

Three Rivers District Council

# **Policy & Resources Comittee Local Authority Housing Fund**

11 March 2024

Report Originator	Head of Service sponsor	Date Originated	
Justin Wingfield	Alison Scott	1 March 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 seek approval to the acquisition of units in connection with the LAHF programme and to the potential settlement of a ground rent obligation.	N/A		N/A
Consultees consulted	Finance Yes Date: 1 Mar 2024	Legal Yes Date: 1 Mar 2024	Strategic Housing Manager Yes Date: 1 March 2024
	Chief Executive	Shared Director of Finance	

## POLICY & RESOURCES COMMITTEE

### PART I – Report

### PART II – Appendix 1

**Appendix 1 of this report is NOT FOR PUBLICATION because it comprises exempt information which is not for publication by virtue of Paragraphs 3 of Part I of Schedule 12A of the Local Government Act 1972 (as amended) as it relates to information relating to the financial or business affairs of any particular person (including the authority holding that information).**

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

(DoF)

### 1 Summary

- 1.1 This report provides a further update following the report to Full Council on 20 February 2024, which sought authority to grant delegations to the Policy & Resources Committee. As Members will be aware, the Department for Levelling Up, Housing and Communities (DLUHC) requires that the Local Authority Housing Fund (LAHF) funds are 'committed' before the 31 March 2024. The whole pace of the programme has been incredibly challenging and has required both flexibility and creativity on the behalf of the Council to satisfy the demands of this funding.
- 1.2 The Council has already approved and acquired a single property for Temporary Accommodation purposes in Sarratt and has agreed to develop three former garage sites, in order to construct 16no. new Affordable Homes. A further 7no. units were required to be provided from the initial funding grants of LAHF1 & LAHF2. However, following a recent

submission of an Expression of Interest, TRDC have been awarded further funds to provide up to 5no. additional dwellings, taking the total number of remaining residential units to 12no.

- 1.3 It is intended, in the interests of transparency to provide as much information as possible within the public domain about the LAHF scheme, choosing only not to disclose commercially sensitive information which is included within the confidential Part II appendix. 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 transaction and ground rent settlement are not disclosed prior to the completion of the transaction and conclusion of the development.
- 1.4 The Full Council report on 20 February 2024 provided a general update in connection with progress of the LAHF project and addressed two more specific issues, these matters are discussed within the proceeding sections of the report, with confidential and commercially sensitive details included within the confidential **Appendix 1**.

## **2 LAHF Funding Update**

- 2.1 Since the Full Council report was considered in February, TRDC received confirmation on 29 February that a further allocation of grant funding of £1,220,000 has been awarded. The original expression of interest submitted by the Council in January, requested funding for a further 5no. units, which were to provide 3no. Temporary Accommodation properties and 2no. Resettlement properties.
- 2.2 It is now likely that the Council will only be able to acquire 11no. units and this is discussed in section 3 below. As a result, TRDC will receive 1/5<sup>th</sup> less of the allocated LAHF grant, i.e. £976,000 of the total £1,220,000 on offer.
- 2.3 At the time of writing this report Officers are seeking clarification from DLUHC on whether the additional funding includes an allocation of £20,000 per property as previously designated, this has a minor bearing on the amount of match funding that TRDC is required to make. In addition the revised MOU does not specify the match funding ratio. Officers assume that it will remain as before; 40:60 (LAHF:TRDC), but a clarification from DLUHC has also been sought on that point.
- 2.4 Dependent upon the clarification responses to the questions in 2.3 above, TRDC will be required to provide match funding at an assumed 60% grant match of between £1,344,000 and £1,464,000.

## **3 Proposed Acquisition of Residential Units**

- 3.1 It remains the Council's intention to acquire 'new build' dwellings from the market. TRDC's original plan was to acquire up to 12no. units, subject to additional LAHF grant. However since that time one of those new build units has been reserved for a private sale and therefore it is now intended to acquire 11no. residential units in total.
- 3.2 The details of the units, together with copies of plans are included in confidential **Appendix 1**. All 11no. units are 3-bedroomed maisonette-style units, each with an allocated parking space.

## **4 Ground Rent Settlement Proposal**

- 4.1 Also discussed within the Full Council report was the proposal to reach a settlement agreement in connection with the ground rent obligation which the Leaseholder and owner of the 11no. new build wishes to agree with the Council. Following recent changes enacted by the Leasehold Reform (Ground Rent) Act 2022. The Act prevents the grant of 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.

- 4.2 TRDC are the freeholder owners of the site of the leasehold maisonettes and the Leaseholder is obliged to continue to pay TRDC for the ground rents it owes on a significant number of properties, but because of the legislative reforms, the Leaseholder is now unable to collect those ground rents from the occupiers of those properties.
- 4.3 The Leaseholder is interested in 'buying out' the ongoing ground rent obligation, with a single capital payment. As part of this agreement, there is scope to use some of the ground rent settlement money to fund TRDC's share of the LAHF funding.

## **5 Options and Reasons for Recommendations**

- 5.1 The details of the proposed transaction and ground rent settlement are commercially sensitive and are contained within Confidential **Appendix 1**.
- 5.2 This report and the delegations requested within it represent the culmination of a significant amount of work from Officers against very challenging timescales for the commitment of LAHF funds. Indeed, the final allocation of funding from DLUHC was only announced on the 29 February 2024 and the commitment deadline for all funds across the entire LAHF programme is 31 March 2024.
- 5.3 DLUHC remain 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 proposed acquisition of units and the settlement of the ground rent obligation.

## **6 Policy/Budget Reference and Implications**

- 6.1 The LAHF scheme provides only capital funding from DLUHC. TRDC intends to use up to £7.31m of Capital funds earmarked from the Council's Capital Programme and the potential receipt arising from the ground rent settlement.
- 6.2 In terms of Policy considerations, the accommodation of these vulnerable groups would form part of our Housing, Homelessness and Rough Sleeping Strategy. Locally, there remain significant pressures on the availability of Temporary Accommodation properties within the District and 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.

## **7 Financial Implications**

- 7.1 Confidential **Appendix 1** deals in more detail with the proposal from a financial perspective, but in summary TRDC will be the recipients of a total DLUHC grant funding of £5,467,613, with TRDC being required to match funds of up to £7,315,612 to provide 28no. new homes within the District.

## **8 Legal Implications**

- 8.1 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.
- 8.2 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.

- 8.3 The settlement of the ground rent obligation has been subject to independent valuation assessment and the values discussed in Appendix 1 do represent the best consideration reasonably obtainable.
- 8.4 With respect to the proposed purchase of up to 11no. new build units, the Council has undertaken a review of comparable new build market properties and has determined that bulk purchase represents best value for the Council. The details of this transaction are discussed in more detail in Appendix 1,
- 8.5 In deciding whether to approve this disposal 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.

## **9 Equal Opportunities Implications**

- 9.1 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. However, only once the funding and project details have been confirmed can a Full Equalities Impact Assessment be undertaken. It is intended that this will be undertaken when the matter is considered by the Policy & Resources Committee.

## **10 Staffing Implications**

- 10.1 There are no direct staffing implications related to this proposal. The management of these additional units will be absorbed into existing Team resources within the Housing & Property Teams.

## **11 Environmental Implications**

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

## **12 Community Safety Implications**

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

## **13 Public Health implications**

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

## **14 Customer Services Centre Implications**

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

## **15 Communications and Website Implications**

- 15.1 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.

## **16 Risk and Health & Safety Implications**

- 16.1 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.

- 16.2 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)
P&R Committee do not approve the purchase of the 11no. new build units.	There are no alternative options for the allocation of LAHF funds and the funds would need to be declined.	None	Tolerate	4
P&R Committee do not agree to the settlement of the ground rent obligation.	Any capital funds that would have been raised from the settlement to be used as TRDC's LAHF match fund would need to be funded from other capital funds.	Use capital funds from other TRDC funding sources.	Tolerate	2
	The ground rent obligation is not settled and the Leaseholder has to continue to make payments to TRDC.	None, the status quo remains for now.	Tolerate	1
	The Leaseholder may need to consider alternative methods to mitigate their losses into the future.	TRDC should remain mindful to potential options that the Leaseholder has available to settle the ground rent obligation.	Treat	6
The purchase of the units extends beyond the 31 March 2024 funding deadline.	Risk of 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 and that	Tolerate	6

		funds are 'committed'.		
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16.3 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.

<b>Very Likely</b>	<b>Low</b>	<b>High</b>	<b>Very High</b>	<b>Very High</b>
	4	8	12	16
	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Very High</b>
	3	6	9	12
<b>Likelihood</b>	<b>Low</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
	2	4	6	8
<b>Remote</b>	<b>Low</b>	<b>Low</b>	<b>Low</b>	<b>Low</b>
	1	2	3	4
		<b>Impact</b>		
		Low	▶ <b>Unacceptable</b>	

**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%))

16.4 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.

16.5 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 is reviewed by the Audit Committee annually.

**17 Recommendation**

17.1 It is recommended to the Policy & Resources Committee to:

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

17.1.2 Approve the acquisition of up to 11no. new build dwellings as discussed within this report and confidential Appendix.

17.1.3 Approve the settlement of the ground rent obligation of the Leaseholder.

- 17.1.4 Delegate the details of the proposed acquisition and settlement of the Ground Rent obligation to the Chief Executive and Director of Finance, in consultation with the Leader of the Council and Lead Member for Resources.
- 17.1.5 Note the intended use of the allocated capital programme funds to be invested into the LAHF scheme.

Committee Decision on Public Access:-

<b>Public access to Report</b>	Immediate
<b>Public access to Appendix 1 (PART 2)</b>	Denied until the settlement of the ground rent matter. In the event the ground rent matter is not settled, the information will remain confidential for the life of the ground rent obligation.
<b>Public access to Decision</b>	Immediate

Report prepared by: Justin Wingfield – Head of Property & Economic Growth

**Data Quality**

Data sources:

None

Data checked by:

Justin Wingfield – Head of Property & Economic Growth

Data rating:

<b>1</b>	<b>Poor</b>	
<b>2</b>	<b>Sufficient</b>	
<b>3</b>	<b>High</b>	✓

**Background Papers**

Full Council 20 February 2024 - Local Authority Housing Fund Update - Proposed Acquisition of Residential Units and Settlement of ground rent Obligations

**APPENDICES**

Appendix 1 (PART II) – Confidential & commercially sensitive and should be considered in accordance with Part II procedures.



