

Temporary Accommodation: Local Authority Housing Fund (LAHF)

REPORT OF: Director of People and Commercial Services
Contact Officer: Simon Jones, Assistant Director of Digital and People Services
Wards Affected: All
Key Decision: Yes
Report to: Cabinet
11 September 2023

Purpose of Report

This report aims to provide information on the due diligence completed on the preferred option for the Council's allocations of the Local Authority Housing Fund (LAHF) rounds 1 and 2. This report:

- (a) Provides Cabinet with an update on the progress made to provide Temporary Accommodation in the district;
- (b) Examines the continuing demand for Temporary Accommodation;
- (c) Provides details on the outcome of negotiations with Department for Levelling Up, Housing and Communities (DLUHC);
- (d) Details the proposed impact on the council's general reserve recommending additional resources be provided to complement LAHF 1 & 2 funding to meet the increased demand for Temporary Accommodation in Mid Sussex; and
- (e) Sets out the detailed work to understand and improve risk mitigation associated with delivery.

Summary

1. Temporary Accommodation using the private rented sector or via overnight accommodation continues to be a very expensive way for local authorities to meet their housing obligations. In some cases, it is significantly impacting on their ability to balance their budgets. To address this cost councils have acquired their own Temporary Accommodation to better meet the needs of vulnerable households, acquire assets and manage revenue costs over the short and medium term.
2. The Council has run a successful programme of Temporary Accommodation purchases and management with 27 properties acquired to date.
3. The business case for acquiring Temporary Accommodation indicates that on a match-funded basis typically pays back in around five years. After this, the Council owns the assets and benefits from an improved income stream. As needs change these assets can be liquidated to recover capital for investment as required.

4. In 2023, the Department for Levelling Up, Communities and Housing (DLUHC) issued a request for expressions of interest for a Local Authority Housing Fund to allow authorities to acquire Temporary Accommodation. The Council made a submission following negotiations with DLUHC, and the government approved an allocation of £1,285,332. A Memorandum of Understanding (MOU) with DLUHC was entered into in March 2023. In June guidance was issued for a second round (LAHF 2). Following negotiations and feedback, the conditions for this fund were revised and the council was allocated £768k. A Memorandum of Understanding was entered into in August 2023. The MOU for LAHF 1 contains requirements on the sizes of properties that must be acquired, and this matches available data on the need for temporary accommodation. These MOUs are on the basis that if no properties were purchased, the Council would exit the MOU.
5. Financial modelling using data from the existing Temporary Accommodation work of the Council and the requirements of the LAHF 1 fund indicate the Council will need to co-fund the scheme by £2.08m from its own capital. In addition to the £1,285k from the government, this will enable the Council to acquire housing of different sizes and locations for 8 households in need across the district. The MOU for LAHF 2 sites 4 properties, refers to particular cohorts and financial modelling is underway. To meet the anticipated need for property sizes this is expected to be in the region of £1m.
6. The Local Authority Housing Fund aims to create a lasting supply of affordable housing for the general population. This stock will deliver affordable/low-cost housing for wider local authority housing and homelessness responsibilities including the immediate needs of eligible cohorts under specific Government schemes. These are:
 - Afghan Citizen Resettlement Scheme (ACRS), Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes); and
 - Ukraine Family Scheme, the Homes for Ukraine and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes).
7. The Local Authority Housing Fund is intended to ease existing homelessness pressures. The intention of the Fund is to help ensure that communities who have been especially generous in welcoming new arrivals are not penalised for that generosity with additional pressures on social housing.

Recommendations

8. **Cabinet is recommended to:**
 - i. **Agree to the further purchase of property for Temporary Accommodation following the award of Local Authority Housing Fund 1 by allocating a £2.08m to the Temporary Accommodation Capital Reserve.**
 - ii. **Agree, in accordance with the Constitution, use of the reserve will be delegated to the Director of People and Commercial Services to operate, reflecting the principles in this report.**
 - iii. **Agree that, in order to enable Officers to progress with further work, in principle LAHF 2 is to be funded with an expected cost of circa £1m. The final amount will be formally approved in the next appropriate Cabinet Budget Management report.**
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Background

Update on MSDC Temporary Accommodation

9. Council owned Temporary Accommodation also provides a safe, controlled environment for vulnerable households at risk of homelessness to find settled permanent accommodation away from the instability inherent in nightly paid accommodation, for example, B&B. This results in better, more effective, and suitable placements, with residents able to prioritise accessing the support they need from partnering service providers, therefore further reducing the pressure on a range of council resources over time. It also means that Temporary Accommodation is more likely to be available close to, or within, their existing community connections. While the Housing Options service has worked hard to reduce the number of residents living in Temporary Accommodation, Cost of Living and asylum pressures from hotel closures will continue to add pressure to the Council's Temporary Accommodation needs.
10. In July 2018, Cabinet agreed a project to acquire a portfolio of Temporary Accommodation for homeless households within the district. The revenue implications of providing intensive housing management support for residents in these properties is met by the Government funded Homelessness Prevention Grant and Flexible Homelessness Support Grant (FHSG) which has been used to commission additional housing support services.
11. The Council has run a successful programme of Temporary Accommodation purchases and management with 27 properties acquired to date. These are a mix of accommodations that are suitable for 2, 3 and 4 person households. To August of 2023, the Council has housed 39 singles/couples and 17 families with children in its temporary accommodation. This reflects an increased length of stay in Temporary Accommodation due to the availability of suitable private rented sector dwellings and affordable housing. In 2022/23 the Council placed 121 singles/couples and 40 families with children.
12. These acquisitions have enabled the Council to provide high-quality Temporary Accommodation while also reducing expenditure on guest house accommodation. This approach is estimated to save approximately £300k each year in revenue costs for nightly accommodation. As nightly and rental costs increase with both inflationary pressures and demand, this saving will also increase.
13. The demands of homelessness and the consequent provision of Temporary Accommodation are likely to increase further. The modelling indicates that on current trends, the demand of households in Temporary Accommodation could increase to 380 by 2024/25. This proposal will reduce the financial pressures due to the purchase of nightly paid accommodation which is estimated to be 3m over the coming years.

Department for Levelling Up, Housing and Communities (DLUHC) negotiations

14. The Department for Levelling Up, Housing and Communities (DLUHC) £500m capital fund, the Local Authority Housing Fund 1 (LAHF 1), was intended to provide accommodation to families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. It aims to address challenges in securing settled accommodation for these households, which unless alleviated will further impact existing housing pressures. The fund intended to help address these immediate pressures as well as build a stock of affordable housing for the future.
15. The fund aims to create a lasting supply of affordable housing for the general population. This stock will deliver affordable/low-cost housing for wider local authority housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed.
16. The formula for the LAHF 1 funding uses the Lower Quartile Property Price to calculate the funding per property based on the ONS data from the Year ending March 2022. The Council is expected to finance the remaining capital. The programme will not provide further grant funding or a higher grant percentage.
17. LAHF Round 2 was launched in June 2023 and is a £250m capital grant fund to ease wider homelessness pressures and provide sustainable housing for those on Afghan resettlement schemes (ARAP/ACRS). DLUHC has accepted the Council's plan to provide 4 properties supported by a grant of £768k. The MOU was agreed in August 2023 and modelling is currently underway as part of joint work with West Sussex County Council (WSSCC) and the MOD.

Impact on capital - modelling

18. Following an assessment of risks the team identified and negotiated a preferred model as part of the verification process with DLUHC. This option is to provide 8 homes ('the delivery target') with a grant of £1.28m from DHULC. This has been accepted by DHULC. This requires £2.08m capital from the Council. This is based on meeting the allocation expectations and a 20% uplift reflecting current market home prices and learning from fit-out costs of current Temporary Accommodation.

Risk mitigation associated with delivery

19. This model mitigates the risks associated with the:
 - a) number of households in the district requiring Temporary Accommodation within the cohort eligible under LAHF 1;
 - b) capital demand for the Council's part financing of the scheme including current market rates for suitable properties and reflecting current Temporary Accommodation fit-out costs and standards; and
 - c) ability to purchase suitable properties in the current market to use as Temporary Accommodation for this cohort which meets the programme aims.
20. There remains an option not to utilise the LAHF1 and 2. However, this will create a significant revenue financial risk to the Council as those both within the schemes and vulnerable households will require accommodation.

21. The Government expects that Councils will use their best endeavours to acquire the target number of units and to achieve value for money. The average grant and percentage rate cannot exceed the maximum within the allocation but the grant per property for individual purchases can be higher. Effectively this represents a cap on the amount of LAHF the Council can receive for purchasing homes set at the rate in the indicative allocation.

Policy Context

22. This report supports the Council's commitment to provide effective and responsive services by increasing the provision of Temporary Accommodation within the District where vulnerable homeless households will be able to receive the support they require. In addition, the Council has a legal duty to provide Temporary Accommodation to comply with the Homelessness Reduction Act 2017 and the Housing Act 1996. This requires that those who are homeless and in priority need are accommodated until decisions are reached on their homelessness application and they can be moved on once there is accommodation available.
23. The Homelessness Strategy for 2020-2025, was considered by the Scrutiny Committee in January 2020 and was approved by Council on 1st April 2020. The strategy includes an assessment of the increased demand for Temporary Accommodation. In addition, the Appraisals Abound report provides a detailed assessment of this increased demand.
24. The demand for Temporary Accommodation is proportionate to the demand for housing more generally and the lack of affordable housing. The impact of welfare reform and inflation as created additional pressures. Temporary Accommodation is one part of the tools available to respond to housing needs. It is a short-term provision only for the time it takes to reach decisions on new homeless applications and to move people on into more settled accommodation.
25. Some of the accommodation used for these purposes is nightly paid guesthouse accommodation. This is expensive and of variable quality; most are outside the district. This means that people and children with connections with local communities and services, for example, schools, can be moved away from them creating issues with education, health and employment.

Financial Implications

26. The recommendation is the specific reserve to be allocated £2.08m to be invested in the provision of Temporary Accommodation. By investing in the acquisition of additional properties the costs of meeting the Council's statutory obligations will be reduced as less nightly paid guesthouse will be required as demand increases.
27. The Council is expected to manage LAHF within normal budgetary guidelines, ensuring that any budgeting decisions can be justified to auditors. The Council's Section 151 officer will agree this with DLUHC via the Memorandum of Understanding (MOU).
28. Funding for LAHF 1 is paid in two tranches representing 30% and 70% of the Council's allocation agreed in the MOU. This is included in the financial modelling.

Risk Management Implications

29. The acquisition of additional properties to add to the temporary accommodation stock is low risk because units have already been successfully delivered that are in management housing homeless households. These households may have complex needs and the management of these properties is delivered through intensive housing management and support services. To further mitigate the risk, we work with a specialist provider to provide an intensive housing management and support service. This is funded by Homelessness Prevention Grant.
30. There is currently a lack of suitable properties on the market. Both market data and the historic acquisition of Temporary Accommodation indicate that identifying a suitable number of homes within the Government's Lower Quartile modelling cost and meeting the indicative allocation numbers is unlikely. This is mitigated by the financial modelling which includes an uplift on the Government's Lower Quartile modelling.
31. Based on current market figures and the data from Temporary Accommodation, properties are likely to require additional capital to meet the Temporary Accommodation standards. Where properties require work to meet the standards, costs are subject to inflationary pressures and the availability of contractors. This challenges both the available capital and the Council's ability to meet the timescales for delivery. This is mitigated within the financial modelling which includes an uplift on the Government's Lower Quartile modelling.
32. Property chains may affect the speed of acquisition and therefore the ability of the Council to meet the timeline for the LAHF programme. This will be mitigated by prioritising properties with no chain or a short chain.
33. Pressure on the legal department to prioritise acquisition work. This may be mitigated through resourcing planning or by procuring external solicitors if necessary.

Equality and Customer Service Implications

34. The Equality legislation requires the Council to have "due regard" for advancing equality which involves removing or minimising disadvantages suffered by people due to their protected characteristics and taking steps to meet the needs of people from protected groups where these are different from the needs of other people. Homeless households can meet the protected characteristics set out in the Equality Act 2010. These can include age, disability, pregnancy, and maternity. The provision of good quality Temporary Accommodation with support in the district, close to support networks and health care will assist with the health and well-being of such vulnerable households and lessen the otherwise negative impact of experiencing homelessness.
35. Given the objectives of the fund, those eligible for the housing are those who are homeless, at risk of homelessness or who live in unsuitable Temporary Accommodation and who also meet the government's criteria for LAHF-funded properties.

Other Material Implications

36. None

Sustainability Implications

37. Surveys prior to acquisition assess the sustainability of properties. Where required, prior to letting, repairs and improvements are scheduled to ensure the property has efficient use of resources and energy with minimal impacts on the environment. The overriding principle is to ensure works to the property reduce energy costs, involve less waste, better reliability, lower life-cycle environmental impacts, less maintenance, and more reuse. This can include more energy efficient insulation, replacement windows and heating systems.

Background Papers

- Cabinet Report – 16th March 2020
- Council Report – 24th June 2020