

Classification: Open	Decision Type: Key
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Report to:	Cabinet	Date: 30 June 2026
Subject:	Local Authority Housing Fund Round 4 (LAFH R4)	
Report of	Cabinet Member for Housing Services	

1. Summary

- 1.1** The Local Authority Housing Fund Round 4 (LAHF R4) provides £950 million of funding to support local authorities in England to increase the supply of better-quality temporary accommodation and drive down the use of Bed and Breakfast for families with children. It will also provide housing for some families on the Afghan Resettlement Programme (ARP). LAHF R4 investment will provide local authorities with a lasting affordable housing assets for the future.
- 1.2** Bury Council was notified in 2025 of its successful allocation under the LAHF R4. Bury has been provisionally identified as eligible to receive capital grant funding under Section 31 of the Local Government Act 2003, with an indicative allocation of £1,176,000. The provisional funding allocation is intended to support the delivery of a mixed programme of temporary accommodation and resettlement properties across the period 2026 to 2030, with a planned pause in delivery during 2026/27. The programme expects the council to deliver a total of 10 units, comprising 5 temporary accommodation units and 5 resettlement properties for general letting.
- 1.3** As part of the Council's corporate priority to driving inclusive growth, improving children's lives and to support the objectives of the Homelessness, Temporary Accommodation and Housing Strategy, the Council submitted an EOI as requested to the Ministry of Housing, Communities and Local Government (MHCLG) under the LAHF R4 programme. The submission set out a business case for three delivery approaches: acquisitions through Right to Buy and open market to achieve the 2026/27 targets, as detailed within this Cabinet report; the purchase of discounted Section 106 properties; and the delivery of new housing supply for the period 2028/2030, subject to confirmation.
- 1.4** Since the original MHCLG submission, further work has demonstrated that by maximising grant funding the council could deliver 12 properties in total, comprising seven for temporary accommodation and five for resettlement, generating increased General Fund savings through a further reduction in the use of nightly paid temporary accommodation
- 1.5** This report considers the delivery of LAHF R4 for the 2026/27 period only, for the delivery of eight properties in total. It is proposed that five properties will be used as temporary accommodation for homeless families, with the remaining three

provided as general needs accommodation and allocated to an Afghan family as part of the wider Afghan Relocations Programme (ARP). The proposal includes Council match funding of 60% through the General Fund Capital Programme for 2026/27, in line with the requirements of the LAHF R4 grant allocation

1.6 The Council has confirmed to the MHCLG its intention to deliver eight properties under LAHF R4 during the 2026/27 period. A total grant allocation of £701,000 has been confirmed to support delivery of the scheme, with all property acquisitions required to be completed by March 2027. The programme will be supported by Council 60% match funding from the General Fund Capital Programme of £1,051,500 in accordance with the conditions of the LAHF R4 grant allocation.

2 Recommendation(s)

2.1 It is recommended that Cabinet;

- Approve the use of £701,000 from the total £1,176,000 combined grant allocation and match funding from the General Fund Capital Programme of £1,051,500 for 2026/27 delivery, to enable the acquisition of eight properties.
- Based on current interest rates of circa 6.44% for 30-year PWLB money, the estimated interest cost of borrowing will be just below £0.068m per annum or £0.204m over the first three years. This will support the reduction of reliance on unsuitable and high cost temporary accommodation over the longer term. (The Council used this approach for the delivery on the previous round of funding under LAFH R3)

3 Reasons for recommendation(s)

3.1 Approval is needed for the 60% General Fund Capital Programme match funding required under the LAHF R4 agreement to support the purchase of eight 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 reductions are approximately £0.170m over the first three full years. This compares favourably to the debt interest costs of £0.204m over the same three-year period for borrowing from PWLB to fund the match contribution. In addition, the properties will be let at Affordable Rent, which over an extended period estimated at 37 years will recover the initial principal costs incurred to purchase them. The proposal aligns with LAHF R4 grant conditions enabling the Council to meet its statutory housing duties while easing financial pressure.

3.2 In line with grant requirements, it is recommended that five properties acquired through LAHF R4 are purchased as General Fund assets for use as temporary accommodation, providing good quality homes for vulnerable households and reducing reliance on bed and breakfast accommodation. The remaining three properties will be held as General Fund assets for general needs letting and

allocated to resettlement households in accordance with the grant agreement, providing permanent Council owned homes and generating rental income.

3.3 Approval is also sought to designate and establish an approach for managing the acquired properties, in line with the Council's housing management framework. Therefore, approval is sought to direct Housing Services to be responsible for 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.

4 Alternative options considered and rejected

4.1 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.

4.2 The Council was required to submit its proposal within a limited timeframe to meet MHCLG delivery requirements, which restricted the opportunity to fully explore and confirm all delivery options. As a result, this report focuses on proposals for delivery in year one only. A similar approach was successfully delivered under LAHF R3, with 60 % funding from the General Fund Capital Programme, and this proven model has therefore been applied to LAHF R4

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5. Background

5.1 The 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 utilise bed & breakfast and self-contained type provision for families and singles placements.

- 5.2** The Council has relied on high-cost private temporary accommodation to meet its statutory homelessness duties, resulting in significant expenditure in 2025/26 of over £3.5m contributing to a significant overall budget over-spend. In addition, Government changes to the Homelessness Prevention Grant (HPG) will move temporary accommodation expenditure into the General Fund for the period 2026–2029. The revised grant also introduces stricter conditions, limiting its use to staffing and homelessness prevention activity, and excluding temporary accommodation costs
- 5.3** 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.
- 5.4** 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. R1 targeted urgent resettlement needs and round 2 expanded to include general homelessness pressures.
- 5.5** In December 2025, Cabinet approved the delivery of the LAFH R3 following Bury’s successful Expression of Interest to MHCLG. This approval enabled the acquisition of seven properties in total, comprising six for temporary accommodation and one for resettlement, funded through 40% external grant and 60% match funding from the General Fund Capital Programme. This funding model has allowed the number of properties to be maximised. Delivery has progressed well, and since the acquisition process commenced in January 2026, the service has committed to five properties to date.
- 5.6** In December 2025, Bury Council was notified of its successful allocation under LAHF Round 4, with a provisional Section 31 capital grant of £1.176m. The funding will support the delivery of 10 homes between 2026 and 2030 (with a planned pause in 2026/27), comprising five temporary accommodation units and five resettlement properties for general letting.
- 5.7** In March 2026, a Temporary Accommodation Strategy was developed, setting out a three-year delivery plan to provide decent, safe, and affordable accommodation. The strategy aims to reduce current temporary accommodation expenditure while ensuring residents have access to decent and safe accommodation, supporting improved quality of life over the longer term, which includes the LAFH delivery programmes. The three-year plan also

underpins the Star Chamber process, contributing to the delivery of a 10% savings target for the service

5.8 We have looked at several options based on acquiring properties and letting them at affordable rents. This approach helps improve financial viability while keeping rents at a reasonable level. The preferred options offer the most flexibility, allowing us to increase the supply of temporary accommodation, make better use of available funding, and reduce overall spending on temporary accommodation. This is to maximise the grant by purchasing a total of 8 properties, utilising all the original year one grant ie £0.701m, which must be a 40% match for the overall spend level of £1.1m

- The Council would need to finance a 60% contribution of £1.1m from the General Fund Capital Programme.
- Estimated payback period for initial borrowing outlays reduces payback period to 37 years
- In addition, it is estimated that this option could reduce temporary accommodation cost pressures by over £circa over the next 3 years.

This model has been successfully used to deliver LAFH R3, with five properties being committed to purchase and a further three in the pipeline, achieving the programme's target. In addition, it is estimated that this option could reduce temporary accommodation cost pressures by up to £0.100m in total over the next 3 years, once the three properties have been acquired and are in use.

5.9 The properties once acquired would sit within Bury Council's General Fund Asset base and be recognised as temporary accommodation with rent charged at affordable rent levels up to 80% of market rent, which will be used to cover management and maintenance costs, as well as financing all debt-related costs for the properties

5.10 It is proposed that the five properties would be used as temporary accommodation families placed in bed and breakfast provision and integrated into the Council's Dispersed housing stock. Three properties will be allocated as general let, specifically matched to Afghan family resettled under ARP, ensuring that the council meets the requirements of the grant funding.

5.11 If year 1 grant allocation of £0.701m is not fully utilised, Bury Council would be required to return the funding to MHCLG. Failure to deliver on current commitments may present barriers to accessing future opportunities and limit the Council's ability to secure additional resources for expanding temporary accommodation provision. Another potential benefit is that when the temporary accommodation is addressed longer-term, there would be the potential option to flip the properties into the general let, 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 Current Position

- 6.1** 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.
- 6.2** The service has made significant changes over the past 14 months to reduce reliance on unsuitable accommodation. This has included increasing the use of nightly paid accommodation for short term use, with 59 self-contained family units now in use. In addition, a further eight family units and 10 single-person units have been commissioned for temporary accommodation.
- 6.3** As of 30 April 2026, there were 244 households (Families and singles) in temporary accommodation, including 434 children, provided by the council. Of these, 55 family households comprising 87 children were placed in bed and breakfast accommodation, both within and outside the borough. Although the bed and breakfast placement are to significantly high, these have reduced by half prior to using pay nightly accommodation and commissioned accommodation.
- 6.4** Although overall use of bed and breakfast accommodation has reduced, demand for temporary accommodation remains variable and continues to place sustained pressure on the service. Between January and April 2026, monthly placements fluctuated, with **32** placements in January, **27** in February, **35** in March, and 28 in April, across both families and single individuals. Over the preceding **12** months, the service has accommodated an average of **16** families and **15** individuals per month. This indicates that, notwithstanding the increase in temporary accommodation provision and ongoing service interventions, demand remains consistently high and system pressures persist.

7. Funding

Housing General Fund Capital Programme

- 7.1** The proposal is to match-fund the purchase of eight properties using an estimated £1.051m from the Housing General Fund Capital Plan. 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 based on Affordable Rent shows that the £1,051m capital contribution would be recovered eventually, covering both principal and interest costs, taking approximately 37 years to do so based on current PWLB interest rates. This is in addition to generating savings in Bed and Breakfast costs each year against current provision. If approved, the key financial decision will be to authorise up to £1,051m in prudential borrowing to enable project delivery and ensure full grant utilisation.

Afghan Resettlement Programme (ARP) Integration Support Tariff

7.2 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**

Reducing Temporary accommodating costings

7.3 Council is currently developing a new Homelessness and Temporary accommodation strategy, which will be delivered over three years and aims to reduce spending on temporary accommodation. The below outlines the average cost of placing three families in bed and breakfast/pay nightly accommodation over that period, factoring in a 4% annual increase.

7.4 The information below provides the potential reduction of temporary accommodation cost that could be achieved by accommodating three families in these properties, rather than using bed and breakfast or nightly-paid temporary accommodation. On an estimated basis, this approach could reduce costs to the Council by approximately £0.170m over a three-year period. As the properties will be owned by the Council, this will deliver further long-term reduction

5x Family Temporary accommodation units

2026/2027 Reduction in temporary accommodation spends circa **£0.032m**

2027/2028 Reduction in temporary accommodation spends circa **£0.067m**

2028/2029 Reduction in temporary accommodation spends circa **£0.069m**

Total £0.170m

7.5 The proposal is to acquire three three-bedroom properties for use as Temporary Accommodation, along with three resettlement properties to be offered as long-term housing for an Afghan family through general letting (funding requirements)

7.6 By securing five additional 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 considered for Year 2 and 4 of 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 £1.051m 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 eventually if all the properties are let, with an estimated full payback period of just over 37 years

Memorandum of Understanding (MoU)

7.7 In relation to the MoU:

- a. Following taking legal advice, the MoU has been signed and returned by the Council, this was necessary to meet deadlines so that the Council did not lose the opportunity to receive the grant funding;
- b. There is continual dialogue and a positive working relationship with MHCLG around the delivery of the LAHF and they are flexible around meeting deadlines for the project outcomes etc.
- c. Should Cabinet approval requested in this Report not be provided, there is the contingency to return the grant monies to the MHCLG

A copy of the signed MoU is appended to this Report.

8. 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.

9. Equality Impact and Considerations:

The requested funding will fund additional accommodation which will support those who are socio-economically vulnerable. At this stage there are no equalities

concerns. Further equality considerations will be taken at the point of purchasing the additional accommodations.

10. 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.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The council is expected to commit the MHCLG year 1 grant by March 2027. 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. Procurement Implications:

Should there be any procurement implications, it will be compliant with the Council's contract procedure rules and the Procurement Act.

12. Legal Implications:

As described in the report LAHF R4 is funding issued under s31 Local Government Act 2003, S31 gives a Secretary of State the statutory power to pay grants to local authorities and to attach conditions to those payments. It is the main legal mechanism used by central government to fund councils outside the annual Revenue Support Grant system.

LAHF R4 is designed to:

Reduce homelessness pressures:

- a. Cut the use of bed & breakfasts, hotels, and nightly-paid accommodation
- b. Provide self-contained, good-quality temporary accommodation for families

Lower costs for councils:

- c. Replace expensive short-term placements with permanent, council-owned housing assets
- Support Afghan Resettlement Programme households
- d. Deliver settled homes for eligible Afghan families
 - e. Once resettlement duties are met, homes can revert to general housing or homelessness use

To participate in the programme and take advantage of the funds available the Council must contribute match funding. The MCHLG terms of funding are set out in the MoU appended to the report.

The Council may lawfully accept and comply with this Section 31 MoU grant under its general powers to receive funding and to enter into ancillary agreements required by statute and public law. Section 31 assumes councils may lawfully receive and act on such grants.

13. Financial Implications:

The additional borrowing to be undertaken within the General Fund Capital Plan of £1.051m in 2026-27 to provide match funding for the initial purchase of the properties, will cost an estimated £0.068m per annum to finance in interest payments based on current 30-year money rates. This will be more than offset by the estimated reduction in bed and breakfast costs, which at current prices would be in the region of £0.079m per annum adjusting for loss of benefit, and which would increase year on year due to inflation. In addition, the properties will be let at Affordable Rent, and under financial modelling it is estimated that the principal costs can be repaid over a 37 year period.

Appendices:

Appendix 1 - MoU dated 2/6/26

Background papers:

None.

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

Term	Meaning