

## Local Authority Housing Fund grant opportunity

**Summary:** On 21<sup>st</sup> December 2022 the District Council was advised by Government that it would be awarded grant monies of £1,245,210 through the Local Authority Housing Fund (LAHF) to provide 11 additional affordable homes in the district by December 2023 – initially to house Ukrainian and Afghan refugee households. This report recommends that the Council works with the Flagship Housing Group (Flagship) to deliver the 11 homes. Long-term these homes would be available to households on the Council's housing list either as temporary accommodation for homeless households or as a long-term affordable home.

**Options considered:** To accept the LAHF grant and deliver the 11 homes directly, with the Council providing the match funding and staffing resources to undertake the purchase and necessary repairs to the properties by December 2023.

To not accept the LAHF grant funding offered and forego the opportunity to provide an additional 11 affordable homes in the District.

**Conclusions:** The Local Authority Housing Fund provides grant to enable North Norfolk District, working in partnership with Flagship, to provide 11 additional affordable homes in the district. These homes will help address immediate housing pressures which exist nationally in the accommodation of displaced refugee households to whom the UK has offered refuge and sanctuary and provide longer-term good quality affordable homes in the District.

**Recommendations:** **Cabinet agrees that:**

- **The Council accepts the Local Authority Housing Fund grant funding in full and commits to the delivery of 11 homes.**
- **The source of the homes is from market sales – including new-build when available (and if affordable).**
- **The Council delivers the new homes in partnership with Flagship. The Council will pass the grant on to Flagship, who will provide the match funding and own the homes, in return the Council will have nomination rights to the homes in perpetuity.**

To seek approval for the Council to accept the LAHF

Reasons for grant and agree the delivery option recommended.  
Recommendations: .

## LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

*(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)*

NA

Cabinet Member(s) Cllr Wendy Fredericks	Ward(s) affected District-wide (potentially)
Contact Officer, telephone number and email: Nicky Debbage/Graham Connolly, Housing Strategy & Delivery Manager, 01263 516027	

### 1. Introduction

- 1.1 Over the past two-years the UK has welcomed and provided sanctuary to around 23,000 Afghans (including 9,200 currently accommodated in bridging accommodation) who worked alongside the British Government in managing conflict in their home country over many years, and over 150,000 people from Ukraine through the Ukraine Family Scheme and Homes for Ukraine Scheme. In considering the long-term housing options for these groups Government has announced £500 million capital funding to support local authorities they assess as facing the greatest challenges in providing move-on and settled accommodation for these cohorts in the short-term. These local councils will use the grant funds to obtain and refurbish homes, and increase the provision of affordable housing available to support those in the cohort who are homeless, at risk of homelessness, or in bridging accommodation.
- 1.2 Currently 129 adults and 62 Ukrainian children are being hosted in North Norfolk (this includes Place UK International Farm Camp accommodating 39 people). A further 31 adults and 20 children have been hosted in the District but have now moved to another local authority area, returned to the Ukraine or left the scheme. The make-up of those households currently still being hosted in North Norfolk is:
  - 15 x Singles
  - 19 x Family – 1 child
  - 16 x Family – 2 children
  - 3 x Family – 3+ children
  - 4 x Other family with children (e.g. with grandparent/s)
  - 8 x All adult family
  - The make-up of the 39 adults at the Place UK is not known (i.e. whether couples or singles).
- 1.3 Six Ukrainian families have already been re-housed locally who presented to the District Council as homeless and two households are currently in temporary accommodation having been accepted as homeless. Given the insecurity of their accommodation, effectively all hosted Ukrainian households could be considered to be at risk of homelessness.

- 1.4 The Department for Levelling Up, Housing and Communities (DLUHC) has awarded North Norfolk a capital grant allocation of up to £1,245,210 through the Local Authority Housing Fund (LAHF) across two streams:
- Main element: £1,040,000 to provide a minimum of 10 homes for Ukrainian households.
  - Bridging element: £205,210 to provide a minimum of one larger 4+ bed home(s) for Afghan households in bridging accommodation.
- 1.5 DLUHC has allocated grant according to formula which takes account of the number of households hosted and the housing pressures in an area. The grant is being offered to 182 councils. DLUHC has offered four Norfolk authorities LAHF grant, these being: NNDC, Breckland, Norwich and Kings Lynn & West Norfolk. No council will be offered grant for more than 30 homes.
- 1.6 The timescales for delivery of homes are tight – it is likely that DLUHC will confirm grant in February – March 2023 with delivery expected by December 2023. DLUHC has been flexible on how funds should be used to deliver homes – although, given the tight timescales, the most realistic route is to purchase existing properties for sale on the open market. Homes could be delivered by the local authority on its own, in partnership with other councils or with another partner such as a Registered Provider.
- 1.7 Initially the homes are to be used to house households who are covered by the:
- Afghan Citizen Resettlement Scheme
  - Afghan Relocations and Assistance Policy
  - Ukraine Family Scheme
  - Homes for Ukraine
  - Ukraine Extension Scheme (UES)
- Homes should be prioritised for households in these groups who are homeless or risk of homelessness.
- 1.8 In the longer-term, when the homes are no longer required by the intended cohort, they can be used to support wider local authority housing and homelessness responsibilities for the remainder of their lifetime. This means they could be used as temporary accommodation for homeless households or as 'normal' social housing.

## **2. Grant levels and match funding**

- 2.1 The LAHF grant can only cover part of the costs of delivering these homes. For 'main element' homes grant can cover a maximum of 40% of total capital costs plus there is an additional £20,000 per property (for associated acquisition, refurbishment, furniture, etc. costs). For the 'bridging element' homes grant can cover a maximum of 50% of total capital costs grant per property) plus the additional £20,000 per property. Grant has been allocated on the basis of average prices of £210,000 per home for the main element (1-3 bed homes) and £370,420 for the larger 4-bed home.
- 2.2 This would mean that significant match funding is required to be provided locally:
- 10 x homes would need to be delivered at £2.1m (£840,000 grant plus £1.26m match funding) with an additional £200,000 grant for associated costs.

- 1 x large home would need to be delivered at £370,420 (£185,210 grant plus £185,210 match funding) with an additional £20,000 grant for associated costs.
- Therefore, in total, to provide the 11 homes as detailed by DLUHC the delivering organisation (NNDC or a partner – see below) would be required to match fund at least £1,445,210). More expensive homes could be acquired, but there is no additional grant available so any extra costs would need to be funded by the delivering organisation.

### **3. Options for delivery**

3.1 The issues for North Norfolk District Council accepting the L:AHF grant allocation and delivering the required 11 homes are detailed below

1. Whether the District Council resolves to take part in the LAHF scheme and if so whether we deliver 11 homes or seek to negotiate a smaller number or offer to deliver a larger number?
2. How the District Council seeks to acquire the homes? DLUHC guidance is not prescriptive, the homes could be market purchases, new development or existing properties brought back into use.
3. What is our delivery model? Does the District Council deliver the homes itself or do we work in partnership with others and if so how would the partnership work?

#### Number of Homes

3.2 We have the option to take up the whole allocation and deliver 11 homes or alternatively we could decline the allocation, seek to negotiate delivery of a smaller number of homes or offer to deliver more homes with additional grant. DLUHC makes clear that the 'bridging element' is a priority and not negotiable, so we must deliver at least one large 4+ bedroom home for Afghan resettlement if we are minded to accept the grant funding.

3.3 The figures in paragraphs 1.2 and 1.3 clearly demonstrate there is a need in the district for homes for Ukrainian refugees, and we must and would want to deliver at least one larger home for an Afghan refugee household. In addition, it is expected that at least some of these homes will become available in the future (when no longer required by the current cohort) as part of the District's affordable housing stock for use as temporary housing or to house waiting list applicants. For these reasons officers recommend that the District Council takes up the LAHF grant funding allocation in full.

3.4 Delivery of 11 homes by December 2023 will be challenging and so officers recommend that the authority does not seek additional grant to deliver more homes at this stage. There may be an opportunity later in the year to bid for further grant if our programme is progressing well and other local authorities are struggling to deliver.

#### Acquiring the Homes

3.5 Officers have considered the options open to the Council in delivering these 11 properties and believe the only realistic option, given the timescales, is market purchase. In the main, these will be re-sale properties. New build might be better as these will have modern standards and low initial maintenance costs. However, at the present time the new build supply is limited and the 'new property premium' will usually make these homes too expensive. Officers are not aware of any new sites in the District with unsold

properties where the developer may be interested in offering or negotiating a 'bulk purchase discount'. However, even if the District Council was able to identify 'bulk' new build homes, grouped homes may not be the right solution as this may serve to generate community tensions and would not provide a spread of homes to meet varying needs.

#### Delivery Model

- 3.6 The Council could acquire the properties itself and they would become part of the Council's housing stock, alongside the Council's 18 properties used for temporary/move-on accommodation. The Council has the skills in-house to acquire properties and to carry out necessary works and health and safety checks prior to letting. However, it is considered that there are two risks with this approach.
1. This option would put too much pressure on the Council's teams to deliver all of the homes within the time available. In particular the Property Services Team and their measured term contractors may struggle with works to 11 properties in a short space of time. In the longer term, 11 additional homes would also add pressure on Housing Options (managing the homes) and Property Services (maintaining the homes) which may have wider resource implications for the Council.
  2. The Council will need to provide match funding of at least £1,445,210. This could be from existing capital budgets or from borrowing, but in either event there is an opportunity cost to the Council. For example, we could use the budget set aside for further purchases of homes for temporary accommodation, but if we do this we would not have the additional temporary accommodation to meet rising levels of locally arising housing need. In any case this budget alone is insufficient to meet the match funding requirement.
- 3.7 The alternative delivery model would be for the District Council to work with a Registered Provider (RP). The Council would pay the DLUHC grant received to the RP who would then look to acquire the properties. The RP would match fund from their reserves or from borrowing. Under this model there would be no cost to the Council. The RP would own and manage the homes and be responsible for management and maintenance, including works prior to first let. The Council would have nomination rights in perpetuity to ensure the properties are;
- Let to the intended eligible Ukrainian/Afghan refugees at first letting, and
  - Are available at re-let for use as temporary accommodation or to house applicants from the Council's waiting list.
- 3.8 There are only two main RPs who manage significant stock in the District and who wish to expand and are building new homes in the District – Broadland and Flagship. Broadland have a very active programme of building new homes on rural Exception Housing Sites in the District, which is their priority in North Norfolk. Flagship Housing Group have more existing homes across the District and greater capacity to respond to this opportunity, with a larger development team and have the financial headroom to provide match funding. Flagship have expressed an interest in working with the Council to deliver this programme. This would be subject to confirmation by the Flagship Executive team.
- 3.9 Officers therefore recommend that the District Council looks to work with Flagship to deliver the 11 new homes. This approach passes the risks, the

match-funding requirement and the staff resourcing of delivery to Flagship but through securing nomination rights for passporting the grant monies to Flagship secures the long-term interests of the Council. The District Council can review this approach and, if Flagship are unable to deliver within the tight timescales could consider a joint approach, with some homes purchased by NNDC. If this were to be considered a further report would be brought back to Cabinet in due course detailing the options and financial implications – however, we do not envisage this situation arising.

- 3.10 NNDC officers will work with Flagship to identify and agree homes for acquisition to ensure they are the right homes to meet current (and longer-term) housing needs and that the homes are of a good standard, especially in terms of energy efficiency.

#### **4. Next steps**

- 4.1 DLUHC has set the following timetable:

- 21<sup>st</sup> December 2022 – DLUHC advise NNDC of grant offer through LAHF grant mechanism
- 25 January 2023 - Deadline to submit validation forms confirming that the Council is interested (officers have done this following briefing and informal discussion with the Cabinet).
- 1 March 2023 - Deadline for signing the Memorandum of Understanding.
- End of March 2023 - Reallocations calculated and communicated.
- February/March 2023 - Tranche one funding payment (dependent on date MOU is agreed) with payment of 30% of grant.
- May/June 2023 - Tranche two funding payment remaining 70% of grant.

- 4.2 Submission of the validation form does not commit the Council. This will happen when the Council signs the memorandum of understanding. We will then have nine months (March to November) to complete the acquisition of the 11 new homes.

#### **5. Corporate Plan Objectives**

- 5.1 This project will help deliver the Corporate Plan Objective of Local Homes for Local Need.
- 5.2 In the short-term the additional homes will provide housing for Ukrainian and Afghan refugees in support of the national response to providing refuge and sanctuary to these groups. The district is home to many Ukrainian refugees and we would allocate the 10 homes provided by the 'main element' of grant to local Ukrainian households in need of housing. We will allocate the larger 4+ bedroom home funded by the 'bridging element' of the grant to an Afghan household. This household will come from outside of the district as there is no bridging housing (temporary housing for Afghan Refugees) in North Norfolk.
- 5.3 The 11 homes will take some of the pressure away from the District's limited affordable and temporary housing.
- 5.4 In the longer-term the 11 homes will become available to re-let for use either as temporary housing or as part of the district's affordable housing stock. Our nomination agreement with Flagship will give the Council nomination rights in

perpetuity.

## **6. Medium Term Financial Strategy**

- 6.1 If, as recommended, the District Council passports its LAHF grant to Flagship there will be no negative impact on the Council's MTFS. The provision of 11 additional properties will have no direct impact on our future income or costs.
- 6.2 If the Council chooses instead to deliver the homes directly, the ongoing management and maintenance together with any loan repayment costs will add to both the council's income and costs. The Council would therefore need to manage income and expenditure carefully to ensure the new properties were, at worst, cost neutral to the Council.

## **7. Financial and Resource Implications**

- 7.1 If the Council works with Flagship to deliver the new homes there will be minimal long-term financial or resource implications for the authority. The only long-term implication will be the management of the nominations agreement. This will place extra work on the Housing Options team whenever a property is re-let as it will be necessary at that time to check if there is an eligible Ukrainian or Afghan household in need of the home. If not we will identify and nominate a suitable household from our waiting list. This work can be managed within existing resources.
- 7.2 In the short-term various teams within the Council will work with Flagship to help deliver the new homes. The main tasks will be:
- Agreeing the Memorandum of Understanding with DLUHC (Eastlaw and Strategic Housing).
  - Agreeing a nominations agreement and funding agreement with Flagship (Eastlaw).
  - Working with Flagship to identify suitable properties (Housing Options and Strategic Housing).
  - Identifying households for first lets (Housing Options).
  - Providing monitoring reports to DLUHC (Strategic Housing).
- Again, this work can be managed within existing resources.
- 7.3 For first-let the Council may need to provide furniture. It may be possible that this can be funded by Flagship within the allocated budget. However, this furniture may help future homeless households, so the Housing Options team could use existing temporary accommodation budgets and/or charities for this. Another option might be to liaise with Norfolk County Council on use of the Move on Framework funding (NNDC has an indicative allocation of £304,394 which could be used to purchase white goods / furniture or help fund initial repairs to the 10 Ukraine properties. A further opportunity could be to use Norfolk Assistance Scheme funding which NNDC has been allocated £100k.
- 7.4 If the Council delivered the homes directly there would be significant extra work to:
- Identify and acquire the homes (Estates and Eastlaw).
  - Carry out initial renovation works (Property Services).
  - Carry out long-term management and maintenance (Housing Options and

Property Services).

In the short-term this is likely to create issues with capacity and, as a result, our ability to deliver 11 new homes by December. In the long-term the Council may need to recruit additional staff to for management and maintenance of homes.

## **8. Legal Implications**

- 8.1 As noted in 7.2 above Eastlaw will be involved in preparing the nomination and funding agreements. There are no other legal implications.

## **9. Risks**

- 9.1 The Local Authority Housing Fund provides grant to provide homes for Afghan and Ukrainian refugees. The fund aims to relieve pressure on existing limited temporary and affordable housing. Long-term the homes will become available to let to households on the Council's housing list.
- 9.2 The LAHF is a national scheme which will see additional resources deployed for housing purposes in North Norfolk. In the short-term the funds will be committed to the purchase of homes which will be available to Ukrainian and Afghan households offered sanctuary in the UK. In the medium to longer terms the properties would be available as part of the North Norfolk affordable housing stock – either to meet temporary accommodation needs or as permanent social housing. There is some risk that local people in housing need might feel the Council's focus is on meeting the needs of refugees rather than existing residents and this situation would need to be sensitively managed.
- 9.3 By working in partnership with Flagship the Council passes the financial risks associated with purchasing and managing the acquired properties to Flagship. Flagship will be responsible for acquiring the properties, for long-term management and maintenance of homes and for managing the associated financial risks. If the acquisition cost of homes exceeds the 'target' prices (which is possible given the average of £210,000 per home for ten 1-3 bed homes and £370,420 for the larger home) additional match funding would be provided by Flagship.
- 9.4 Eastlaw will help with the Memorandum of Understanding with DLUHC and prepare the Nominations and Funding Agreements with Flagship. These documents will manage any legal risks to the Council.
- 9.5 There is a reputational risk with DLUHC that our partnership with Flagship fails to deliver 11 homes by December 2023. Our initial research indicates that there are suitable homes available within the price level set by DLUHC (who used lower quartile prices). We can manage this risk by identifying suitable properties early in the year, which will leave time to complete purchases and carry out any repairs and safety checks before the December 2023 deadline.
- 9.6 It is considered that there is some reputational risk to the Council of working with Flagship due to recent media coverage of complaints regarding housing and repair standards in Flagship homes. There has been a national increase in complaints about RP and Council housing in the last year (Housemark report a 74% increase from 2021 to 2022) due to some headline housing issues associated with the Grenfell fire and mould and damp in some social housing stock as well as a backlog of programmed and reactive repairs due



to the pandemic. We have discussed this issue with Flagship who have outlined plans for addressing repairs issues in their stock. The homes acquired through the LAHF grant funding will be modern, in good repair and have good energy efficiency standards.

- 9.7 The risks of not taking the funding are:
- Risk of losing opportunity to add to affordable housing stock
  - Risk of not meeting the housing needs of the funds eligible households and fulfilling statutory functions.
  - Risk of not meeting wider housing and homelessness pressures
  - Risk the increasing use of inappropriate and expensive temporary accommodation.
- 9.8 The risk of the Council delivering the homes directly itself are set out in the main body of the report but in summary are:
- Risk of failing to deliver homes within target prices and costs over-running
  - Risk of failure to deliver 11 homes within tight timescales given limited staffing resources
  - Risk of homes incurring rising management and maintenance costs

## **10. Sustainability / Climate / Carbon impact**

- 10.1 Homes acquired using LAHF grant will achieve good energy standards, have required improvements to heating and insulation undertaken to ensure homes have an Energy Performance Certificate rating of at least C band. As the homes will be owned by Flagship they will have no direct impact on the Council's net zero strategy.

## **11. Equality and Diversity**

- 11.1 Initially these homes will have a positive impact for Ukrainian and Afghan households in the District in housing need. After the needs of this cohort are met, the homes will have a positive impact for low income households in the District as they will add to the overall supply of affordable homes.

## **12. Section 17 Crime and Disorder considerations**

No direct impact

## **13. Conclusion and Recommendations**

- 13.1. The Local Authority Housing Fund provides grant to enable North Norfolk District, working in partnership with Flagship, to provide 11 additional affordable homes in the district. Initially we would use the new homes to house Ukrainian and Afghan refugee households. Long-term these homes would be available to households on the Council's housing list either as temporary accommodation or as an affordable home.
- 14.2 There are three recommendations:

- **The Council accepts the Local Authority Housing Fund grant funding in full and commits to the delivery of 11 homes.**
- **The source of the homes is from market sales – including new-build when available (and if affordable).**
- **The Council delivers the new homes in partnership with Flagship. The Council will pass the grant on to Flagship, who will provide the match funding and own the homes, in return the Council will have nomination rights to the homes in perpetuity.**