockford Ridge, Site C to allocation as homes for affordable rent for use within this scheme.

3.0 Reason for Recommendation:

- 3.1 The Waverley Corporate Strategy 2020-2025 sets out the Vision and Strategic Priorities for the Council. One of the strategic priorities is to 'provide good quality housing for all income levels.'

- 3.3 *Build More, Build Better, Build for Life Affordable Homes Delivery Strategy 2022 – 2025* sets out the Council's commitment to build homes to buy or rent for households from all income levels. The strategy has been supported by evidence studies including the *Waverley Housing Affordability Study 2021*.
- 3.4 The Council has been allocated a total of £2,039,531 LAHF funding to provide a maximum of 40% of the cost of each property on the 'Main Element' and up to a maximum of 50% of the costs of the 'Bridging Element' (four bed property.) The use of funding supports the delivery of additional homes for those in housing need whilst reducing the financial impact on the Housing Revenue Account and level of borrowing required.

4.0 Exemption from publication

- 4.1 Part Exempt – Open Report / Exempt Annexe

Note pursuant to Section 100B(5) of the Local Government Act 1972

This report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5.0 Purpose of Report

- 5.1 To obtain Executive approval to use the funding from the Local Authority Housing Fund to deliver additional homes for those in housing need in accordance with the conditions of the funding.

6.0 Strategic Priorities

- 6.1 Affordable housing is central to community well-being. It is consistent with the Council's [Corporate Strategy 2020 – 2025](#), strategic priority to deliver 'good quality housing for all income levels

and age groups’ and ‘Effective strategic planning and development management to meet the needs of our communities.’

- 6.2 This project aims to increase the number of affordable homes available for those that are in housing need and registered on the Council’s housing register.

7. Background

- 7.1 The Department for Levelling Up, Housing and Communities (DLUHC) introduced a £500 million capital fund – the Local Authority Housing Fund (LAHF) – for local authorities in England to provide accommodation to families with housing needs who have arrived in the UK (United Kingdom) via Ukrainian and Afghan resettlement and relocation schemes. Local authorities (LAs) who have welcomed arrivals are facing challenges in securing settled accommodation for these households, which unless alleviated will further impact existing housing pressures. LAHF will help them to address these immediate pressures as well as build a sustainable stock of affordable housing for the future.

- 7.2 There are two elements to this funding, Main element, and Bridging element.

- Main element – Waverley have been allocated £1,670,000 to provide a minimum of 10 homes.
- Bridging element – Waverley have been provisionally allocated £369,531 to provide 1 larger 4+ bed home to be provided to households currently residing in bridging accommodation.

- 7.3 This is a capital grant and there will be no revenue allocation. The timeframe for delivery is very short. The target deadline for delivery is 30 November 2023; however, DLUHC have said that 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 number of families housed.

- 7.4 DLUHC is committed to funding any contract Local Authorities enter into, even if completion occurs after this date. Similar to the Right Buy Receipts we can only use this grant to fund up to 40% of the scheme costs. Waverley would therefore need to fund the remainder of the costs which would be through borrowing as recommended in the HRA Business Plan Strategic Review which was approved by members at Full Council in December 2023.
- 7.6 The DLUHC have not mandated local authorities to apply fixed tenancies and expect these additional homes to become available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed. It is up to local authorities to determine rent levels but should be low cost/affordable. The financial viability appraisals have been completed with the rents for the homes acquired on the open market set at social rent and the new build sustainable, energy efficient homes at Ockford Ridge set at affordable rent (70% market rent) to be consistent with the rent levels on the other 2 bed housings on this development.
- 7.7 The fund can be used for repurposing council owned buildings, acquiring existing or new build homes, expanding existing housing delivery programmes. Repurposing council owned buildings would mean bringing housing back into use or changing use of a building. It could not be used to refurbish a current rentable property.
- 7.8 The use of the LAHF on existing schemes would release 1-4-1 receipts which have currently been allocated. These can then be used for future schemes and reduce the need for borrowing on those schemes.
- 7.9 In March 2023 Waverley submitted a validation form confirming the proposal to deliver 11 homes (10 homes through the main element and 1 through the bridging element). Waverley could choose to only

deliver the bridging element but cannot deliver the main element only.

- 7.10 At the end of March 2023, the S151 Officer signed and returned to DLUHC the Memorandum of Understanding for delivery of the additional homes using the LAHF allocation of £2,039,531.
- 7.11 Based on this the first tranche of funding as paid (30% of allocation) and further payments will be made (70%) when at least 60% of the works are completed.
- 7.12 A LAHF Project Group has been established to gather information to inform this report and subject to approval by Executive to project manage and monitor delivery to meet the terms of the LAHF.

8.0 Delivery Options

- 8.1 The options for delivering these homes are repurposing council owned buildings, acquiring existing or new build homes and expanding existing housing delivery programmes.

- 8.2 Repurposing council owned homes.

On 13 December 2022, the Council approved delivery of 30 new homes at Ockford Ridge, Godalming. The construction of homes at Ockford Ridge (site C) is underway with completion of homes expected by December 2023/ early January 2024. There are currently six homes identified for shared ownership sale with the remaining homes available for social / Waverley rent.

It is proposed that tenure for four of these homes is changed from shared ownership sale to rent.

- 8.3 Acquiring existing or new build homes.

Another option considered is to acquire homes on the open market in key settlement area, either new build or existing stock, purchasing between September 2023 and March 2024.

Enquiries have been made about acquisition of new build homes on a developer's site in Godalming; however, as the sales remain buoyant on this development this is unlikely to be a viable option with the maximum discount on the open market sale price being 1-2%.

8.4 Expanding existing housing delivery programmes.

We have several other sites in the delivery programme which the development team will be able to bring forward business cases for soon however taking a scheme to practical completion by March 2024 is unlikely to be achieved.

The other option considered related to expanding the existing programme is to consider delivery of modular homes on former garage site. Support would be required in terms of planning and establishing the procurement route to achieve a delivery period like that which was achieved with the rough sleeper units at Badgers Close, Farncombe.

9.0 Property Purchase - Works

9.1 Properties acquired on the open market may require a level of void work. If the scope of the works is minimal, i.e., new kitchen or bathroom, they may be added to our planned works contracts. However, if there are multiple works which require co-ordination, a minor works package to the Waverley standard specification will need to be procured using an existing call off contract with support from a contract administrator to manage the contract.

10.0 Allocation

10.1 On completion of works or handed over of property the properties officers propose the following allocation cascade which fulfils the criteria of the LAHF scheme:

- 1x4 bed property – offered to an Afghan household as a secure tenancy or Flexible Tenancy.
- For the remaining 10 properties:
- In the first instance, to prioritise Ukrainian households that are threatened with homelessness, cannot be re-matched to another host family and that the Council has a statutory duty to assist under its homelessness duties. Households to be identified by Housing Options/Ukraine teams. Households will be offered Flexible Tenancies.
- The Council prioritise Afghan households that are threatened with homelessness and that the Council has a statutory duty to assist under its homelessness duties. Households identified by Housing Options/Ukraine team. Households will be offered Flexible Tenancies.
- The Council prioritise households that are threatened with homelessness and that the Council has a statutory duty to assist under its homelessness duties. Households identified by Housing Options Team. Households will be offered Flexible Tenancies.

10.2 Following the first letting of the properties developed or purchased under LAHF, the Council either:

- i) continues to let the properties under the above cascade or
- ii) treats the properties as its normal Council stock and let's them as secure tenancies through Waverley Homechoice or
- iii) offers to homeless households

10.3 Decisions on each relet will be based on the pressures facing the Housing Options/Homechoice service.

10.4 Officers will draft additional wording for the Allocation Scheme to reflect members decision/approval of what is outlined above, providing transparency in regard to the direct letting of the LAHF properties. Wording will be approved by the Executive Head of Housing and Housing Portfolio Holder, in line with Waverley's Allocation Scheme for housing applicants.

11. Consultations

11.1 Officers briefed the Executive prior to entering into the Memorandum of Understanding and subsequently the Portfolio Holders for Housing Operations and Delivery have been briefed ahead of issue of this report.

12. Key Risks

12.1 If the Executive do not approve the recommendations made in this report, then funding will be returned to DLUHC and result in the loss of the opportunity to provide 11 additional homes with grant funding from the LAHF.

13. Financial Implications

13.1 The Local Authority Housing Scheme will provide up to 40% of the costs of delivering the 'main element' 10 additional homes and 50% of the cost of delivering the 'bridging element' one four bed home. For the Ockford Ridge Scheme, where the proposal is to switch four of the previously Shared Ownership properties to the LAHF scheme, this 40% funding will just replace the 40% of funding which was allocated from 1-4-1 receipts. There is therefore no budget impact on this part of the scheme. The viability has also been reviewed for the Ockford Ridge scheme with updated valuations, rent assumptions and assumptions on borrowing. This results in an improved viability compared to the scheme approved at Council in December 2022.

- 13.2 For the proposal to purchase 7 homes on the open market and reallocation of four shared ownership homes to homes let at affordable rent (70% open market rent) a budget of £4,914,060 will be required.

The split of funding for delivery of these homes is set out below.

Funding	
Local Authority Housing Fund	£2,039,531
Borrowing (PWLB (Public Works Loan Board))	£2,897,529

A summary of the financial modelling can be found in Exempt Annex 1 (Page 2.) There is a positive net revenue impact over the life of the asset (60 years) for both the homes acquired on the open market and new build.

14.0 Legal Implications

- 14.1 The Council is empowered to purchase property for the purposes of providing housing, as well as securing borrowing to fund this. Whilst the allocation of housing according to this scheme would be outside of the usual housing allocation policy Members are able to make the decision to deviate from policy where it is reasonable and proportionate to do so. Particularly if there are good grounds to do this. Members can consider the funding provided from central government as a basis for such deviation from policy.

15.0 Human Resource Implications

- 15.1 Officers in the Housing Development Team have and will continue to project manage / co-ordinate the delivery of the additional homes. When the properties are purchased, there is a potential for the appointment of a consultancy to manage the procurement and

delivery of the minor works contract. The procurement of this consultancy will require input from the Property Services Team.

16.0 Equality and Diversity Implications

16.1 There are equality, diversity, and inclusion implications in this report, as properties under the LAHF scheme can only be let to households of a specific nationality. The scheme has been introduced by Central Government to enable local authorities in England to provide accommodation to families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. Therefore, homes under the scheme will be let for a fixed term to Afghan and Ukrainian households. At the end of the fixed period the homes can be brought into general needs stock and let to qualifying households on the Council's housing register.

17.0 Climate Change/Sustainability Implications

17.1 The Council is committed to ensuring our operations are environmentally sustainable and resilient to future change and is aware that procurement of goods, works and services will have environmental implications and is working to reduce and minimise these negative effects where possible. Specification and other tender documentation relating to the procurement of goods, works and services for the delivery of the additional eleven homes will include environmental and societal consideration.

17.2 Energy efficient improvements will be considered a priority when assessing the properties acquired and any improvements to improve the EPC (Energy Performance Certificate) rating when the works have been completed.

18.0 Conclusion

18.1 The Council has been allocated a total of £2,039,531 LAHF funding to support delivery of additional homes to meet housing need with direct allocation of the 10 homes (main element) in the first instance

to those in housing need from Ukraine followed by allocation as set out in Section 10 of this report. The direct allocation of the four bedroomed home will be to those in housing need from Afghanistan.

18.2 The additional homes will be part funded through borrowing and financial modelling undertaken shows a positive net revenue impact over the life of the asset (60 years) for both the homes at Ockford Ridge and those acquired.

18.3 It is requested that the Executive consider the report and information within Exempt Annexe 1 and approve the recommendations as set out in Section 2 of this report.

19.0 Background Papers

19.1 Annexe 1 – LAHF Funding Appraisal Review (Final)

19.2 DLUHC - LAHF Prospectus and Guidance

Please ensure the following service areas have signed off your report. Please complete this box, and do not delete.

Service	Sign off date
Finance / S.151 Officer	30/06/23 CK
Legal / Governance	06/07/23 IH
HR	N/A
Equalities	N/A
Lead Councillor	21/07/23
CMB	18/07/23
Executive Briefing/Liaison	31/01/23 & 07/03/23
Committee Services	