

Birmingham City Council

Report to Cabinet

17th October 2023



Subject: **DLUHC Funding - Local Authority Housing Fund Round 2 (LAHF R2)**

Report of: Paul Langford, Strategic Director, City Housing

Relevant Cabinet Member: Councillor Jayne Francis, Cabinet Member for Housing & Homelessness
Councillor Nicky Brennan, Cabinet Member for Social Justice, Community Safety & Equalities
Councillor Brigid Jones, Cabinet Member Finance and Resources

Relevant O&S Chair(s): Councillor Mohammed Idrees, Homes
Councillor Sir Albert Bore, Co-ordinating
Councillor Jack Deakin, Finance & Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011746/2023		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

1.1 This is a retrospective report due to the timing constraints related to this Department of Levelling Up, Housing and Communities (DLUHC) funding round, seeking

Cabinet approval ahead of bidding would have resulted in this grant opportunity being lost. The Council was approached by (DLUHC) on 7th June 2023 with an invitation to bid for Local Authority Housing Fund (LAHF) capital grant, by 5th July 2023, to support the acquisition of properties for Afghan refugees and for households in need of temporary accommodation (TA), according to a predetermined funding allocation.

- 1.2 The timing and timescales meant that approval to bid was sought and provided, on 3rd July by Councillor Francis at Cabinet Member Briefing, and on 4th July at individual briefings for Councillors Brennan and Jones, in advance of submitting a supporting Cabinet report. This report to Cabinet is therefore seeking retrospective approval.
- 1.3 As it was possible for the Council to bid for a greater number of properties than the indicative allocation, with the additional properties being available for households in need of TA, it is recommended that the Council commits to purchase the higher number of properties.
- 1.4 On the 8th August 2023, DLUHC confirmed that our application for second round of the Local Authority Housing Fund (LAHF R2) was approved in full, and the Council has been awarded £6.996m.
- 1.5 The ability to apply grants to the existing homelessness property acquisition scheme will support extending the number of properties purchased whilst also providing additional good quality accommodation for families from Afghanistan¹.
- 1.6 On the 14th September 2023, in line with the obligations set out under the S.114 statutory notice, the S.151 Officer, in order to meet the Council's statutory responsibilities to house homeless families, approved the funding of "Temporary Accommodation Street Purchase" and continuation of the property acquisition programme to 2028. The Council is therefore able to meet the DLUHC LAHF R2 MoU terms in full and deliver on its commitment to acquire 6 properties designated for Afghan households and 60 for other households needing TA.
- 1.7 As stipulated by the DLUHC, this will require an increase in resettlement pledges by Birmingham City Council to include those accommodated by properties acquired through the "bridging element" of this funding. This may be in the region of 30-50 people in total over 2023/24 and 2024/25.
- 1.8 Participation in this programme will have a number of benefits for Birmingham. It will provide additional capital funding to support the purchase of good quality accommodation which will help meet housing need for the citizens of Birmingham over the next 50 years or more.
- 1.9 Accommodation will be provided as TA for homelessness households, with no additional priority for access to settled accommodation for the families accommodated through this programme compared to other families experiencing homelessness.

¹ Appendix 1. Birmingham LAHF and Afghan refugees

2 Recommendations

That Cabinet:

- 2.1 Agrees to submit a bid to DLUHC **LAHF R2** and accept capital grant funding of up to £6.996m if approved, to support the acquisition of 66 family sized properties, of which 6 are to be allocated to Afghan households currently in Bridging Accommodation and 60 to households in need of TA in Birmingham.
- 2.2 Authorises the Strategic Director for City Housing to enter into a Memorandum of Understanding with DLUHC setting out DLUHC's commitments and the Council's commitments to deliver the LAHF programme, alongside the associated monitoring arrangements.
- 2.3 Agrees to extend Birmingham City Council's pledge towards Government refugee resettlement schemes (namely, the Afghan Citizens Resettlement Scheme) to include any individuals accommodated by properties acquired through this funding. This cannot be specified at this stage but could be in the region of 30-50 additional individuals.
- 2.4 Accepts the integration funding associated with refugee resettlement at a per capita rate of £20,520 per individual minimum. The total value will depend on the number of bed spaces procured by the Bridging element of the Housing Fund but based on 30-50 individuals this would be £615,600 to £1,026,000.
- 2.5 Authorises the City Solicitor (or their delegate) to negotiate, agree and complete all legal documents necessary to give effect to the above recommendations.

3 Background

- 3.1 DLUHC wrote to the Chief Executive of Birmingham City Council (BCC) on 6th January 2023 inviting the Council to participate in the £500m LAHF capital grant programme to support the acquisition of properties to accommodate guests from Ukraine and Afghan refugees.
- 3.2 The LAHF programme is based on participating councils acquiring or developing properties by the end of 2023/24 to accommodate refugee families and/or guests from Afghanistan and Ukraine.
- 3.3 The programme is split into a 'Main Programme' to accommodate families who would otherwise be homeless and eligible for assistance from the Council, and a 'Bridging Programme', to accommodate families currently in Home Office Bridging accommodation. The Bridging Programme requires an increase in the council's existing commitment to accommodate such families equal to the number of properties acquired.
- 3.4 In February 2023 Cabinet agreed and the Council was successful in bidding for DLUHC **LAHF R1** capital funding. Through the original bid and subsequent bid for available additional funding the council secured a total of £5.34m LAHF capital funding to support the acquisition of 40 family sized properties for the LAHF Main

Programme for Ukrainian families and 10 large family sized properties from the LAHF Bridging Programme for Afghan families.

- 3.5 The Council's existing £60 million Property Acquisitions Programme agreed by Cabinet in February 2022 is being used as the mechanism to acquire properties. LAHF only covers a proportion of the acquisition costs for the LAHF scheme, the remaining costs are to be met from the £60m Property Acquisitions Programme budget.
- 3.6 On 7th June 2023 DLUHC wrote to the Chief Executive announcing **LAHF R2** and provisionally identifying Birmingham City Council as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with an indicative allocation of £1.06 million. This is to contribute to the purchase of 10 properties:
- 3.6.1 6 to be allocated to Afghan households currently in Bridging Accommodation
(Note: the 6 properties designated for Afghan households, must initially be used to accommodate this client groups but can be used subsequently (after an unspecified period) to meet wider housing need.)
- 3.6.2 4 to be allocated to households in need of temporary accommodation (TA) in Birmingham (there is no stipulation as to their background).
- 3.7 DLUHC's expectation is that the vast majority of properties acquired will be family sized homes (2 to 4+ bedrooms), particularly given the average family size of those on the Afghan resettlement schemes.
- 3.8 DLUHC's expectation is that accommodation for Afghan households would primarily be settled accommodation but have informed the Council that purchasing properties to use as TA for this cohort for an indefinite period may meet the programme aims. This is the approach the Council has taken with **LAHF R1**.
- 3.9 The Council already welcomes refugees via the Afghan resettlement schemes Afghan Assistance & Relocation Policy – ARAP and the Afghan Citizens Resettlement Scheme – ACRS.
- 3.10 The Council's existing commitment to Afghan resettlement, made by Cabinet in July and December 2021, is to welcome a total of 300 individuals across 2021/22, 2022/23 and 2023/24. Around 150 people have already arrived or are imminently arriving in Birmingham. These individuals attract a minimum local authority per capita tariff of £20,520 to support their resettlement and integration. All new arrivals are accommodated in the Private Rented Sector and are assisted by BCC commissioned providers.
- 3.11 As with **LAHF R1**, it was possible to bid to acquire a greater number of properties than the indicative allocation, targeting a greater allocation of available unallocated funds - noting that additional properties can be for households in need of TA (i.e. non-Afghan households) without a requirement to increase the number of Afghan households.

- 3.12 As with **LAHF R1**, the invitation to bid references the calculation in relation to capital, stating “As with other affordable housing provision, we expect you to part fund or finance some of the required capital. Government funding equates to 40% of total capital costs plus £20,000 per property to account for other costs including refurbishment. The grant rate per property for your local authority is £86,000 (based on median property prices in your area) plus £20,000 per property. However, this calculation is based on DLUHC assumptions about the price of properties. These may not reflect the actual price of properties purchased and so the DLUHC funding may in practice be less than 40% of the cost plus £20,000 per property”.
- 3.13 It was therefore proposed that Birmingham City Council bid for an additional £5.936m grant funding to purchase an additional 56 properties (in addition to the indicative allocation S3.6) to be allocated to households in need of temporary accommodation in Birmingham (there is no stipulation as to their background).
- 3.14 The Council has submitted in total a bid to DLUHC **LAHF R2** for capital funding of up to £6.996m to support the acquisition of up to 66 family sized properties, 6 for Afghan households and 60 for other households needing TA.
- 3.15 It is not clear how many (if any) additional properties are likely to be funded, as the funding for the TA element of the programme is constrained, and the funding available depends on the level of bids from all local authorities eligible for the programme. The Council has been informed by DLUHC that there is no detriment in applying for an ambitious number of properties.
- 3.16 In order to participate in the programme, the Council was required to agree to the terms of the Memorandum of Understanding (MoU), no later than 14th August 2023, which sets out the Council’s commitment to deliver an agreed number of properties in return for the DLUHC grant funding, and the monitoring arrangements involved. The MoU template is shown at Appendix 2.
- 3.17 The terms of the MoU are non-negotiable, but it is for the Council to determine how many properties it will commit to acquire.
- 3.18 Funding will be paid in two tranches representing 30% and 70% of the allocation agreed in the MoU. The initial 30% of the allocation will be made, following agreement of the MoU by end July if MoU signed by 14th July 2023 or end of August 2023 if MoU signed by 14th August 2023. 70% of the agreed funding is to be paid by end October 2023 or by mid-December 2023 once the Council has demonstrated they have committed 60% of the first payment.
- 3.19 Councils are required to commit to acquire the agreed number of **LAHF R2** properties by 29th March 2024.
- 3.20 As with **LAHF R1**, it is intended to use the existing £60 million Property Acquisitions Programme capital approvals to provide the capital element. There is no additional capital requirement from Birmingham City Council.
- 3.21 The current Property Acquisitions Programme has sufficient pipeline to meet the **LAHF R2** requirement.

4 Options considered and Recommended Proposal

- 4.1 The LAHF programme is intended to deliver accommodation which will be available to the Council in the long term and can be used to meet housing need beyond the initial period where they are required to accommodate Afghan households.
- 4.2 In the initial period, the 6 units of accommodation will be used to provide accommodation for Afghan households exiting the Bridging Programme who the Council would not otherwise have been required to accommodate, but in the longer term the accommodation would be available to meet the needs of a wider range of families.
- 4.3 The 60 units of accommodation purchased will be used to meet the needs of homeless families in need of TA. With over 500 homeless families with dependents currently in Bed & Breakfast (B&B) for more than 6 weeks there is a pressing need to secure and increase suitable TA.
- 4.4 The LAHF does not stipulate if accommodation is to be held in the Council's general fund, the housing revenue account, owned by a housing association or owned by a local authority housing company.
- 4.5 It would be possible to deliver through any of these routes, but the simplest and most straightforward way to proceed would be to add these properties to those acquired through the £60m property acquisition programme already operating in the general fund, which is currently purchasing good quality properties to accommodate homeless families and is set to deliver significant savings to the council through reduced use of B&B accommodation.
- 4.6 These properties are currently let as TA, but there is an option in the future to bring them within the HRA if the Council wished to do so.
- 4.7 By 10th July 2023, the property acquisition programme had purchased 107 properties at a cost of £26.9m with a further 96 properties with offers accepted and going through the purchase process making 203 in total at a projected total cost of £49.1m if they all complete.
- 4.8 It is proposed that the LAHF properties would be purchased through the same mechanism and within the agreed £60m funding envelope for council spend. The DLUHC grant will support the purchase of good quality accommodation which will help meet housing need for the citizens of Birmingham, whilst ensuring that Afghan refugees are accommodated in the numbers required to meet the Council's agreed LAHF quota.
- 4.9 The DLUHC **LAHF R2** grant represents value for money. It supports increasing the reach of the current allocated funds to provide additional, good quality, temporary accommodation for homeless families and refugees from Afghanistan and others in housing need.
- 4.10 Properties would be let as TA in the same way as for the existing programme. Families accommodated through the Main Programme would be owed a

homelessness duty and would have the priority in the Council's allocations scheme which is available to households in TA who are owed a homelessness duty.

4.11 This would mean that guests and refugees accommodated through LAHF would not be jumping the queue for long term social housing compared to families who become homeless for other reasons.

4.12 As the grant is for more than £1m capital, Cabinet approval is required retrospectively.

5 Consultation

5.1 No consultation has been carried out with members of the public or temporary accommodation residents in preparing this report.

Discussion has taken place between officers in Housing Solutions and officers in Adult Social Care responsible for working with refugees and asylum seekers to establish the best way forward. Funding is available from existing DLUHC programmes to provide support for the families accommodated through the LAHF programme.

6 Risk Management

6.1 Key risks and mitigations are set out in the table below:

Key Risk	Impact (low/medium/high)	Likelihood (low/medium/high)	Mitigation
The Council is not able to purchase the required number of properties in the time available	High	Low	The existing property acquisition scheme is established an already buying properties in greater numbers than required to meet the need of the LAHF programme.
The Council makes a financial loss compared to business as usual	Medium	Low	The funding would support the existing property acquisition programme, by providing additional grant. There would be a short-term loss on the Bridging Programme, based on the premise that this is accommodating families the Council would not otherwise have helped, but this is more than offset by the gains from additional TA. In the longer term this will generate significant savings compared to buying properties without grant.
DLUHC does not agree to the funding requested	Medium	Low	If not fully funded, the Council would purchase fewer properties for the programme. Because the existing acquisitions scheme is being utilised, there are no set up costs.
DLUHC attempts to insist on the properties being used for guests and/or refugees in the long term	Medium	Medium	There will always be a need to accommodate refugees and guests, but beyond the initial requirements of an increased Bridging Programme quota, there should be no obligation to accommodate anyone the council would not otherwise have owed a homelessness duty to.

7 Compliance Issues:

How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1 The proposal is in compliance with the priorities in the Corporate Plan 2022/26, notably the priorities to tackle poverty and inequality, to support and enable all children and young people to thrive, and to tackle homelessness.

7.2 The proposal is in compliance with the Council's City of Sanctuary policies and strategy documents as well as its recent Local Authority of Sanctuary award.

7.3 Legal Implications

7.3.1 Section 1 of the Localism Act 2011 confers a general power of competence on the Council that permits the Council to enter into the funding arrangements set out in this report.

7.3.2 Sections 120 - 123 of the Local Government Act 1972 authorise the City Council to acquire, appropriate and dispose of land for the purpose of any of their functions. Section 111 of the Local Government Act 1972 contains the Council's subsidiary powers to do anything, including acquiring and disposing of land and incurring expenditure, which is calculated to facilitate, or is conducive or incidental to, the discharge of any of the Council's functions.

7.3.3 Under Section 9 of the Housing Act 1985 the Council may provide housing accommodation by acquiring houses and Under Section 17 of that Act the Council may acquire houses, or buildings which may be made suitable as houses, for the purposes of providing housing accommodation. For these purposes "houses" include flats.

7.3.4 Under Section 206 of the Housing Act 1996 the Council may discharge their functions under part VII of that Act by securing that suitable accommodation provided by them is available.

7.4 Financial Implications

7.4.1 The report seeks retrospective approval for a DLUHC LAHF R2 capital grant to support the acquisition of properties for Afghan refugees and general temporary accommodation. As with the DLUHC LAHF R1 capital grant, properties will be provided through the existing temporary accommodation Property Acquisition Programme in the general fund which was approved by Cabinet on 8th February 2022.

7.4.2 On the 14th September 2023 the S.151 Officer approved the funding of the "Temporary Accommodation Street Purchase" and continuation of the property acquisition programme to 2028.

7.4.3 The LAHF R2 grant funding submission is for capital funding of up to £6.996m to support the acquisition of up to 66 family sized properties, 6 for Afghan households and 60 for other households needing TA. The capital grant is 40% of capital costs plus £20,000 for additional costs such as refurbishment. The 40% capital grant element is currently capped at £86,000 per property so if the acquisition cost is £215,000 or more, the capital grant will represent less than 40%.

7.4.4 The Council contribution towards the acquisition costs will be met by borrowing as previously approved through the existing Property Acquisition Programme authorisation. Provision of this grant funding will therefore result in a lower cost of borrowing to the Council compared to funding 100% of the capital cost for these properties.

7.4.5 In addition, the report seeks approval to accept Government integration funding associated with refugee resettlement in respect of the individuals resettled into these properties. This is based on £20,520 per capita with the total value depending on the number of bed spaces acquired and family compositions. Based on 30 to 50 bed spaces, this would be £615,600 to £1,026,000.

7.5 Procurement Implications (if required)

7.5.1 For the provision of Year 1 Accommodation, Orientation & Support services, the total cost of procuring services for the additional refugees accommodated in properties acquired via the Housing Fund is not expected to exceed £362,551.50 – but this will depend on the final number of bedspaces acquired. Procurement of this service will be via the Refugee Integration & Support Services Flexible Contracting Agreement which will be in place by the end of January 2023.

7.6 Human Resources Implications (if required)

7.6.1 None

7.7 Public Sector Equality Duty

7.7.1 An Equalities Impact Assessment (EIA) has been undertaken (Ref EQUA1173) to support this report and associated appendices. The screening has highlighted that the impact of this strategy is envisaged to be positive in terms of providing more appropriate accommodation to meet a range of needs. Policies and procedures are already in place to mitigate any potential negative impacts. The EIA is shown at Appendix 3.

8 Environment Sustainability Assessment

8.1 An Environmental Sustainability Assessment is shown at Appendix 4.

9 Background Documents

July 2021 Afghan resettlement ARAP

December 2021 Afghan resettlement ACRS

July 2022 Flexible Contracting Agreement / Framework

List of appendices accompanying this report:

Appendix 1. Birmingham LAHF and Afghan Refugees

Appendix 2. MoU template

Appendix 3. Equality Impact Assessment (EQUA1173)

Appendix 4. Environmental Sustainability Assessment

Appendix 5. DLUHC scheme prospectus

Appendix 6. Letter to Chief Executive with BCC's allocation

Appendix 7. DLUHC award LAHF 2 MOU letter