Local Authority Housing Fund Round 3 - Additional guidance Q&A (May 2025)

Introduction

The £1.25 billion Local Authority Housing Fund (LAHF) provides capital funding directly to English councils and is expected to provide over 7,000 homes by 2026. This fund will allow councils to address immediate needs and in the longer-term will create a lasting legacy for UK nationals by building a sustainable stock of affordable housing for local communities.

This Q&A document is intended as additional guidance for local authorities delivering the third round of LAHF (LAHF R3). The LAHF R3 prospectus should be considered as the primary guide to the LAHF R3 fund. The prospectuses and other documents for all three rounds can be found at https://www.gov.uk/government/collections/local-authority-housing-fund

LAHF R3 provides £500million of funding to support local authorities to obtain **better quality temporary accommodation** and **will also provide safe and suitable housing for those on Afghan resettlement schemes who are unable to secure their own housing.**

We also encourage local authorities to register on the LAHF section of the Local Government Association hosted knowledge hub which is a forum to facilitate discussion and shared learning between local authorities participating in LAHF.

Q&A Topics

1. Requirements for LAHF R3 scheme participation
2. Eligible cohorts
3. Delivering LAHF with partners
4. Local authority funding contributions to LAHF properties
5. What can LAHF funding be used for?
6. Grant rates and how funding is calculated.
7. Fungibility
8. Tenure type and rent levels
9. Allocating / letting LAHF properties to cohort groups
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1. Requirements for LAHF R3 scheme participation

Q. Do LAHF properties have to be let / occupied by the target delivery dates?

Local authorities should make best endeavours to deliver LAHF R3 properties according to the agreed yearly delivery profile set out in their MOU (with 24/25 target delivery by 31 March 2025, and 25/26 target delivery by 31 March 2026.)

The properties should be let as soon as possible and where estimated occupation dates of properties are likely to fall after the fund round delivery target dates, local authorities should keep MHCLG informed of those estimated occupation dates.

2. Eligible cohorts

Q. Who are eligible for LAHF R3 resettlement properties?

The Afghan Citizens Resettlement Scheme (ACRS) provides those put at risk by recent events in Afghanistan with a route to safety, by resettlement in the UK. This includes British Nationals and their families, Afghans who loyally served the UK, and others identified as particularly at-risk, such as campaigners for women's rights, human rights defenders, Chevening scholars, journalists, judges, and LGBT people.

The Afghan Relocations and Assistance Policy (ARAP) is for Afghan citizens who worked for or with the UK Government in Afghanistan in exposed or meaningful roles.

The Afghan Resettlement Programme (ARP) aims to bring together existing Afghan resettlement schemes (including ARAP and ACRS) into a single, efficient pipeline.

LAHF R3 resettlement properties are intended for ARAP/ ACRS (ARP) households who are living in UK transitional accommodation, currently homeless, at risk of homelessness, or who are overseas with leave to travel to the UK. (This includes those who are currently overseas in Pakistan and other third countries awaiting relocation.) We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties.

Q. How does the introduction of the Afghan Resettlement Programme affect the eligibility and allocation priorities for LAHF R3 resettlement properties?

The Afghan Resettlement Programme (ARP) aims to bring together existing Afghan resettlement schemes (including ARAP and ACRS) into a single, efficient pipeline) with effect from 1 March 2025.

New arrivals under the ARP will be provided with transitional accommodation for up to 9 months to acclimatise to life in the UK, fostering a culture of independent living, without dependency or incurring excessive costs.

All Afghan arrivals will be supported to source their own settled accommodation through the Find Your Own Accommodation (FYO) pathway. In recognition of the pressures on housing supply and the unique challenges facing this cohort, the Government commits to continuing to fund and support a pipeline of settled housing to support around half of these arrivals, who are the hardest to house. LAHF R3 homes will be part of this settled accommodation pipeline.

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties. The Home Office supports local authorities to match available LAHF R3 homes to Afghan resettlement households. Local authorities with available LAHF R3 properties should contact their local Home Office Engagement team to share details of the properties and seek matches ideally 6-8 weeks before properties are available to let.

Q. Are LAHF R3 TA element properties intended to be restricted for households on Afghan schemes?

No, LAHF TA element properties are for <u>any</u> household owed a homelessness duty by the local authority. Although this could include ARP arrivals, the TA element properties are intended to help address general local homelessness needs.

Q. Can LAHF R3 resettlement property be offered to a household where not all members are ARAP/ACRS (ARP)?

LAHF R3 resettlement properties are intended for ARAP/ ACRS (ARP) households who are living in UK transitional accommodation, currently homeless, at risk of homelessness, or who are overseas with leave to travel to the UK.

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties. However, if a household in which a lead member and the majority of beneficiaries are ARAP/ACRS (ARP) are homeless in other settings, this satisfies LAHF eligibility requirements - even if not all family members are ARAP/ACRS (ARP) beneficiaries. In such lettings, we recommend that the tenancy be offered to the ARAP/ACRS (ARP) lead member either as a sole tenancy, or jointly with any spouse so that their continuing rights are protected.

Q. If ACRS households have additional family members arriving through the ACRS Separated Families Pathway, what accommodation will be available to this cohort?

The ACRS Separated Families Pathway sets the expectation that additional family members arriving under this pathway will reside with their UK-based family member, or if this is not possible, look for alternative housing.

Q. Can a local authority use their LAHF properties for this cohort?

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties. The Home Office supports local authorities to match available LAHF R3 homes to Afghan resettlement households. Local authorities with available LAHF R3 properties should contact their local Home Office Engagement team to share details of the properties and seek matches ideally 6-8 weeks before properties are available to let.

Q What if additional family members arriving through the reunification scheme join a family living in a LAHF home and it becomes overcrowded?

LAs are able to use their LAHF portfolio flexibly and can, where possible, swap families into other LAHF homes which may be more suitable, using the vacated property to accommodate another eligible family. In some cases, it may be possible to split the households over more than one property, providing the lead tenant and the majority of occupants are ARAP/ ACRS (ARP).

3. Delivering LAHF with partners

Q. Can Local Authorities deliver LAHF R3 through partners?

A. Yes. Local authorities may choose the most appropriate delivery arrangements to achieve the fund's objectives and to bring on stream the accommodation as quickly as possible. Local authorities may work in partnership with private Registered Providers, local authority housing companies or other bodies to deliver homes. Where LAHF R3 delivery is via partners, we recommend for local authorities take early action to ensure that any contractual arrangements or MOU frameworks adopted with delivery partners contain appropriate mechanisms to enable delivery of the LAHF R3 programme objectives.

Q. Can Local Authorities partner to deliver LAHF R3 with housing associations which are not registered providers? (e.g. community-led housing organisations)

A. LAHF R3 delivery routes can include delivery by housing associations which are not registered providers. Local Authorities have flexibility to decide the most appropriate delivery route for their local setting and references in the scheme documentation are not intended to exclude delivery by non-registered housing associations. Overall, LAs should be satisfied that any delivery arrangements they have with a third party best assist the local authority in its best endeavours to deliver homes which meet the overall objectives of the programme.

4. Local authority funding contributions to LAHF properties

Q. Do local authorities have to match a percentage of individual property costs?

LAHF R3 capital grants were calculated to provide 40% of the acquisition/ development costs of TA and resettlement homes, and 50% of the costs of large resettlement homes, based on local median house prices (excluding the refurbishment allowance and any new homes uplift).
At a programme level we expect that local authorities would be providing roughly 60% of delivery costs for TA and resettlement homes and around 50% of delivery costs for large resettlement homes (or their partners.)

The total LAHF R3 grant is provided to deliver the full number of properties agreed, or more where possible. (Local authorities should provide additional homes if their overall delivery costs are significantly lower than the capital grant calculation.)

It is up to local authorities to decide how best to deliver the target number of properties using their overall R3 allocation. We expect local authorities to achieve best value for money from the available grant to meet the programme objectives.

Q. Can other grants or streams of local authority income be used in conjunction with LAHF R3 grants?

Whether other sources of funding can be used in conjunction with LAHF R3 grants will depend on the specific objectives and rules around those funds. Local authorities will need to satisfy themselves that the funding can be used in this way. In terms of specific sources of funding:

- **S.106 cash contributions**

  Whether cash contributions secured by local authorities' s.106 can be used alongside LAHF R3 funding will depend on the specific wording of the s.106 agreement. Local authorities should check the requirements of their s.106 agreement. The local authority will need to be satisfied that use of s.106 funds in this way is legally permitted under the agreement.

- **Affordable Homes Programme funding and Right to Buy receipts**

  AHP funding and Right to Buy receipts and Recycled Capital Grant Funds **cannot** be used as match funding for either LAHF R3 properties.

Q. Does additional funding have to come from a local authority? (Could funds be provided by other Registered Providers or Housing Associations?)

Additional funds used in conjunction with the LAHF R3 grant do not have to come from a local authority – RPs and HAs can provide the required funding.

Q. Is there a reduced PWLB borrowing rate for this scheme?

We are not conducting negotiations with Treasury regarding this programme.

HM Treasury introduced a new HRA rate for PWLB lending on 15 June 2023, solely for the use in the HRA, and intended primarily for new housing delivery.
The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to March 2026.

Q. Can local authorities access the PWLB project rate to finance acquisitions?

The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury. Individual local authorities should consider the guidance at https://www.dmo.gov.uk/responsibilities/local-authority-lending/ when determining financing arrangements for any contributions it makes to LAHF R3 delivery costs.

5. What can LAHF funding be used for?

Q. How would it work if we wanted to buy affordable housing units to use for this programme? Are there any restrictions?

If the LA does buy affordable units, ***they should ensure that this still delivers a net increase in the combined number/value of affordable and LAHF properties*** (reflecting the number of units funded via this programme), on top of the number which would have been delivered otherwise without this grant. See below further advice depending on how the units were initially developed:

Homes developed with AHP grant

It is feasible for LAHF grant to be used to acquire homes which were developed with AHP grant however the purchaser should ensure that at the point of sale no Affordable Homes grant remains in the property (i.e. grant is removed via the RCGF provisions.)

Homes developed further to S106 agreements

It may be feasible for LAHF grant to be used to acquire homes which were developed as affordable housing under S106 agreements however, note:

- This will depend on the specific wording of the s.106 agreement in place and local authorities would need to vary an such agreement to reflect any changes in provision.
- If the LA does buy affordable units secured through s.106 they should ensure that this still delivers a net increase in the combined number/value of affordable and LAHF properties (reflecting the number of units funded via this programme), on top of the number which would have been delivered otherwise without this grant.
- Where current S106 agreements provide an affordable housing planning gain to the local authority we expect local authorities to deliver proportionately more R3 properties to reflect their lower intervention cost per home. Local authorities considering this route should contact the LAHF team to discuss appropriate adjustments to delivery targets (which would be reflected in a revised MOU.)

Q. Does the LAHF R3 TA element have to be used to fund properties which will be managed as temporary accommodation? Can local authorities use the TA element to procure longer term accommodation if this addresses homelessness pressures?

Where appropriate, local authorities could use this funding flexibly to procure accommodation which supports them to end the prevention or relief duty for eligible families.

Q. Can we deliver LAHF resettlement properties as Temporary Accommodation (TA)?

We expect LAHF R3 resettlement funding to be used to increase access to settled accommodation for ARAP/ACRS (ARP) households. Delivering R3 resettlement homes as temporary accommodation will not be appropriate other than in exceptional circumstances.

Local authorities seeking to adopt this form of tenure will need to seek MHCLG approval (and demonstrate whether exceptional circumstances apply and why this solution is required locally).

If LAHF R3 resettlement properties are delivered as TA:

- Local authorities should ensure that this provides stable accommodation for ARAP/ACRS (ARP) households. Families should be able to remain in the property for as long as they need it or until an alternative settled housing offer is made to them. We would expect any alternative housing offer to be social housing.
- Eligible resettlement households should not be excluded from access because of priority need.

Q. What can the £21k per property be used for?

The additional £21k per property is included to cover some of the further costs of obtaining a property which councils may incur. For example, this could include funding things like refurbishments, energy efficiency measures, legal costs, decoration, furnishings, or otherwise preparing the property for rent. Local authorities may use this £21k towards the purchase of the property if preferred.

Q. If we purchase new-build homes, can the £21k be added to the main grant towards the purchase of the property?

Yes. The £21k is a nominal amount for refurbishment costs, and LAs can use this toward the purchase of the property if they wish. LAs can determine how they use the £21K property and how much of the total refurbishment allowance is to be spent on each individual property.

Q. Can LAHF R3 funds used to fund the refurbishment of existing dormant social housing stock?

LAHF R3 funding is intended to provide **additional** housing stock – typically via acquisition or development. If the LAHF R3 housing provider already owns the home, it needs to be satisfied that its proposal does deliver *additional* stock (for example, by funding refurbishment needed to enable long-term void stock to be brought back into

use, as opposed to using the funding to refurbish existing stock already in use or paying for regular cyclical repairs).

LAHF funds can be used on capital works which will bring properties with the worst conditions up to the Decent Homes Standard. They should not be used for cyclical DHS related repairs.

If the local authority is satisfied that refurbishment would enable a long-term additional increase in stock, then it should ensure it spends the grant in a way which is good value for taxpayer money and delivers long term higher quality sustainable homes.

If local authorities (or their delivery partners) are using the grant to bring long-term empty/ dilapidated properties back into use and are applying this to properties already within *existing social housing stock,* we expect the local authority to acquire proportionately more units than their original delivery target (given that unit delivery costs are likely to be lower). Local authorities should contact LAHF@communities.gov.uk to agree revised delivery targets.

Q. If a property acquisition/refurbishment creates two suitable LAHF properties from one, can we claim/use LAHF grant for two properties?

If a conversion delivers (e.g.) two properties of the appropriate size to meet LAHF criteria, then both properties could be eligible for LAHF grant funding, i.e., the grant per units is based on the actual number of properties delivered rather than the previous format of any conversion. This assumes that such new properties are separately registered addresses and meet planning and building control regulations.

Q. Do we have to use funding to acquire properties in our own local authority area, or can we acquire out of area?

Local authorities should aim to acquire properties in their own area. Where there is a genuine need to acquire properties in another local authority's area, the local authority should seek both the agreement of the other authority and the LAHF team in the Department. This will be by exception only. In any cross-borough collaboration, local authorities should ensure there is a clear agreement on the treatment of any related tariff funding (and associated support to households.) If acquiring out of area properties for TA, local authorities must have regard to suitability requirements when letting the properties and ensuring compliance with their published policy covering allocation of out of area TA.

Also note that it may be more complex to establish permissions for charging Affordable Rents on LAHF properties when a local authority acquires property outside of its borough boundaries. (See below question "In what circumstances can Affordable Rents be charged for LAHF R3 funded properties?" in section 8).

Q. Can we use Right to Buy first refusal purchases for this programme?

RTB first refusal purchases could be used for this programme if the purchase does not use other grant subsidy (e.g. AHP, s.106 payments, or non-RTB housing receipts).

Q. Can we use properties already in other development pipelines?

Yes, however this funding needs to provide additional stock and therefore if units are transferred out of a local authority's existing development pipeline, then additional units need to be acquired to replace these so that the net number of units still increases by the number of units funded through the LAHF programme. In such an arrangement, the local authority should ensure it is also able to meet any other development programme commitments.

Q. Can we apply the grant to spend that has already been incurred?

Yes, local authorities can include properties on which spend has already been incurred, if this speeds up delivery, providing that stock is deployed for LAHF R3 purposes and additional social/ affordable homes or TA are created.

Q. If an acquisition/ refurbishment fails despite best endeavours, can we use LAHF R3 funds for the abortive works?

The LAHF R3 grant provides funding to deliver the overall target number of homes. It is up to the Council to spend this on what is appropriate to meet this purpose and make best endeavours to achieve LAHF delivery targets.

Local authorities should note that Tranches 2,3 and 4 funding will only be provided once the Council has demonstrated that the Council has met the committed spend threshold milestones as outlined in section 13 of the LAHF R3 prospectus.

The LAHF MOU outlines our expectation that the council:

- will ensure that funds provide value for money and plans are deliverable within the timescale of the fund.
- will share delivery management information and will work with MHCLG to ensure they have the capability to deliver the fund.

MHCLG will not require clawback of LAHF funds for abortive works, however the Council may wish to return unspent monies to the Department.

Q. Are we able substitute properties in existing stock to make allocations for the LAHF R3 target cohorts (to speed up delivery) and then move the LAHF acquisition into general stock?

Yes, providing that stock is deployed for LAHF purposes and units are replaced to ensure the fund is delivering homes additional to those already available (reflecting the number of units funded via this programme and the target property sizes for each fund round element).

Q. Are there any restrictions on the types of properties that can be delivered? Should local authorities prioritise new build delivery?

It is for local authorities to determine which kind of properties are most appropriate to deliver the fund's objectives and provide the best housing for the R3 target cohorts. This includes (but is not limited to) new build or acquisitions of existing stock.

To encourage local authorities to target delivering new homes, final grant allocations include a 10% uplift to the grant rate for each property delivered as a new home. Local authorities should deliver at least the proportion of new build as agreed in their MoU.

For the TA element, LAs must have regard for TA suitability requirements.

Q. Can LAHF R3 grant be used to purchase leasehold properties?

Whilst freehold ownership is preferable, LAHF grant could be used for the acquisition of some long leasehold properties. Leasehold homes delivered via LAHF R3 should have a minimum lease length of 125 years (and we encourage local authorities to deliver homes with the maximum lease length possible).

Q. What sizes of properties should we deliver for LAHF R3?

<u>R3 TA element properties</u>

We expect that the vast majority of TA properties will be family sized homes (2-4+ bed), although a limited proportion of 1 bed homes may be considered (subject to agreement with the department.)

<u>R3 resettlement element properties</u>:

These homes are intended to cater for domestic ARAP/ACRS (ARP) need and future ARAP/ACRS (ARP) arrivals need. We will agree delivery targets with local authorities based on property sizes, specifying requirements for:

- medium sized family homes (2 and 3 bed) - we expect this size will cater for the majority of overall ARAP/ACRS (ARP) demand.
- large resettlement units (4+ bed larger family homes) - we expect that a smaller proportion of the overall cohort will require this size. For larger resettlement units we anticipate that there will be a range of ARAP/ACRS (ARP) resettlement family sizes including those needing five or six bed homes.

A limited proportion of 1 bed homes may be considered (subject to agreement with the department.)

Q. Can we deliver 1-bedroom properties or HMOs if there is an identified need?

The funding is based on the provision of 2-4+ bed homes for family occupation. LAHF R3 aims to support local authorities to acquire good quality, and better value for money TA for families. We expect that families will be the primary recipients of LAHF R3 funding. However, a limited provision of 1 bed or HMO homes or TA units may be considered if (e.g.) these better suit the needs of those households owed a homelessness duty locally. A limited provision of 1 bed R3 resettlement homes may also be considered.

Given that 1 bed/ HMO home delivery costs per home are likely to be lower than family sized homes, we expect local authorities to deliver proportionately more R3 properties if a portion of these homes are delivered as 1 bed/ HMO . Local authorities proposing to include any 1 bed/ HMO homes in their delivery, should contact the LAHF team with details including how many homes, estimated average costs per unit, and details of local cohort demand. The LAHF team will advise what delivery targets would be appropriate and the MOU would reflect this.

Local authorities should ensure that any LAHF R3 homes delivered as HMOs meet local HMO licensing conditions.

Q. Are there any restrictions on use of LAHF grant to deliver MMC/ modular homes?

LAHF does not introduce any new standards in relation to modular housing delivery. Local authorities should comply with relevant regulations and statutory guidance and should be mindful of TA suitability requirements. e.g. for space requirements, local authorities will need to ensure they satisfy planning regulations and any other legal requirements.

The LAHF programme is intended to deliver a longer-term social housing legacy therefore local authorities should be satisfied that any homes delivered would deliver sufficient longevity in terms of both construction and agreed planning permission. Any homes delivered using MMC should be suitable for use as family accommodation as the LAHF programme is geared towards delivery of family size homes.

Q. Would homes built using MMC/ modular methods satisfy the requirements of the new build uplift?

For the new homes uplift, we take ‘new homes’ to refer to new developments, ‘off-the-shelf’ new build homes purchased from developers, and conversions/ changes of use (which delivers an extra residential unit.) This includes new homes which are built using MMC/ modular methods.

Q. How might we meet the needs of very large resettlement households and those with complex medical or social care issues?

We recognise that sourcing large properties for the larger resettlement households can be challenging. Local authorities could explore whether extended families are able to split into two households – for example because they have adult children within the group. In this scenario, two separate properties could be acquired within close proximity to meet the needs of larger households. The use of LAHF R3 funding to extend an existing family unit, or to create one large home from two smaller units, might also be considered. Local authorities should contact the LAHF team at LAHF@levellingup.gov.uk to discuss how the local authorities LAHF R3 grant (and any additional grant funding) may be applied in these circumstances.

Q. Will properties be required to meet current national space standards?

Local authorities should comply with relevant regulations and statutory guidance, including planning standards, and should be mindful of TA suitability requirements.

6. **Grant rates and how funding is calculated**

Capital Grant rates

Q. How is the new homes uplift calculated?

LAHF R3 delivery targets agreed with local authorities include specification of how many homes in the target would be new homes. The total LAHF R3 allocation agreed with local authorities in MOUs is inclusive of any new build uplift.

For all confirmed allocations, the new homes uplift equates to an additional 10% uplift to the grant per property.

The new homes uplift adjusts the main grant rate. It does not affect the refurbishment allowance or the revenue funding allocations.

Example

Median property price	£400,000
Base grant rate	£160,000
Large resettlement unit grant	£200,000

Additional per property grant	£21,000

In the example, the median property price is £400,000. The local authority receives £160,000 for every TA and resettlement unit the local authority is being asked to deliver and £200,000 for every large (4+ bed) resettlement unit.

The local authority will receive an additional 10% uplift on the grant rate for every unit it indicates that it will deliver via new supply.

Each TA unit delivered as new supply would attract a grant of £176,000 (44% of the median property price).

Each large resettlement unit delivered as new supply would attract a grant of £220,000 (55% of the median property price).

The additional £21,000 per property grant is unaffected by the new supply uplift.

Q. Can we negotiate a higher level of funding if we have evidence the funding is insufficient for the number of properties?

No, the grant rate per property is calculated relative to local property prices and therefore should reflect the cost of housing within the local authority. The programme is

designed to fund only part of the property, as is the case for similar programmes like the Affordable Homes Programme.

In addition, to facilitate delivery of new housing, total LAHF R3 allocations agreed with local authorities include an additional 10% uplift to the grant per property for each unit agreed to be delivered as a new home.

The overall grant allocation includes a non-ringfenced £21k per property to help facilitate the purchase of the property, and revenue funding to bolster local delivery capacity.

Q. What is the 'median price' referred to in LAHF R3?

The median property price used to calculate the funding per property through LAHF R3 is based on the ONS data from the year ending 31 March 2023 (data for all house types): Median house prices for administrative geographies: HPSSA dataset 9 - Office for National Statistics (ons.gov.uk)

Q. Are survey and legal costs included within the grants per unit?

The grant rates per unit are calculated in reference to the costs of acquisition or refurbishment that the council charges to its capital budget plus £21,000 per property.

Eligible costs funded by the LAHF R3 grant could include the purchase price, stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent and potentially irrecoverable VAT incurred on these items. Local authorities should ensure they comply with the Code of Practice for Local Authority Accounting.

The local authority can determine how it uses the £21,000 per property and can choose how much of the grant is to be spent on each individual property**.**

Q. Why are local authorities receiving a grant per property rather than viability gap funding?

We have used fixed average grant rates to give local authorities maximum clarity and flexibility to meet local needs and procure the most appropriate homes in the delivery timelines we require.

Q. Should local authorities provide more homes if they are delivering smaller homes, refurbishing existing stock or acquiring homes subject to s106 agreements and have lower costs?

Yes. We expect local authorities to achieve best value for money from the overall available grant to meet the programme objectives.

- LAHF R3 grant levels are based on the provision of 2-4+ bed homes. Given that 1 bed home delivery costs are likely to be lower than 2-4+ bed homes, we expect local authorities to deliver proportionately more R3 properties if a portion of these homes are delivered as 1 bed. Local authorities proposing to include any 1 bed homes in their delivery, should contact the LAHF team with details to seek agreement - a revised MOU would be required. *(See above Q. Can we deliver 1-bedroom/ HMO properties if there is an identified need?)*

- If local authorities (or their delivery partners) are using the grant to bring long-term empty/ dilapidated properties back into use and are applying this to properties already within *existing social housing stock,* we expect the local authority to acquire proportionately more units than their original delivery target (given that unit delivery costs are likely to be lower.) Local authorities should contact LAHF@communities.gov.uk to agree a revised delivery targets. *(See above Q. Can LAHF R3 funds used to fund the refurbishment of existing dormant social housing stock?)*

- If local authorities (or their delivery partners) are using the grant to buy affordable units which are subject to S106 agreements which provide an affordable housing planning gain to the local authority, we expect local authorities to deliver proportionately more R3 properties to reflect their lower intervention cost per home. Local authorities considering this route should contact the LAHF team to discuss appropriate adjustments to delivery targets (which would be reflected in a revised MOU). (*See above Q. How would it work if we wanted to buy shared ownership homes to use for this programme? Are there any restrictions?)*

<u>Revenue grant rates</u>

Q. How is R3 revenue funding calculated?

Revenue funding is initially allocated based on the relative funding for the local authority and is then adjusted to reflect local labour costs.

During reallocations, additional revenue funding for delivering additional units will be dependent on funding availability. We cannot guarantee that additional revenue funding will be available for all additional units that are delivered.

Q. Does R3 revenue funding cover both years of the programme?

Yes, the full amount of revenue funding is paid to local authorities in Tranche 1, at the beginning of the programme but this funding is for use across the programme period to help support timely housing delivery activities.

7. **Fungibility**

Q. Fungibility – can the different elements of the LAHF R3 grant be combined?

Yes. Although LAHF R3 allocations have differing components based on the scheme priorities and the agreed delivery target, it is up to local authorities decide how best to deliver the target number of properties using their overall R3 allocation.

8. **Tenure type and rent levels**

Q. What will the expected tenure be for LAHF R3 properties?

It is up to local authorities to determine the precise rent level and tenure of homes in line with the fund objectives, but properties should be sustainable for the eligible cohorts. The tenure offered should afford occupants appropriate security relative to expected length of residence. LAHF R3 Resettlement units should not be offered as temporary accommodation on non-secure tenancies or licenses other than in exceptional circumstances (see Section 5 above).

Q. What rents can be charged in LAHF R3 funded properties?

A. It is expected that all homes delivered through this fund will be affordable/low-cost housing both in the immediate term, and to support wider local authority housing and homelessness responsibilities for the remainder of their lifetime.

It is up to local authorities to determine the precise rent level and tenure of homes in line with the fund objectives and other existing rules/regulations. This could include social rent, Affordable Rent, or a discounted private rent for resettled housing.

Q. Will the recent rent cap on social housing rents apply to LAHF R3 funded properties?

A. If social rents are charged for LAHF properties these will not be subject to the recent rent cap, given they are new rentals.

Q. **What rents can be charged in LAHF R3 funded Temporary Accommodation properties?**

A. All temporary accommodation rents should be affordable to the occupants.

Q. In what circumstances can Affordable Rents be charged for LAHF R3 funded properties?

The LAHF R3 prospectus sets out: “It is up to local authorities to determine the precise rent level and tenure of homes in line with the fund objectives. This could include social rent, Affordable Rent, or a discounted private rent.”

If local authorities decide that Affordable Rent is an appropriate rent structure for their LAHF R3 delivery, those authorities and partner Registered Providers will want to be confident that they have complied with the relevant Rent Standard requirements.

Under the Rent Standard, Affordable Rent may only be charged in certain limited circumstances which include where the accommodation is provided pursuant to an agreement between a local authority and the Secretary of State, and the accommodation is permitted by that agreement to be let at an affordable rent (paragraph 3.8b).

For those local authorities delivering LAHF R3 properties that wish to charge Affordable Rent (or enable their partner Registered Providers to charge affordable rent) the LAHF R3 MOU includes terms to enable Affordable Rent to be charged for relevant properties as defined in the MOU.

Note that any permissions to charge Affordable Rents for LAHF properties via the above MOU process would only become effective from the date of the MOU.

Local authorities and partner Registered Providers should be note that this agreement does not give Registered Providers permission to convert existing social rent homes to Affordable Rent and that this agreement only relates to LAHF properties within the borough boundaries of the Council which is party to the MOU.

Local authorities should note that if they are seeking to adopt Affordable Rents for LAHF properties which the local authority directly acquires, then they will need to be a Registered Provider themselves.

The Regulator of Social Housing is required to register LAs that provide social housing or intend to provide social housing pursuant to the Housing and Regeneration Act 2008 (Registration of Local Authorities) Order 2010.

The definition of social housing is in s. 68- s. 70 of the Housing and Regeneration Act 2008, but this includes ‘low-cost rental accommodation’ which is accommodation made available for rent, below the market rate, and in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

LAHF properties would be treated as social housing in this context because affordable/ low-cost rents should be charged in LAHF properties.

The Regulator of Social Housing advises that “under section 114A of the Housing and Regeneration Act 2008, local authorities who begin to provide social housing are subject to compulsory registration and should notify (RSH) by emailing enquiries@rsh.gov.uk”

Q. Can LAHF R3 RPs continue charging Affordable Rents to new tenants once the target cohort has moved out?

Registered providers charging Affordable Rents in LAHF properties (further to permissions established via LAHF MOU Affordable Rent provisions) can continue to charge affordable rents for new residents once the needs of the LAHF target cohorts have been met , for so long as these properties are being used to meet the LAHF objectives (which include where these properties are being used to support the local authorities' wider general housing and homelessness responsibilities).

Q. Can Affordable Rents be charged in LAHF acquisitions of former right to buy properties?

Yes, they can - the restriction on conversion of social rent to affordable rent accommodation in the Rent Standard does not apply where a property has previously been disposed of, including through the right to buy, even where the property has been repurchased by the LA.

Q. If we make allocations for the LAHF target cohorts into existing stock, and "backfill" with new stock would the permission for Affordable rents be for the properties used for the resettled households, or for the purchased properties which would be used for general needs housing?

Where permissions to charge Affordable Rent are established via the LAHF R3 MOU agreement, these permissions pertain to the properties purchased, rather than the properties used for resettled households.

Note therefore that if a local authority (or RP partner) lets alternative properties in their stock to the target cohort, the LAHF Affordable Rents permissions MOU would not extend to these existing properties (and for the avoidance of doubt would not provide permission for any change of HRA social rent properties to a different rent structure.)

Q. What rents can be charged if Local Authorities deliver LAHF R3 provision via Local Authority Housing Companies?

Under the LAHF grant programme LAs have flexibility on delivery methods, which can include delivery via LA housing companies. LAs also have flexibility on rent levels, albeit the LAHF homes should provide an affordable/low-cost housing resource.

An LA housing company may become a Registered Provider but is not required to do so, and it will be for the LA to determine the wider priorities of its housing company, including whether it is a Registered Provider.

If the housing company is a Registered Provider, then it will require permissions to charge Affordable Rents (for which see guidance in above Q. "In what circumstances can Affordable Rents be charged for LAHF funded properties?")

A body that is not a Registered Provider will not be bound by the Rent Standard and is free to charge any rent it wants. However, the housing company can choose to set e.g. a sub-market rent and LAHF local authorities using this delivery route will need to be satisfied that rent level are 'low-cost/ affordable' to meet the wider aims of the LAHF programme.

9. Allocating / letting LAHF R3 properties to LAHF eligible cohorts

Q. How should local authorities allocate to LAHF R3 properties?

It is up to local authorities to decide how to deliver and manage this fund locally.

TA properties should be deployed to best meet local homelessness needs.

Allocation to **R3 resettlement homes** should be made to ARAP/ACRS (ARP) households who are currently homeless, at risk of homelessness, living in UK transitional accommodation or who are overseas with leave to travel to the UK. This includes those who are currently overseas in Pakistan and other third countries awaiting relocation.

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties.

The Home Office supports local authorities to matching available LAHF R3 homes to Afghan resettlement households. Local authorities with available LAHF R3 properties should contact their local Home Office Engagement team to share details of the properties and seek matches ideally 6-8 weeks before properties are available to let.

Local authorities may use any lawful route that allows them to deliver this fund to best meet local homelessness needs and the wider ARAP/ACRS (ARP) resettlement needs.

Q What happens if the LAHF cohorts don't meet the criteria for social housing allocation in our area?

It will be up to local authorities to decide how to deliver and manage this fund locally (to best meet the needs of the target cohorts) including how to allocate LAHF properties. Where necessary local authorities can use any lawful route that allows them to deliver this fund to cater for local needs. An option for matching eligible households to properties could include using or amending a local lettings policy to allow homes to be

allocated by a local authority (or nominated to housing associations). A local authority could also let accommodation through a local authority owned housing company.

Q. What happens if we deliver a LAHF R3 resettlement property but then can't let it to the target groups?

LAHF R3 resettlement properties are intended for ARAP/ACRS (ARP) households who are currently homeless, at risk of homelessness, living in UK transitional accommodation or who are overseas with leave to travel to the UK. This includes those who are currently overseas in Pakistan and other third countries awaiting relocation.

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties.

The Home Office supports local authorities to matching available LAHF R3 homes to Afghan resettlement households. Local authorities with available LAHF R3 properties should contact their local Home Office Engagement team to share details of the properties and seek matches ideally 6-8 weeks before properties are available to let.

At the point at which LAs feel all options have been exhausted they should inform the LAHF team at lahf@levellingup.gov.uk. In doing so, they will need to set out the steps that were taken and confirm no eligible household could be identified. The LAHF team can then advise on appropriate use of the property, in line with the programme's objectives.

Q. Can we allocate resettlement units to the LAHF R3 target cohorts within existing stock, and backfill with new stock using LAHF funding?

Yes, Local authorities are encouraged to bring forward settled housing offers for ARAP/ACRS (ARP) arrivals as soon as possible, including via this arrangement.

If existing stock is deployed for use by the LAHF R3 resettlement cohort, the new LAHF property should deliver an additional unit for general housing stock, to ensure the fund is delivering homes additional to those already available and reflecting the number of units funded via this programme and the target property sizes for each fund round element.

Where permissions to charge Affordable Rent are established via the LAHF R3 MOU agreement, these permissions pertain to the properties purchased, rather than the properties used for resettled households.

Note therefore that if a local authority (or RP partner) lets alternative properties in their stock to the target cohort, the LAHF Affordable Rents permissions MOU would not extend to these existing properties (and for the avoidance of doubt would not provide permission for any change of HRA social rent properties to a different rent structure.)

10. **Payment arrangements**

Q. If a non-stock holding local authority partners with a housing association for delivery, will the funding be paid direct to the housing association if an application to the fund is successful?

No, funding will be paid to the local authority as this fund is being delivered via a section 31 grant. The local authority can then pay this to the **housing association** if this is how they choose to deliver the scheme.

Q. What happens if a local authority is unable to deliver the number of units they have committed to despite best endeavours. Are their penalties for non-delivery?

LAHF R3 grants provide funding to deliver the overall agreed target number of homes, and it is up to the Council to spend this on what is appropriate to meet this purpose.

Local authorities should note that payment of Tranches 2, 3 & 4 depends on achievement of delivery milestones linked to the proportion of previous tranche funds which have been committed.

The LAHF R3 MOU outlines our expectation that the council:

- will ensure that funds provide value for money and plans are deliverable within the timescale of the fund.
- will share delivery management information and will work with MHCLG to ensure they have the capability to deliver the fund.

Where delivery is below expectations MHCLG will want to work with the LA to determine the best course of action. Councils may wish to return unspent monies to the Department.

Q. How and when can local authorities draw down tranche payments?

Tranche payments are released when payment milestones are reached as per the requirements as per the table below. This is done by the local authority submission of:

- statements of grant usage (SOGU) which identifies the amount of earlier grant tranches which have been committed to date, *and*
- regular and timely completion of delivery monitoring information (MI) every two months.

(Note: See section 12, below, for more detail on MI submission requirements. Failure to submit required MI every two months may result in reallocation of remaining funds.)

Payments milestone requirements

Payment	Requirements for tranche payment
Tranche 3 **(50% of Year 2 capital allocation)**	• Relevant monitoring information (MI) submitted to schedule, AND • Statement of Grant Usage (SOGU) demonstrating 80% of the Year 1 capital funds have been committed. *[Note: Local authorities which received no Year 1 capital funding and have signed their MOU will be paid tranche 3 directly and are not required to submit a SOGU for this]*
Tranche 4 **(50% of Year 2 capital allocation)**	• Relevant monitoring information (MI) submitted to schedule, AND • Statement of Grant Usage (SOGU) demonstrating 80% of the Tranches 1, 2 and 3 capital funds have been committed

The table below shows the earliest dates when payment tranches can be made. Local authorities should submit a SOGU as soon as the relevant tranche committed spend threshold has been achieved. Local authorities should submit SOGUs based on committed spend rather than completed spend. Local authorities do not need to submit a SOGU every two months – rather they should so this as and when they are seeking to draw down further tranche payments.

Payments deadlines and schedules

SOGU submission deadline (for tranche 3 and/ or tranche 4 payments)	Planned payment date
02 June 2025	04 July 2025
04 July 2025	08 August 2025
04 August 2025	12 September 2025
	October 2025 - no planned payment
06 October 2025	14 November 2025
07 November 2025	14 December 2025
08 December 2025	16 January 2025
	February 2025 - no planned payment
06 February 2025	20 March 2025

NB – we will make all efforts to adhere to the schedule above, there may be occasions where it will not be possible, for example payment system downtime.

Q. What counts as committed spend for R3 reporting and payment purposes?

When completing statements of grant usage (SOGU) committed spend should be verified by the local authority S151 officer, and we will accept their confirmation of that committed spend.

We anticipate that local authorities will follow their own internal processes to confirm committed spend.
For guidance, "committed spend" can refer to funding which has been allocated to a property where there has been either:

- For acquisitions - an exchange of contracts or where the conveyancing process is in progress and there is strong confidence the sale will proceed
- For conversion/development/refurbishment - construction/works contracts with start dates have been agreed

Q. Is the sale of LAHF R3 funded properties restricted? Do sale receipts need to be repaid or recycled?

LAHF R3 funding does not place restrictions on the sale of properties purchased, or the receipts from such sales.

However, the LAHF R3 prospectus and MOU highlight the programme's aim to deliver a housing legacy, i.e. "to create a lasting supply of affordable housing for the general population" which is available for the lifetime of the properties. To best achieve this, we recommend that local authorities:

- ensure VFM assessments of their delivery plans give due regard to programme aims for long term housing legacy.
- ensure that any contractual arrangements or MOU frameworks they adopt with partner housing providers include appropriate mechanisms to reflect the LAHF R3 programme objectives (including specifying any desired restrictions or expectations regarding disposals).

11. **Social housing legacy**

Q. When can R3 resettlement properties be made available to support wider local authority general housing and homelessness responsibilities?

We expect that R3 resettlement homes would become available to support wider local authority general housing and homelessness responsibilities after the needs of the ACRS/ ARAP households have been addressed.

LAHF R3 resettlement properties are intended for ARAP/ACRS (ARP) households who are currently homeless, at risk of homelessness, living in UK transitional accommodation or who are overseas with leave to travel to the UK. (This includes those who are currently overseas in Pakistan and other third countries awaiting relocation.)

We expect that recently arrived households in transitional accommodation will be prioritised for available LAHF properties.

The Home Office supports local authorities to matching available LAHF R3 homes to Afghan resettlement households. Local authorities with available LAHF R3 properties should contact their local Home Office Engagement team to share details of the properties and seek matches ideally 6-8 weeks before properties are available to let.

At the point at which LAs feel all options have been exhausted they should inform the LAHF team at lahf@levellingup.gov.uk. In doing so, they will need to set out the steps that were taken and confirm no eligible household could be identified. The LAHF team can then advise on appropriate use of the property, in line with the programme's objectives.

LAHF resettlement properties are intended to provide settled accommodation for ARAP/ACRS (ARP) households. We expect that these homes are available for the resettlement cohort a minimum of 3 years, in line with the period that integration tariff funding is provided for.

12. **Monitoring arrangements**

Q. What sort of monitoring information will we be asked to provide for LAHF R3, and how frequently? Does the monitoring information for LAHF R3 differ to LAHF R1 and R2?

We ask local authorities to complete a short monitoring form every two months via the Delta portal. Local authorities should note that failure to submit required MI every two months may result in reallocation of remaining funds.
The monitoring information required is set out in the MOU between the local authority and the Department, and includes:

- The number of properties where contracts are exchanged, including bedroom size, whether the property is located in another local authority area, who will own the dwellings, and how the property was obtained.
- The number of properties occupied/ready to let, including bedroom size.
- The number of pending resettlement scheme properties pre-matched to current/former bridging hotel households.
- Overall assessment (RAG rated) of whether delivery is on track, as determined by the responsible local authority officer.

We have based the monitoring information for LAHF R3 on the information required for LAHF R1 & R2 for consistency and to make the process as simple as possible for local authorities.

LAHF R3 MI submission deadlines

Monitoring touchpoint	**Window covers all (cumulative) R3 delivery up until**	**Collection window opens**	**MI to be submitted by 5pm on the following dates**
Touchpoint 5	01 June 2025	2 June 2025	16 June 2025
Touchpoint 6	31 July 2025	01 August 2025	15 August 2025
Touchpoint 7	30 September 2025	1 October 2025	15 October 2025
Touchpoint 8	30 November 2025	1 December 2025	15 December 2025
Touchpoint 9	1 February 2026	2 February 2026	16 February 2026
Touchpoint 10	31 March 2026	1 April 2026	15 April 2026

Q. How should we record any 'backfilling arrangements in monitoring returns (i.e., where local authorities make allocations for the LAHF target cohorts into existing stock, and "backfill" with new stock (to speed up delivery)?

Where a local authority does proceed with a backfilling arrangement, MHCLG requests that in monitoring information submissions, any responses relating to the property sizes and delivery route questions should be based on the properties acquired whereas property occupancy information should relate to properties used by client group.

13. **Miscellaneous**

Q. Households placed in these properties may need resettlement support. Are other additional sources of support funding available and will this funding follow the household?

This programme provides funding for acquiring properties only and does not impact the existing arrangements for support funding.

Q. Households placed in TA may need additional support. Are other additional sources of support funding available and will this funding follow the household?

This programme provides funding for acquiring properties only and does not impact the existing arrangements for support funding. LAs supporting homeless households can benefit from the Homelessness Prevention Grant to support this.

Q. Will households arriving on various resettlement schemes be eligible to purchase these homes through Right to Buy after the eligible period?

This programme does not include any changes to the existing rules around Right to Buy. Whether a tenant has a right to buy will depend on how the property is held (who owns the property) and the tenancy, i.e., whether the tenant is a secure council tenant. For further guidance on who can participate in Right to Buy, see https://www.gov.uk/right-to-buy-buying-your-council-home.

Q. Are we expected to fully furnish the properties?
This is for the local authority to determine. We anticipate that most households accessing this housing will need support to furnish the property. The £21K per property refurbishment allowance (within the overall grant allocation) is intended to assist with associated delivery costs which could include furnishings.

Charity partners may also be able to assist with furnishing properties.

Q. Can we can claim SDLT relief on this grant?

A. Yes, as part of the Spring Budget 2023, the Chancellor announced a change to the Stamp Duty Land Tax (SDLT) rules to ensure that purchases made by registered providers of social housing using the Local Authority Housing Fund (LAHF) qualify for the exemption from SDLT.

Section 71 of Finance Act 2003 (certain acquisitions by registered social landlords) is amended to ensure that purchases of social housing (as defined by Part 2 of the Housing and Regeneration Act 2008) made with the assistance of a grant given under

section 31 of the Local Government Act 2003) qualify for the SDLT exemption. This change has effect for transactions which complete, or which substantially perform, on or after 15 March 2023.

The purchaser should keep and maintain records to show that a grant or other financial assistance has been used for a particular transaction where the exemption is said to apply.

A purchaser will also need to maintain an audit trail of how any grant or other financial assistance is eventually allocated to a particular transaction or transactions. Further guidance can be found at SDLT guidance at SDLTM27500 and SDLTM27510.

Note that if the Local Authority owns and lets LAHF properties directly, that authority would need to be registered with the Regulator of Social Housing to be eligible for the SDLT exemption. LAHF properties would be treated as social housing in this context because affordable/ low-cost rents should be charged in LAHF properties.

The Regulator of Social Housing advises that “under section 114A of the Housing and Regeneration Act 2008, local authorities who begin to provide social housing are subject to compulsory registration and should notify (RSH) by emailing enquiries@rsh.gov.uk