

Three Rivers District Council

Full Council Local Authority Housing Fund

20 February 2024

Report Originator	Head of Service sponsor	Date Originated	
Justin Wingfield	Alison Scott	12 February 2024	
Lead Member Name:	Area of Responsibility:		
Councillor Keith Martin	Lead Member (Resources)		
CMT Date:	N/A		
JLT Date (if applicable):	N/A		
REASON FOR REPORT			
Reason	JLT/CMT Feedback for Officer and further instructions		Recommendation to JLT/CMT:
To provide information related to the Local Authority Housing Fund and to seek approval to the acquisition of properties and the potential release of a ground rent obligation	N/A		N/A
Consultees consulted	Finance Yes Date: 9 Feb 2024	Legal Yes Date: 9 Feb 2024	Strategic Housing Manager Yes Date: 9 Feb 2024
Consultees to be consulted following CMT before report publication	Chief Executive Date: 9 Feb 2024	Shared Director of Finance Date: 9 Feb 2024	

FULL COUNCIL

PART I

LOCAL AUTHORITY HOUSING FUND UPDATE - PROPOSED ACQUISITION OF RESIDENTIAL UNITS AND SETTLEMENT OF GROUND RENT OBLIGATIONS

(DoF)

1 Summary

- 1.1 The Local Authority Housing Fund (LAHF) was announced in December 2022 and is a project aimed at providing longer term accommodation for Afghan and Ukrainian families (LAHF1) and just Afghan families (LAHF2) who have arrived in the UK via various resettlement schemes. Full Council received a report in February 2023 which provided more detail about the scheme, the funding criteria and the proposals for how the Council intends to utilise the LAHF funds to provide homes in our District. The LAHF fund is administered by the Department for Levelling Up, Housing and Communities (DLUHC). A further Full Council report detailing the proposed disposal of three former garage sites for development was discussed and approved in December 2023.
- 1.2 This report provides a further update on progress in relation to the three work streams within TRDC's LAHF programme and requests consent for the acquisition of properties to complete the delivery of TRDC's commitment to provide 24 homes.
- 1.3 This report also seeks approval from Full Council to agree to the release of a ground rent payment obligation, for which the Council are the beneficiaries of regular rental payments from the Leaseholder.

- 1.4 It is intended, in the interests of transparency to provide as much information as possible within the public domain about the LAHF scheme. The purpose of seeking confidentiality is to ensure that the commercially sensitive details of the transaction, namely the value and financial details associated with the proposed transactions are not disclosed prior to the completion of the transactions.
- 1.5 At this stage in the LAHF programme and with the impending deadline for the commitment of LAHF funds – by 31 March 2024; this report is seeking delegations to the Policy & Resources Committee, so that the final details of the proposed acquisition and ground rent settlement can be concluded and approved.
- 1.6 This report will detail the Council's intention to acquire the final tranche of homes required to satisfy the obligations under the LAHF. It also deals with the associated release and payment to the Council of a single capital sum to settle a ground rent liability in connection with properties where the Council receives a regular rental income.

2 LAHF Update

- 2.1 As outlined in the report to Full Council in December, TRDC have committed to providing 24 new homes. These homes are being provided through a combination of market acquisition, as with the recent purchase in Sarratt; redevelopment of 3no. former garage sites, to provide 14 new units; and the potential purchase of 7no. new-build units.
- 2.2 As a further recent development, DLUHC contacted all Local Authorities at the beginning of January with the offer of additional, short notice LAHF funds for redistribution and commitment prior to 31 March 2024. Officers have submitted an expression of interest to obtain funding for a further 5no. units (3no. for Temporary Accommodation purposes and 2no. for Resettlement dwellings). At the time of writing, no formal decision has been made or communicated to the Council, but any update will be given verbally at the Full Council meeting.
- 2.3 Officers have been in discussions to seek the potential bulk purchase of up to 12no. new-build units. Subject to the confirmation of additional LAHF funding and agreement being reached on the details of such a purchase. Because of the challenging timescales for having committed the LAHF funds, it is intended to seek Full Council approval to the acquisition of between 7no. and 12no. units, with a delegation being granted to the Policy & Resources Committee to approve the details of such a proposal.
- 2.4 In terms of an update to the other LAHF workstreams, the acquisition of the property at Sarratt and the associated garage were completed on 8 February. The Council has the keys and are undertaking a final inspection and checks, pending the first occupation. As Members may recall, this property will be used for temporary accommodation purposes.
- 2.5 The proposed development of the garages is progressing. Members will be aware that the decision they approved at Full Council in December permitted the transfer of the three garage sites to Three Rivers Homes Limited and the legal transfer document is in preparation to enable the transfer to occur prior to the 31 March 2024 deadline.

3 Ground Rent Settlement Proposal

- 3.1 Related to the LAHF aspects of this report, the Council has received a request from the Leaseholder for the settlement of a ground rent obligation, by payment of a single capital sum to the Council.
- 3.2 The Leaseholder has asked TRDC to consider a negotiated settlement as a way of them, 'buying out' of the ongoing ground rent commitment, with a single capital payment. This matter is linked to the LAHF scheme, as the properties the Council are interested in acquiring belong to the Leaseholder.

- 3.3 Currently the Council is entitled to receive regular annual rental payments in connection with its lease arrangements with the Leaseholder. Following recent changes enacted by the Leasehold Reform (Ground Rent) Act 2022. The Act puts an end to ground rents for most new long residential leasehold properties in England and Wales. The Act came into force for most new leases on 30 June 2022. As a result the Council's Leaseholder is obliged to continue to pay TRDC for the ground rents it owes but is now unable to collect those ground rents from the occupiers of those properties.

4 Options and Reasons for Recommendations

- 4.1 As discussed in section 2 of this report, this paper seeks Council's approval to the potential purchase of between 7no.-12no. new-build residential units and as discussed in section 3, the acceptance of an offer to settle a ground rent obligation, by payment of a single capital sum to the Council. The details of the proposed transaction are commercially sensitive and due to the challenging timetable associated with spending the LAHF funding, the details of the proposals will be considered by the Policy & Resources Committee at their meeting on 11 March 2024.
- 4.2 The purchase of additional new-build units was as a result of one of the original garage sites being discounted for development. It was necessary to consider how those 6no. proposed units could be obtained and it was decided the most efficient way to achieve an acquisition of that number of units at short notice, was via the bulk purchase of properties, rather than individual acquisitions from the market, which may involve 'chain' purchases and other potential delays and pitfalls.
- 4.3 Officers are aware of the need to have all LAHF funding committed by the 31 March 2024 and remain in regular contact with colleagues from DLUHC regarding the Council's plans to deliver the required 24 new homes. Whilst the timings are very tight, it was always understood that the pace of delivery would be challenging. DLUHC are content that we have a clear delivery plan and evidence of how the funds will be committed in accordance with the LAHF scheme requirements. In order to continue with the delivery plan, Members are requested to consider and approve the acquisition of units and to the settlement of the ground rent obligation, by payment of a single capital sum to the Council.

5 Policy/Budget Reference and Implications

- 5.1 The LAHF scheme provides only 'capital' funding from DLUHC. TRDC intends to use £5.85m of Capital funds earmarked for the Property Investment Board within the Council's Capital Programme, as TRDC's match-funding contribution for all three work streams, which will form part of the overall funding pot of £10.34m, which includes £4.49m of DLUHC funding. The purchase of the new-build units would utilise the remaining £3.00m of combined funds, £1.80m would be provided by TRDC.
- 5.2 Any additional funds allocated by DLUHC as referred to in section 2.2 above, will require additional TRDC match funding, expected to be in accordance with the standard 40:60 grant share. TRDC has capital funds available in the event that a match fund is required.
- 5.3 In terms of Policy considerations, the accommodation of these vulnerable groups would form part of our Housing, Homelessness and Rough Sleeping Strategy. The Government has a continued need to provide homes for Ukrainian and Afghan nationals who arrive in the UK under the various resettlement schemes. As has been previously indicated, once these new homes have satisfied the initial demands, they can be used in future for 'general needs' housing. Providing further affordable housing capacity within our District.

6 Financial Implications

- 6.1 Whilst it is intended, via the delegation to the Policy & Resources Committee on 11 March, to deal with the commercially sensitive aspects of the proposal, the Council is effectively

being provided with funds to subsidise the acquisition of market homes, on the basis of a 40:60 (LAHF:TRDC) contribution, in turn using those homes to satisfy the requirements of the LAHF. The Council will acquire and retain the freehold of the properties and is likely to appoint Watford Community Housing to manage the stock, TRDC will retain the usual Housing nomination rights.

- 6.2 The proposed settlement of the ground rent obligation, is an entirely voluntary option for TRDC to consider, but because of its link to the potential purchase of units, it will also be considered in more detail via the delegation to the Policy & Resources Committee.

7 Legal Implications

- 7.1 The Localism Act 2011 gives the Council a general power of competence to do anything an individual may do although this is expressly subject to any statutory limitations that predate the commencement of that Act.
- 7.2 Under section 120 of the Local Government Act 1972, the Council may agree to purchase land by agreement for any of its statutory functions or for the benefit improvement or development of their area.
- 7.3 Members will note that both the acquisition of properties and the proposed settlement of the ground rent obligation are based upon market value and in the case of the ground rent settlement, external valuation advice.
- 7.4 In deciding whether to approve the acquisition and settlement of the ground rent obligation, Members should be aware of their fiduciary and best value duties in terms of the prudent and responsible stewardship of the Council's assets and resources.

8 Equal Opportunities Implications

- 8.1 Having undertaken a high-level Equalities Impact Assessment, it has been determined that this scheme will create a positive impact on certain groups with protected characteristics.

9 Staffing Implications

- 9.1 There are no direct staffing implications related to this proposal.

10 Environmental Implications

- 10.1 Any environment implications in connection with this project will be addressed through any Planning, statutory and legislative requirements.

11 Community Safety Implications

- 11.1 There are no community safety implications related to this proposal.

12 Public Health implications

- 12.1 There are no community safety implications related to this proposal.

13 Customer Services Centre Implications

- 13.1 There are no customer services centre implications related to this proposal.

14 Communications and Website Implications

- 14.1 The funding will be used to provide accommodation for displaced Afghan and Ukrainian families. Given the relatively high-profile nature of the war in Ukraine and the evacuation of Afghan citizens to the UK, there are likely to be some local and regional interest in the efforts to provide accommodation for these families.

15 Risk and Health & Safety Implications

- 15.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.
- 15.2 The subject of this report is covered by the day-to-day resources allocated within the Property Services & Housing Services service plans, with external partnership working governed by the Joint Venture Board, to which Three Rivers Homes Limited reports. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

Nature of Risk	Consequence	Suggested Control Measures	Response (tolerate, treat terminate, transfer)	Risk Rating (combination of likelihood and impact)
Full Council do not authorise the acquisition of the market units.	<p>This aspect of the scheme fails it would not be possible to obtain the minimum 7no. units with the time remaining to satisfy the LAHF deadline.</p> <p>Rejection would have a reputational impact in terms of the Council's dealings with DLUHC.</p> <p>Loss of 'subsidy' funds committed to bringing new affordable homes forward.</p> <p>DLUHC funding is rejected.</p>	None, the Council either agrees to the purchase or it does not.	Tolerate	4
The LAHF funds are not committed prior to the 31 March 2024 deadline	Funding needing to be returned to DLUHC.	Maintain close relationship with DLUHC - although funds unlikely to be recalled, they will need to see evidence of progress.	Tolerate	6
Full Council does not agree	TRDC continues to receive the ground	None, there is no direct detriment to	Tolerate	2

proposed ground rent settlement payment	rent payments.	the Council in not accepting the ground rent settlement offer.		
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15.3 The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

Very Likely Likelihood Remote	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	Impact Low -----> Unacceptable			

Impact Score
4 (Catastrophic)
3 (Critical)
2 (Significant)
1 (Marginal)

Likelihood Score
4 (Very Likely (≥80%))
3 (Likely (21-79%))
2 (Unlikely (6-20%))
1 (Remote (≤5%))

15.4 In the Officers' opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

15.5 The remainder are therefore operational risks. Progress against the treatment plans for strategic risks is reported to the Policy and Resources Committee quarterly. The effectiveness of all treatment plans are reviewed by the Audit Committee annually.

16 Recommendation

16.1 It is recommended to Full Council to:

16.1.1 Note the update report and the current progress of the LAHF scheme in the District;

16.1.2 Approve the principle of the acquisition of between 7no. & 12no. new-build units within the District and the subsequent proposed management arrangements as discussed within this report.

16.1.3 Approve the principle for considering an offer for the payment of a single capital sum in connection with the ground rent settlement as proposed by the Leaseholder.

- 16.1.4 Delegate the final details of the proposed acquisition (16.1.2) and ground rent settlement (16.1.3) as may be necessary to the Policy & Resources Committee.
- 16.1.5 Note the intended use of the allocated capital programme funds to be invested into the LAHF scheme, including in the event that TRDC receives a further allocation of funds as discussed within the report.

Committee Decision on Public Access:-

Public access to Report	Immediate
Public access to Appendix 2 (PART 2)	Denied until transactions completed or abandoned, in the event that it does not proceed.
Public access to Decision	Immediate

Report prepared by: Justin Wingfield – Head of Property Services & Major Projects

Data Quality

Data sources:

None

Data checked by:

Justin Wingfield – Head of Property Services & Major Projects

Data rating:

1	Poor	
2	Sufficient	
3	High	✓

Background Papers

Full Council 21 February 2023 - LOCAL AUTHORITY HOUSING FUND

Full Council 12 December 2023 - LOCAL AUTHORITY HOUSING FUND UPDATE AND PROPOSED TRANSFER OF LAND

APPENDICES

None

