

Report to:	Cabinet	Date: 03 December 2025
Subject:	Local Authority Housing Fund, Round 3, (LAFH)	
Report of	Cabinet Member for Housing Services	

1.Summary

- 1.1** The Local Authority Housing Fund (LAHF)- Round 3 was launched in March 2024, with details provided in the official prospectus and guidance document. The LAHF fund is a £500 million grant fund aimed at, reducing housing pressures and reliance on unsuitable temporary accommodation, lowering temporary accommodation costs and providing sustainable housing for Afghan resettlement scheme beneficiaries.
- 1.2** As part of the Council's corporate priority to achieve sustainable and inclusive growth, and the delivery of the Homelessness and Housing Strategy, the Council submitted an Expression of Interest to the Ministry of Housing, Communities and Local Government (MHCLG) under the LAHF programme. This submission proposed a business case for the acquisition of four properties through the Right to Buy back scheme (RTB) or the Private Rented Market. Since the original submission, work has been completed to show we could purchase 7 properties by maximising the grant funding and generate greater cost avoidance to the general fund through a greater reduction of pay nightly temporary accommodation.
- 1.3** It is intended that six properties are for use as temporary accommodation for homeless families, while one is proposed as a general let property, matched to an Afghan family as part of the wider Afghan Relocation Assistant and Policy Scheme (ARAP). The proposal includes match funding of 60% from the Council through the General Fund Capital Programme 25/26 meeting the requirements of the grant allocation.
- 1.4** The MHCLG has approved the Council's original proposal to deliver a minimum of four homes under LAHF. A total grant allocation of £447,200 has been confirmed to support this which is to be delivered before March 2026. MOU is attached as appendix B. Proposed match funding of £690,000 is required from the General Fund Capital Programme 25/26 to deliver this scheme.

2. Recommendation(s)

It is recommended that cabinet;

- Approve the use of £690,000 of match funding from the General Fund Capital Programme 25/26 to enable the purchase of seven homes to help reduce reliance on unsuitable and costly temporary accommodation.

Reasons for recommendations

2.1 Approval is needed for 60% General Fund Capital Programme match funding to support the purchase of seven properties. Rents will be set at affordable rent levels. This approach supports long-term sustainability reflecting an invest-to-save model, reducing reliance on expensive Bed and Breakfast placements. Estimated savings are approximately **£1,164m** million over three years. The proposal aligns with LAHF grant conditions enabling the Council to meet its statutory housing duties while easing financial pressure

2.2 It is recommended that the seven properties acquired through LAHF round 3 are purchased as general fund properties for use as temporary accommodation. This will provide sustainable, decent standard homes for vulnerable households, including children, reduce reliance on bed & breakfast accommodation, and support compliance with MHCLG requirements of the Homeless Prevention Grant. Approval ensures the Council can meet both short and long-term housing needs while strengthening its strategic housing offer and safeguarding future funding opportunities.

2.3 Approval is sought to establish a clear approach for managing the acquired properties, in line with the Council's existing housing management framework. Housing Services will handle all repairs and maintenance, while the Homelessness and Housing Options Service will manage placements, support, and move-on in accordance with homelessness legislation and asylum and refugee support. This approach supports the Council's commitment to embedding the Greater Manchester Housing First principles and the Good Landlord Charter, ensuring a decent standard of accommodation is provided to vulnerable households.

3. Alternative options considered and rejected

- 3.1 Do nothing:** These properties will provide long-term, financially sustainable temporary accommodation for the borough, with the council contributing only 60% of the acquisition cost. If this option is not pursued, the council may need to continue relying on expensive bed and breakfast placements, which would not support a cost-effective, invest-to-save approach
- 3.2** The council had a short window to submit its Expression of Interest, which reduced the opportunity to fully explore property availability aligned with section 3.6. A similar model was successfully delivered through the Rough Sleepers

Accommodation Programme, funded 50% via the HRA. Based on this success, the same approach was proposed despite limited time for market testing.

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4. Background

- 4.1** Council has statutory duties to support families and singles who are homeless and eligible for emergency accommodation, in accordance with Housing Act 1996 and the Homeless Reduction Act. Historically Bury has always met this duty, by providing dispersed properties from council stock, however this is no longer viable as 120 properties are all utilised. This has meant that the authority is struggling to identify appropriate interim accommodation for families and singles. In March 2023, the council had to rely on bed & breakfast type provision for families and singles placements, which had been avoided for 15 years.
- 4.2** The Council has relied on this costly accommodation to meet statutory obligations. This has meant over £1m spent from 2023/2024 and a further £2m projected for 2025/2026, showing a deficit in the council's budget, with no confirmation of an increase to the Homeless Prevention Grant (HPG) or funding/grant payments from central government to fund additional pressures.
- 4.3** In October 2024, the Council was notified by the MHCLG that the Council is breaching legislation, due to families being accommodated in hotel provision for more than 6 weeks, putting the HPG at risk. The lack of suitable accommodation and move on provision is the cause of long term stays in bed & breakfast type provision. The Council has agreed to develop a strategic action plan in reducing bed & breakfast placements for families in the short term as well as reviewing its long-term plan for the MHCLG, which includes increasing supply of decent standard of temporary accommodation.
- 4.4** The Local Authority Housing Fund (LAHF) was introduced in December 2022 to help councils respond to housing pressures from Ukrainian and Afghan arrivals. Initially focused on emergency housing, it evolved to support broader homelessness prevention and housing supply. Round 1 targeted urgent resettlement needs and round 2 expanded to include general homelessness pressures.
- 4.5** LAHF Round 3, launched in March 2024, offered £450 million to help councils reduce homelessness and reliance on unsuitable temporary accommodation. It

supports the acquisition of properties for both general homelessness needs and Afghan resettlement. Bury Council could apply by submitting an Expression of Interest outlining proposed acquisitions, delivery timelines, and match funding such as through the HRA. The fund presents an opportunity to expand local housing stock, reduce Bed and Breakfast use, and provide sustainable homes for vulnerable households, including those currently in contingency hotel accommodation.

- 4.6** Bury Council submitted an expression of interest to MHCLG to acquire four properties through the either Right to Buy-back scheme or the private rented sector, comprising a mix of two- and three-bedroom homes, subject to market availability and affordability.
- 4.7** The initial plan proposed purchasing a total of 4 properties at an estimated cost of £1.137m, attracting £0.447m of LAHF grant and utilising HRA financing to fund the balance, and charging social rents on the properties. This would have taken nearly 50 years to recover the initial outlay, and further investigation showed that as the primary purpose for the purchase of the properties is to reduce temporary accommodation spend, that this is in fact a General Fund project and would need to be funded from the General Fund Capital Plan if it was to proceed. Further work has been undertaken to investigate how the scheme and funding could be made to work to enable us to support the aim of reducing the use of expensive temporary accommodation.
- 4.8** Several options have been modelled, which involve acquiring properties and charging an affordable rent, to maximise rental income and improve viability of those options. The option that gives the best flexibility for viability and cost reductions in temporary accommodation budgets
- is to maximise the grant by purchasing a total of 7 properties, utilising all the original grant bid ie £0.447m, which must be a 40% match for the overall spend level of £1.137m.
 - the Council would need to finance a 60% contribution of £0.690m from the General Fund Capital Programme.
 - estimated payback period for this initial borrowing outlay reduces the payback period to 22 years.
 - In addition, it is estimated that this option could reduce temporary accommodation cost pressures by over £2.436m circa over the next 6 years, which is explained in section 6 below.
- 4.9** The properties once acquired will sit within Bury Councils General Fund Asset base and be recognised as temporary accommodation with rent charged at affordable rent levels i.e. up to 80% of market rental, which will be used to cover management and maintenance costs, as well as financing all debt-related costs for the properties. Six properties will be used as temporary accommodation for families placed in bed and breakfast provision and integrated into the Council's dispersed housing stock. One property will be allocated as a general let,

specifically matched to an Afghan family resettled under the Afghan Relocation and Citizenship schemes, ensuring that the council meets the requirements of the grant funding.

- 4.10** The proposal includes match funding through the General Fund Capital Programme to support the acquisition of properties. Funding will be split, with 40% provided through the Local Authority Housing Fund (LAHF) grant and 60% via the general fund.
- 4.11** The Council has been notified by the MHCLG that it will receive a grant allocation of £447,200. A financial model has been developed by the Homelessness and Housing Options Service Manager, Housing Revenue Account Business Partner, and the Housing Finance Advisor, confirming that the Council's 60% match funding will total £690,000 from the Housing General Fund Capital Plan to support the acquisitions.

5. Current Position

- 5.1** Under the Housing Act 1996, Councils have a legal duty to provide interim accommodation to eligible households. The Homelessness Reduction Act 2017 expanded this duty, requiring earlier intervention.
- 5.2** On the 30th of September 2025, a total of 222 households were living in temporary accommodation within and outside the borough, placed by Bury Council. This included 109 families housed in council-owned dispersed stock, 24 families in bed and breakfast accommodation, and 56 families in self-contained pay-nightly accommodation, with a total of 401 children, 65 of whom were placed outside the borough. In addition, there were 26 single people in bed and breakfast accommodation and 7 single people in newly commissioned self-contained provision. Recent data shows that, on average, 25 households are placed into temporary accommodation by Bury council each month, comprising approximately 16 families and 11 single people. Due to limited options, around 24 of these households typically enter bed and breakfast accommodation as their first placement, as this is often the only interim provision available to meet the council's statutory duty.
- 5.3** There is increasing political and public pressure locally, nationally, and within the Councils wider services regarding the use of bed and breakfast accommodation for families. Evidence shows that inadequate housing negatively affects children's long-term health and wellbeing, placing additional strain on services such as mental health and children's social care. The Council must explore sustainable alternatives to improve outcomes and reduce wider service pressures.
- 5.4** The Council continues to breach national legislation by accommodating families in bed and breakfast settings beyond the six-week legal limit. In response, and in line with the requirements of the MHCLG Homelessness Prevention Grant, the Council is committed to delivering a Bed and Breakfast Elimination Plan. This plan outlines clear strategic outcomes focused on increasing the supply of appropriate temporary accommodation. The aim is to reduce reliance on

unsuitable placements, improve outcomes for families, and ensure compliance with statutory duties.

- 5.5** Increasing demand on homelessness services, influenced by housing market challenges, may affect the council's ability to meet statutory duties. Exploring all options to expand temporary accommodation is essential to manage pressures and reduce reliance on costly alternatives. A flexible, proactive approach will help ensure needs are met while supporting more sustainable and cost-effective service delivery.
- 5.6** If the grant allocation of £447,200 is not utilised, Bury Council would be required to return the funding to MHCLG. This could potentially impact the Council's eligibility in future rounds of LAHF particularly Round 4, where central government has indicated a significant increase in overall funding. Failure to deliver on current commitments may present barriers to accessing future opportunities to secure additional resources for expanding temporary accommodation provision. An added potential benefit is that if and when the temporary accommodation is addressed longer-term, there would be the potential option to flip the properties into the HRA, to meet the needs of applicants on the housing waiting list, with a commensurate adjustment of debt between the HRA and the General Fund. Alternatively, if this was not viable at that point other options could be looked at such as sale to a housing association, or open market sale.

6 Funding

Reducing Temporary accommodation costing pressures

- 6.1** The below table outlines the average cost of placing six families in bed and breakfast accommodation over that period, factoring in a 3% annual increase
- 6.2** The table below shows that accommodating six families in bed and breakfast over three years would cost the Council approximately £1.164mil circa. Acquiring these six properties would reduce temporary accommodation costs long term, since the properties would be Council-owned and available for use well beyond the initial three-year period.

Hotel Provision	Year 1	Year 2	Year 3	Overall
Hotel provision 6 x Family of 6	£376,680	£387,980	£399,620	£1,164mil circa

- 6.1** The proposal is to acquire six three-bedroom properties for use as Temporary Accommodation, along with one two-bedroom property to be offered as long-term housing for an Afghan family through general letting.
- 6.2** By securing six additional three-bedroom homes for Temporary Accommodation, the Council expect

- There will be a long-term reduction in temporary accommodation costs for the council.
- The model can be used for Tranche 4 of LAFH, reducing pressure even further for temporary accommodation, creating opportunities for the council to acquire more properties for temporary accommodation.
- As the amount of £690,000 would be borrowed, there will direct costs in the form of interest charges, and set aside for debt repayment within the General Fund to the Council, but these costs would be more than covered from Year 2 onwards if all the properties are let, with an estimated full payback period of just over 20 years. And that is before we even consider the beneficial impact in terms of reducing temporary accommodation costs and providing opportunities for Housing Services to provide repairs and management services.
- Acquiring these properties for temporary accommodation will support the priorities outlined in Bury Council's Homelessness Strategy and Corporate objectives by providing safe, suitable temporary accommodation for families, young people, and children ultimately helping to improve their quality of life.

Housing General Fund Capital Programme

6.3 The proposal is to match-fund the purchase of seven properties using an estimated **£690,000** from the Housing General Fund Capital. This is based on assumptions around Affordable Rent, which must be verified through a valuation once properties are identified to ensure accurate rent setting. A financial model comparing Social and Affordable Rent shows that the **£690,000** capital contribution would be recovered in both cases, but over different periods: approximately 30 years for Social Rent and 21 years for Affordable Rent, based on current PWLB interest rates. If approved, the key financial decision will be to authorise up to **£690,000** in prudential borrowing to enable project delivery and ensure full grant utilisation

Afghan Resettlement Programme (ARP) Integration Support Tariff

6.4 The Afghan Resettlement Programme (ARP) 2025–2026 offers **£27,520** per person over three years to local authorities for integration support. This covers housing, education, health, ESOL, and employment services. Additional funding is available for children's school costs, adult ESOL with childcare.

The council can claim the tariff for providing integration support for the Afghan family that is placed within the one property acquired for general let.

- 3 bedroom- Household of 5, the council can claim a total of **£ 137,600**

7. Links with the Corporate Priorities:

This proposal supports a key 2025–2026 milestone under the Sustainable Inclusive Growth priority, while helping to address inequalities through improved temporary accommodation. It offers a financially responsible approach that can deliver savings and provide meaningful social benefits for residents across the borough.

The proposal links well with the LET'S Strategy:

Local- providing temporary accommodation for people within Bury, which not mean that they need out of borough accommodation.

Enterprise- acquiring properties permanently within the Councils housing stock and cost 60% of to the council due to external funding.

Together- the accommodation service of the council will be supporting residents in the properties. They will link into local partnerships to enhance the quality of life of residents by developing independent living skills.

Strengths based- All households will be empowered in sourcing more settled long-term accommodation, by addressing barriers of independent living i.e rent arrears, health concerns etc.

8. Equality Impact and Considerations:

An EIA is not required at this stage. Future actions arising from recommendations and/or decisions taken as a result of this report may require an EIA.

9. Environmental Impact and Considerations:

An environmental impact assessment has not been undertaken for the scheme, as there are no implications or carbon emissions and Biodiversity impact of this decision.

10. Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The council is expected to commit the MHCLG grant by March 2026. Limited time to submit and accept the Expression of Interest reduced the chance to explore property options, which may affect the ability to meet delivery targets.	Engage regularly with the MHCLG LAFH advisor, providing milestone updates to ensure alignment with programme expectations and reduce the risk of delays or non-compliance
Changes in market prices, varying offers, and additional costs such as legal fees and property works make it difficult to estimate acquisition costs with certainty. These factors may push costs above the proposed budgets.	Maintain regular updates to the Finance Board and Senior Leadership throughout the acquisition process to ensure transparency, enable timely decision-making, and reduce the risk of financial or strategic misalignment.

11. Legal Implications:

Whilst the Memorandum of Understanding is a less formal agreement this will set out the expectations that MHCLG has of the council in delivering the housing expected in return for the funding. Flowing from this will be further legally binding decisions to purchase the expected properties with the funding received.

Section 120 of the Local Government Act 1972 gives the Council the general power to acquire land and property, enabling local authorities to acquire property for any of their functions, or for the benefit, improvement or development of their area.

The Local Government Act 2000 introduced additional 'wellbeing' powers which provide councils with the power to do anything which they consider is likely to achieve the promotion or improvement of the economic, social or environmental wellbeing of their area. This includes the power to incur expenditure in the acquisition of land.

12. Financial Implications:

This scheme proposes matching the already in principle approved £0.447m of LAHF Grant with £0.690m of prudential borrowing to be financed as part of the Housing General Fund Capital Plan for 2025-26. This is the sum that needs to be committed by March 2026, on the understanding that there may be some slippage in the spend and grant recovery depending on when suitable and sufficient properties are identified. This represents an addition to the currently approved 2025-26 General Fund Capital Plan. The successful delivery of this project would result in the initial borrowing outlay being recovered within an estimated 22 year period, as well as avoiding significant additional temporary borrowing costs from placing those in need in hotel and B & B accommodation in Bury, estimated at £1.6m over the next 6 years. In addition, acquisition of the properties gives the Council significant flexibility in terms of future use or disposal of those assets longer-term.

13. Appendices:

None.

14. Background papers:

[The Homelessness \(Suitability of Accommodation\) \(England\) Order 2003](#)

[Local Authority Housing Fund: Round 3 prospectus and guidance - GOV.UK](#)

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
HRA	Housing Revenue Account
RTB	Right to Buy Back
LAFH	Local Authority Housing Fund

HPG	Homeless Prevention Grant
MHCLG	Ministry of Housing, Community and Local Government
MOU - LAFH	Memorandum of understanding
EOI	Expression of Interest submitted for LAFH Round 3
The Homelessness Suitability	Legislation of length of stay in Bed and Breakfast
LAFH additional guidance	Requirements of Grant funding
ARAP/ACRP	UK created resettlement and relocation schemes for Afghan refugees' protection
Temporary Accommodation	Statutory accommodation is legally required housing for homeless individuals assessed as having priority need.
General Let	A general let property is a long-term tenancy allocated by the council, typically through its housing register or allocations policy
B&B elimination Plan	A Strategic Action Plan is a mandatory requirement for councils found in breach of homelessness suitability legislation