DECISION-MAKER:	**CABINET**
SUBJECT:	**LOCAL AUTHORITY HOUSING FUND**
DATE OF DECISION:	**25 SEPTEMBER 2025**
REPORT OF:	**COUNCILLOR FRAMPTON** **CABINET MEMBER FOR HOUSING**

CONTACT DETAILS				
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STATEMENT OF CONFIDENTIALITY
NOT APPLICABLE.

BRIEF SUMMARY
This report sets out the detail of the Local Authority Housing Fund (LAHF) Round 3 (R3), and the requirements for match funding to deliver the scheme.
At the start of 2025, and following an Expression of Interest (EOI), the Council was awarded £500,000 of funding from the Ministry of Housing, Communities and Local Government (MHCLG) to deliver three temporary accommodation homes for homeless households, and one home for a resettlement family under the Government's Resettlement Programme)
Based on the requirements of the scheme, and the funding awarded, the Council needs to secure £625,000 of match funding to be able to deliver the requirements set out. This report outlines the rationale for the match funding and asks for approval to use Housing Revenue Account capital, to secure the funds, to deliver the properties on time, and by 31st March 2026.

RECOMMENDATIONS:		
	(i)	To approve the match funding element required of £625,000 through the additional borrowing of £625,000 through the Housing Revenue Account (HRA) Capital Programme.
	(ii)	To approve expenditure of the full budget for the LAHF scheme.
	(iii)	To delegate to the Director of Housing after consultation with and the Executive Director of Enabling Services, Executive Director of Growth and Prosperity, the Director of Legal and Governance and the Cabinet Member for Housing, to agree and approve the detail of the additional property investment in line with the details set out in this paper.
REASONS FOR REPORT RECOMMENDATIONS		

1.	In December 2024, the Homelessness Team, on behalf of the Council, submitted an EOI for LAHF R3 and have been successful in securing £500k of partial capital funding to deliver 3 temporary accommodation homes for homeless households, and 1 home for a resettlement family.
2.	Approval of the match funding element outlined in this proposal will ensure the Council can meet the requirement to be able to deliver the additional units of temporary accommodation and a resettlement property. These additional properties will help to reduce the Council's usage of emergency accommodation which is a more expensive option.
3.	These additional properties will help to reduce local pressures and use of expensive unsuitable accommodation, by providing better quality temporary accommodation to those owed homelessness duties. It will also help us to reduce the Council's spend on emergency accommodation costs.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
Section 106	
4.	Once the Council was successful in securing grant funding from the MHCLG, Officers undertook work to explore other match funding options, including the use of Section 106 monies.
5.	In summary, Section 106 contributions which have been paid to the Council need to be put towards "affordable housing which is allocated to households from the housing register", which is not encompassed within the requirements of the LAHF.
6.	After various discussions, and advice from Legal Services, it was deemed that it is not possible to apply Section 106 funds held for affordable housing purposes, unless there is some reference to provision of affordable housing. Therefore this option was not pursued any further, as it was not viable.
Do Nothing	
7.	If we do nothing, then our spend on emergency accommodation will continue to increase and could exceed that of previous years**.** We would also have to give the funding back to MHCLG.
DETAIL (Including consultation carried out)	
8.	Since 2019-2020, the number of homeless households approaching the council as homeless has surged by 64%, with a further 14% rise in the past 12 months. This escalation, compounded by economic disruptions, has resulted in a 61% increase in households requiring emergency accommodation. The current demand for housing in the city far exceeds the available supply. This heightened demand, shows no sign of slowing, and is significantly impacting the council's ability to prevent homelessness, and, where it cannot be prevented, making it a rare, brief, and non-recurring experience. This has led to the current operating model at the Council becoming financially unsustainable.
9.	Bed and Breakfast (B&B) accommodation is used by the Council out of necessity when it has no other accommodation available to accommodate families to whom it owes a legal duty. B&B is acknowledged to be an unsuitable form of temporary accommodation for families. Legally B&B is only allowed to be used for homeless families in an emergency, and even then, for no longer than 6 weeks. Apart from being very expensive, with an average cost of £27,375 per annum per property, there is an ongoing risk of the Council being required by the Housing

<table>
<tr><td></td><td>Ombudsman to compensate families in B&B over 6 weeks financially, which would further add to costs.</td></tr>
<tr><td>10.</td><td>Homelessness has a profound human cost, particularly for families living temporarily in B&B accommodation. These environments often lack the space, privacy, and stability needed for children to thrive. The uncertainty and disruption can lead to emotional distress, affecting their mental health, education and development. Frequent moves and cramped conditions can leave children feeling isolated, struggling to form friendships, and falling behind in school. This instability can also strain family relationships, exacerbating the stress already felt by parents trying to navigate an uncertain future.</td></tr>
<tr><td>11.</td><td>As at June 2025, the council currently had:<table><tr><th>Number of Households</th><th>Type of Accommodation</th></tr><tr><td>229</td><td>Temporary Accommodation</td></tr><tr><td>162</td><td>Emergency Accommodation</td></tr></table>Those 162 households in emergency accommodation are waiting for a move into temporary accommodation.</td></tr>
<tr><td>12.</td><td>If approved, the proposals in this paper would help to , provide better quality emergency housing solutions for homeless households, assist the Council in meeting its legal duties, and reduce the costs of using B&Bs and nightly paid accommodation. If there is a reduction in need for these properties in the future they could then be used for long term housing for applicants on the Council Housing Register in accordance with the Council’s Allocations policy.</td></tr>
<tr><td colspan="2">The history of the Local Authority Housing Fund (LAHF)</td></tr>
<tr><td>13.</td><td>In December 2022, the MHCLG launched the LAHF. This was an innovative £500m capital fund for local authorities in England to obtain accommodation for families with housing needs who have arrived in the UK fleeing the war in Ukraine, and those on Afghan resettlement and relocation schemes, to help ensure that those communities which had been most generous in welcoming new arrivals were not ‘penalised’ with longer social housing waiting lists.</td></tr>
<tr><td>14.</td><td>In June 2023 the LAHF Round 2 provided £250m further funding to address wider homelessness pressures and to house those on Afghan resettlement schemes.</td></tr>
<tr><td>15.</td><td>The LAHF was then expanded for a third time by £450m, over two financial years, to provide local authorities with a longer-term pipeline of support and to unlock more new supply and developments with the funding (LAHF R3).</td></tr>
<tr><td colspan="2">Local Authority Housing Fund (LAHF) Round 3 (R3)</td></tr>
<tr><td>16.</td><td>In December 2024, the Homelessness Team, on behalf of the Council, submitted an EOI for LAHF R3 and have been successful in securing £500,000 of partial capital funding to purchase 3 temporary accommodation homes and 1 home for a resettlement family.</td></tr>
<tr><td>17.</td><td>These units will need to be delivered by no later than 31st March 2026, and the grant rates have been presented below in paragraph 24.</td></tr>
<tr><td>18.</td><td><u>The objectives of LAHF R3 are</u>:
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.</td></tr>
</table>

	• Provide sustainable settled housing to those on Afghan Citizens Resettlement Scheme (ACRS) and Afghan Relocations and Assistance Policy (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.
19.	<u>Housing delivered as part of LAHF R3 could include, but is not limited to</u>: • Expanding existing local authority delivery programmes or those of local housing association partners. • Increasing the number of affordable housing units in housebuilder-led schemes due to complete in 2024-25 or 2025-26. • Bringing empty / dilapidated properties (both residential and commercial units) back into use, including properties owned by a local authority or housing associations. • Remodelling defunct specialist accommodation including sheltered accommodation • 'Flipping' forthcoming shared ownership completions into housing. • Providing modular housing as part of wider efforts to use Modern Methods of Construction (MMC) to support local temporary accommodation pressures. • Commissioning new supply that can be delivered in 2024-25 or 2025-26 from developers • Purchasing existing properties on the open market.
20.	<u>Property requirements from an SCC perspective include</u>: • All properties should be acquired within 4 miles of Southampton City Council Civic Centre as the crow flies. However, should suitable property availability prove difficult, this range could be extended to enable suitable purchases, at the discretion of the Director of Housing. This is because the Council is permitted to buy properties outside of its boundaries, but it is prudent to limit how far beyond those boundaries' properties are purchased for efficiency of management and maintenance. • All properties to be acquired should be within 85% of Nationally Described Space Standards (NDSS) where possible. • Properties would be assessed for their location in relation to access to schools (primary and secondary), supermarkets, public transport, doctors' surgeries and playground / amenity space. • Properties will undergo inspection and survey to assess their suitability and avoid any purchases that will not be able to meet Energy Performance Certificate (EPC) C or above or achieve Decent Homes standards beyond an affordable level of spend.
21.	<u>Properties to be avoided</u>: • Properties that cannot be exchanged and completed before the relevant end of March purchase deadline date. There is always a risk in relation to technical/ legal processes causing a delay, and this is reflected within the risk section of this report. • Properties that are in a 'chain' of transactions (to avoid risk of unacceptable completion delays) • Properties with tenants in occupation (to avoid risk of unacceptable completion with vacant possession delays)

	• Flats in blocks where the Council does not already own the freehold (unless the Council can acquire the entire block) • Properties which cannot be brought up to Decent Homes standards within a maintenance spend of £25k (to maximise the number of properties that can be acquired) • Properties with an EPC rating of lower than C, or that cannot be brought up a minimum C rating without the need for extensive or prohibitively expensive works.
22.	The approach to any purchases will need to respond to what is available on the market.
Financial model (spending & approach to match funding)	
23.	The grant award of £500,000 is based on an allocation of £104,000 per property, plus £21,000 for on costs.
24.	The allocation of £104,000 is 40% of the estimated average property value in the area. Using that as the basis for the purchase price means that the total estimated match funding required is £624K which will be required from HRA Capital funding, but this will change depending on the final purchase price of each property.

	Units	**Grant award for purchase**	**Grant award for costs**	**Total grant award**	**Estimated match funding**	**Total scheme value**
		£000	£000	£000	£000	£000
Temporary Accommodation	3	312	63	375	468	843
Resettlement Home	1	104	21	125	156	281
	4	416	84	500	**624**	1,124

25.	Under the Financial Procedure rule, and as the grant was not greater than £500,000, formal acceptance of the grant was undertaken via a Delegated Decision Notice (DDN), signed by the Executive Director for Resident Services, in consultation with the Cabinet Member for Housing.
26.	Following the acceptance of the grant via DDN, the relevant work was undertaken to submit a signed Memorandum of Understanding (MOU).
27.	The match funding element pushes the overall scheme value greater than £500K, which is why Cabinet approval is needed to ensure the budget is included within the HRA capital programme, including approval to spend.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
28.	The recommendation asks for £625,000 through the additional borrowing of £625,000 through the Housing Revenue Account (HRA) Capital Programme to match fund the grant received by the MHCLG.
29.	A breakdown of the borrowed amount, repayments, and potential savings have been set out within the table below.

	£	**Assumptions/ narrative**
<u>HRA</u>		

Borrowed amount	625,000	
Daily interest repayment cost	86	Assumed £50k per £1m borrowed (5% over 20 years) The yearly repayment cost is predicted to be £31,250
Daily Rental Income	69	This is based on renting the properties on Affordable Rent which is 80% of the market value, capped at the Local Housing Allowance. Calculation is based on the lowest rate which is for a one bedroom property at £161.10 pw. If the properties are more than one bedroom then the income would increase.
Daily Unfunded HRA Cost	**17**	Estimated cost based on borrowing and income assumptions
General Fund		
Total nightly cost for TA at the Council	234	This is based on: • An average daily cost of £78 (£93 minus £15 for housing benefit). • 3 temporary accommodation units being purchased as part of this scheme.
General Fund daily contribution to HRA	17	GF saving covering the daily HRA unfunded cost of borrowing £625k
Potential daily saving	**217**	Potential yearly saving of £79,205 (Assumed all properties are fully occupied per year).

The borrowed amount, cost to the Council Housing Revenue Account, and repayment costs are all based on the need to purchase four units of accommodation, three for the use of temporary accommodation, and one for the use of an Afghan resettlement unit. The potential savings set out in the above table is only based on the purchasing the three units of temporary accommodation. It excludes the fourth unit purchased for Refugee accommodation currently.

The properties purchased will be let at Affordable rent, this will ensure it is affordable for those households occupying the properties. The income from the rent will be credited to the HRA.

Households that are placed in the temporary accommodation properties will be Households that are placed in the acquired homes will be granted a non-secure tenancy. Under Schedule 1, Housing Act 1985 tenancies granted to fulfil homelessness duties under Part VII of the Housing Act 1996 (as amended by the Homelessness Act 2017) are not secure tenancies. This essentially allows the council to place homeless households in temporary accommodation (including council owned stock) on a non-secure basis so they can be moved when appropriate. Non secure tenants do not have the right to buy so the accommodation can be retained for homelessness accommodation in the long term.

30.	Any repairs and maintenance (R&M) needed to the properties will be covered as a recharge to the existing R&M budget in line with the HRA business plan which is reviewed on an annual basis as part of the budget setting process.
31.	Approval of the match funding, and successful delivery of the LAHF scheme will also contribute to the planned transformation savings set out within the Homelessness Prevention Transformation Programme.
Property/Other	
32.	A dedicated Development and Regeneration Consultant resource has already been secured to support with this work, alongside the other housing solution initiatives that are in scope for the Homelessness Prevention Transformation Project. The Development and Regeneration Consultant will be leading on the purchase process, and external leads will be supporting with the Redbook Valuations and Surveys. The professional fees will be funded within the approved budget.
33.	If they are not already, any properties purchased will need to be brought up to a lettable standard after purchase and before first lets. The Asset Management team will be involved in deciding what works are necessary, and meeting Decent Homes standards will be a priority in preparing any work specification.
34.	Any properties purchased or delivered will be held within the Housing Revenue Account.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
35.	The Council's power to acquire property for housing purposes is pursuant to Section 17 Housing Act 1985. The Council may also provide housing accommodation pursuant to Section 9 Housing Act 1985 by erecting or acquiring properties.
36.	The council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness-the best value duty.
37.	Under Section 111 Local Government Act 1972 the Council has the power to do anything incidental to the exercising of any of its functions.
38.	The general power of competence under section 1 Localism Act 2011 gives local authorities a broad range of powers "to do anything that individuals generally may do" subject to limits within other legislation and there are no adverse limits on the proposed scheme under the current legislation.
39.	The Council has a duty under the Housing Act 1996 (Part VII), as amended, to ensure that accommodation is made available for homeless applicants who are owed a full housing duty by the Council. The suitability of accommodation is governed by s210 1996 Act, a number of statutory instruments made under that provision (SIs 1996/3204, 2003/3326 and 2012/2601) and by the Homelessness Code of Guidance for Local Authorities. When discharging its housing duties under Part VII, the Council must, so far as reasonably practicable, secure that accommodation is available for the applicant's occupation in their own district: s208(1) 1996 Act.
Other Legal Implications:	

40. The Equality Act 2010 imposes various duties on Local Authorities and in particular the duty to have due regard to its public sector equality duty when carrying out any function.

RISK MANAGEMENT IMPLICATIONS

41. A detailed risk register has been created to track all risks associated with the recommended approach. Listed below are the key risks that have been identified to date, along with the mitigations:

Risk	Probability	Impact	Mitigation
There is a risk that the match funding requirement is not agreed, and therefore the requirements of the LAHF will not be met.	Possible	Critical	• Following the appropriate governance processes in place for approvals. • Engagement with finance BP on the possibilities. • Work undertaken to show details of the invest to save model.
There is a risk that this work will not meet the targets of the LAHF.	Possible	Major	• Careful consideration of the various guidance documents provided by the MHCLG. • Clarification with the MHCLG when required.
There is a risk that no suitable properties are on the market that meet the criteria set out by MHCLG.	Possible	Major	• Work to be undertaken to identify homes at the earliest point. • Engagement with housing providers and developers within the city.
There is a risk that it is not possible to acquire suitable properties within the timeframe of the LAHF.	Possible	Major	• Work to be undertaken to identify homes at the earliest point. • Weekly progress check ins to ensure work is on track. • Escalation taken to the relevant forums. • Regular engagement with teams and external providers supporting the work.
There is a risk that refurbishment works cannot be accommodated for within the budget of the LAHF.	Possible	Significant	• Careful consideration when viewing properties to understand the state they are in. • Engagement with Housing Operations to gain advice in terms of refurbishment works needed.
There is a risk that the purchase process, and obtaining legal documentation is not undertaken within the timeframe of the LAHF.	Possible	Major	• Weekly progress check ins to ensure work is on track. • Escalation taken to the relevant forums.

				• Regular engagement with teams and external providers supporting the work.
42.	The risk register will be regularly reviewed and updated and comply with terms of escalation and reporting.			
POLICY FRAMEWORK IMPLICATIONS				
43.	Southampton City Council Corporate Plan 2025 sets out a commitment to improve the quality of our homes and housing services and reduce homelessness. This work will support this objective by providing residents of Southampton who have no place to call home a safe, good quality interim offer of accommodation which will provide the foundation from which they can begin to rebuild their lives.			
44.	The Council's Homelessness and Rough Sleeping Strategy (2024-2029) sets out a vision- ''A city where everyone has a safe place to call home'' Where homelessness cannot be prevented it is imperative that the council can intervene with a suitable good quality and affordable accommodation option.			

KEY DECISION?	**Yes**		
WARDS/COMMUNITIES AFFECTED:	All		
SUPPORTING DOCUMENTATION None			
Appendices			
1.	**Memorandum of understanding (MOU)**		
2.	**Local Authority Housing Fund Round 3 - Additional Q&A**		
3.	**ESIA**		
Documents In Members' Rooms			
1.	NOT APPLICABLE		
Equality Impact Assessment			
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.			**Yes**
Data Protection Impact Assessment			
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.			**No**
Other Background Documents **Other Background documents available for inspection at:**			
Title of Background Paper(s)		**Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)**	
1.	NOT APPLICABLE	n/a	