

CABINET

Acquisition of Properties – Local Authority Housing Fund 11th February 2025

Report of: Chief Officer – Housing and Property

PURPOSE OF REPORT			
To report seeks approval to accept government grant funding to increase housing provision for specific groups of refugees and homeless temporary accommodation.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	13 th January 2025		
This report is public			

RECOMMENDATIONS OF Councillor Caroline Jackson

- (1) That should Lancaster City Council be successful in its Expression of Interest - Cabinet accept the Local Authority Housing Fund grant as set out in the report and authorises the s.151 Officer to sign off the MOU.
- (2) That Cabinet endorse City Council Officers work to identify appropriate accommodation for this purpose and bringing forward a business case for further approval.

1.0 Introduction

1.1 In December 2024, Lancaster City Council was invited alongside other local authorities to submit an expression of interest (EOI) for potential unallocated funds from the Local Authority Housing Fund (LAHF) – Round 3. Approval to submit the EOI was gained from the s.151 Officer in January 2025. If successful local authorities are requested to use their best endeavours to deliver the proposed properties no later than 31st March 2026.

1.2 The total funding available is not known but will be made available from underspends from an earlier LAHF funding allocation and is specifically for accommodation to support Afghan Resettlement Programmes, as well as accommodation to help reduce costly and inappropriate hotel provision for homeless households on a 1:3 ratio.

1.3 Whilst Council Officers have identified a number of properties to purchase for this purpose – this is by no means guaranteed, and a full business case will be required dependent on funding availability in order to progress.

2.0 Scheme Details

2.1 The objectives of LAHF3 are 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 and ARAP 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.

2.2 It is expected that properties delivered will generally be of 2-4+ bedrooms. A grant rate of £74,200 for 2 or 3-bedroom properties will be made available whilst for those with 4 or more bedrooms the grant awarded will be £92,750. An additional amount will be made available for properties with 6-bedrooms.

2.3 An EOI has been submitted to MHCLG for the LAHF3¹. The outcome of this EOI is expected early in February 2025. Should this application be successful funding of between £880,000 - £1,000,000 could be used to offset the purchase of properties being utilised as temporary accommodation for families (x 9) and properties to be offered as Afghan Resettlement family housing (x3) as part of the local authorities already committed contribution of three properties per year from 2025/26 onwards.

2.4 In addition to capital grant funding to support with the acquisition of properties through the LAHF, a further provision of £21,000 per property is provided to be used to offset – renovation works, legal fees etc... No revenue or project management allowance is included in the funding awarded – however there is significant flexibility for what this additional £21,000 per property could be used for.

2.5 It is likely that many of the households moving into this type of accommodation will require ongoing support. It is envisaged that for those accommodated from the Afghan Resettlement programmes a short transitional period of support will be provided by the Council's Refugee Support Worker. Additional support can also be gained as required through Global Link and third sector partners. For homeless families accommodated it is envisaged that the majority of support that will be provided will be delivered from the City Council's Temporary Accommodation Support Officer, with referrals made through to other mainstream support services as required.

2.6 Local Authorities should use best endeavours to ensure homes under the scheme are available for occupation by 31st March 2026.

¹ [Local Authority Housing Fund: Round 3 - GOV.UK](https://www.gov.uk/government/news/local-authority-housing-fund-round-3)

2.7 Unlike previous rounds of LAHF – the funding allocations can be used to offset against the full purchase price of a property.

2.8 A stipulation within the EOI is where a property purchased is less than the grant funding – then the difference would be returned.

3.0 Local Need

Refugees

3.1 With various conflict's happening globally, Lancaster has been seen as a welcoming and safe District for those fleeing war and persecution, with much generous support provided from both local residents and the third sector. However, as such this has placed various pressures on local services including access to housing, with added pressure resulting in Serco dispersed accommodation, Ukraine Resettlement programmes and up until January 2024 two dispersal hotels within the District.

3.2 In relation to this scheme there are currently two resettlement programmes of which the local authority has a commitment to provide housing for three households per year. This is usually for new arrivals into the country and accommodation provided to them with additional support packages in place, as for other households access to the private rented sector for these properties is challenging against local housing allowance levels.

Homeless households

3.2 In recent years the City Council due to the current acute housing crisis has seen more and more households presenting as homeless and whereby the team are unable to prevent or relieve the homelessness, and therefore are required to accommodate families in unsuitable and expensive hotel provision. For 2025/26 – it had been estimated that the cost of this provision would be £750,000. As at the end of January the local authority was accommodating 11 families in this type of accommodation, 7 of which have been accommodated over the 6-week statutory period.

4.0 Scheme Delivery

4.1 Officers have reviewed the level of funding available and considered the merits of delivery, against not proceeding. In directly delivering this scheme it should be noted that there will be an impact on staff capacity – across various departments and there may be some financial implications (e.g. if the purchase price of a property identified is higher than the funding award, the cost of the renovation is more than the £21,000 awarded) – these areas will be explored in more detail within the detailed business case which will be presented should the EOI be successful.

4.2 Nevertheless Officers in putting forward this proposal despite the ambitious timescales have also considered the current challenges in securing accommodation for the cohort groups and costs in providing hotel provision

for homeless households and the benefits that would be ensued from purchasing properties to accommodate these groups of residents alongside the future revenue income stream for the local authority.

4.3 It is assumed that once purchased and works are completed that the management and maintenance of these properties would be undertaken by the Council Housing service (HRA), although the properties would be owned and sit within the Council's general fund accounts.

5.0 Next Steps

5.1 Lancaster City Council is currently awaiting the outcome of the EOI. Should the Council be successful, Cabinet are requested to endorse this proposal and provide agreement to accept the funding via a Memorandum of Understanding to be signed by the s.151 Officer.

5.2 Legal advice will need to be gained around the form of tenancies that can be awarded to households accommodated. However ultimately, the fund does aim to create a lasting supply of affordable housing for the general population and it is expected that the stock become available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed. Therefore, it is likely that a Local Lettings Policy will be worked up and applied by the Council's Choice Based Lettings Team prior to the properties being available to let in the short to medium term. In addition as these properties sit within the General Fund these properties would be exempt from Right to Buy.

6.0 Options and Options Analysis (including risk assessment)

6.1 A summary of the options and analysis is presented below:

	Option 1: Do not accept the grant funding	Option 2: Accept the grant funding
Advantages	No advantages identified - current BAU remains	Dedicated housing provision for this cohort will be increased at expected minimal financial input from the Council
Disadvantages	The Council will not increase provision of suitable housing for the specific cohort. The Council will continue to utilise costly bed and breakfast – hotel provision for accommodating homeless households.	Officer capacity will be required across different Council services to ensure the schemes funding requirements are met. Some financial resources may be required if a purchase price is above the limit provide by MHCLG or where renovation work requires more than the £21,000 figure awarded. This information will be presented within a full business case for further consideration.

<p>Risks/ Mitigation</p>	<p>By not accepting the funding and increasing dedicated housing provision for this specific cohort is likely to increase pressure on already stretched local housing both within social and private rented sector.</p> <p>It is likely that the homelessness service will continue to see increased demand putting additional pressures on temporary accommodation and the Council's budget. Increasingly it is likely as such by having to accommodate families the maximum threshold of 6 weeks for families placed in B+B provision will continue to be breached.</p>	<p>Timescales for delivery are tight with local authorities expected to use best endeavours to have properties available for occupation by 31st March 2026.</p> <p>Risks remain around the availability of suitable accommodation within the financial envelope available to ensure schemes are viable.</p> <p>A full business case will be developed should funding be secured to consider opportunities for purchasing properties in the local area.</p>
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7.0 Officer Preferred Option (and comments)

8.1 Option 2: For the Council to accept the grant funding so as to seek to provide much needed accommodation for specific cohorts of refugees and homeless households.

8.0 Conclusion

9.1 Lancaster has placed itself firmly as a welcoming district for refugee's seeking to settle in the UK and make new lives. However, this has put additional strain on an already stretched rented housing market, at a time when the local authority is facing financial pressure through the burden of accommodating homeless households within expensive hotel provision.

9.2 The grant funding available from MHCLG provides an opportunity to increase housing provision for this cohort albeit on a small scale, and should not be over-looked.

RELATIONSHIP TO POLICY FRAMEWORK

Council Priorities:

A Sustainable District –Climate Emergency: Properties brought forward will be renovated to a high standard, therefore benefitting residents who moved with quality and warm homes.

An Inclusive and Prosperous Local Economy – opportunities for local contractors to be employed as part of the programme and local businesses to benefit through supply contracts.

Happy and Healthy Communities – proposals contribute to the well-being of Refugees and homeless households and provide quality housing for those in

need.

A Co-operative, Kind and Responsible Council – providing much needed settled accommodation for refugees.

Housing Strategy – will link directly to the Homes Strategy for Lancaster District 2020-2025 by increasing provision of affordable housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The proposals set out in the report will have significant positive impacts for a small cohort of refugee's.

LEGAL IMPLICATIONS

There are no legal implications from the Council applying for and accepting the funding as outlined in this report. Legal Services will need to be consulted on any MOU or agreement for funding. Legal Services support will also be need on the acquisition of any properties using the funds. Depending on capacity, external legal support may be needed to help with property transactions. Officers will want to explore whether the funding will help with legal costs.

Before purchasing properties, officers will need to carry out appropriate due diligence checks on title and parties.

As outline in the report, legal advice will be needed on letting properties acquired using the funding. Dwellings let to persons from the Council will be deemed to be on a 'secure' tenancy basis in accordance with the Housing Act 1985. However, there are exceptions in the case of accommodation provided under the Council's homelessness duties or in the case of housing provided under section 4 or Part VI of the Immigration and Asylum Act 1999.

FINANCIAL IMPLICATIONS

If successful, the LAHF3 grant would be held in the council's General Fund. Acceptance of the grant does not commit the council to moving forwards with the proposal, and this will be subject to a further report to include implications on the council's General Fund and Housing Revenue Account of any option to proceed.

Note that this is a project seeking to reduce the council's General Fund revenue expenditure on hotel provision while providing temporary accommodation that is more suitable for homeless families.

OTHER RESOURCE IMPLICATIONS

Human resources No Human Resource implications

Information Services: No Information Service implications.

Property: As outlined in the report.

Open Spaces: No Open Space implications.

SECTION 151 OFFICER'S COMMENTS

As pointed out within the Financial Implications signing of any MoU does not commit the Council to any expenditure at that point and the Council could withdraw from the agreement and return any funds received.

Should the Council wish to give further consideration to the purchase of any properties over and above the value of any grant awarded then the additional capital investment of Council would be considered outside of the Councils Budget & Policy Framework. On that basis it would be subject to the Council's agreed governance route. This involves the development of a robust HM Treasury 5 Case Business Case to support the proposal, which depending on the value, complexity and associated risks may be subject to independent review and challenge. In addition, the business case would be subject to scrutiny by the Council's Capital Assurance Group (CAG) ahead of consideration by Cabinet for any recommendation to Council for inclusion in the Capital Programme and subsequent approval of revisions to the Council's Treasury Management Strategy.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted. It is a function of the Cabinet under the Financial Procedure Rules to accept external funding of this value.

BACKGROUND PAPERS

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Ref: [Click here and type Ref, if applicable]