

Round 2 Local Authority Housing Fund	
Executive Summary	<p>NNDC has been offered government grant through Round 2 of the Local Authority Housing Fund (LAHF) to acquire four homes to meet housing need.</p> <p>Three homes are to be initially used to meet the needs of resettled Afghan households and one is to provide Temporary Accommodation (TA) for homeless households. The grant available can cover up to 40% of the capital cost of homes with a further £20k per home for associated costs. This report considers options for delivering these four homes and the associated costs and implications.</p>
Options considered	<p>a) NNDC takes up the offer of Round 2 LAHF and delivers four homes – match funding the grant largely using existing Capital funding earmarked for Temporary Accommodation</p> <p>b) NNDC takes up the offer of Round 2 LAHF and works with a partner Registered Provider to deliver four homes</p> <p>c) NNDC takes up the offer of Round 2 LAHF and delivers four homes – match funding from borrowing</p> <p>d) NNDC does not take up the offer of Round 2 LAHF</p>
Consultation(s)	<p>Portfolio Holder for Housing & People Services Assistant Director People Services Housing Options Manager Estates and Asset Strategy Manager Flagship Housing Group – Head of Development</p>
Recommendations	<ol style="list-style-type: none"> 1. NNDC accept the Round 2 LAHF grant 2. Officers seek to work with Flagship to acquire three of the four homes, and officers seek to identify one LAHF home to acquire for use as TA to be match funded from our existing TA budget 3. In the likely event that Flagship are unable to find three homes to purchase, that officers seek to identify up to four homes to acquire to be match funded using the existing TA budget and HPG funding 4. Cabinet give delegated authority to the Section 151 Officer / other member of Corporate Leadership Team, in consultation with the Portfolio Holder for Housing and Peoples Services, to agree the specific purchase of up to four properties (within the identified budget limits).
Reasons for recommendations	<p>To seek approval for the Council to accept the LAHF grant and agree the delivery option recommended</p>
Background papers	<p>Cabinet March 2023 – LAHF Round 1 Opportunity</p>

	Cabinet June 2023 - Purchase of Temporary Accommodation Unit Cabinet June 2023 – Outturn Budget report 2022/23 Cabinet November 2022 - Purchase of Temporary Accommodation Unit
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Wards affected	District-wide (potentially)
Cabinet member(s)	Councillor Wendy Fredericks - Portfolio Holder for Housing & Peoples Services
Contact Officer	Nicky Debbage / Graham Connolly, Housing Strategy & Delivery Manager, nicky.debbage@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	Meeting Our Local Housing Need
Medium Term Financial Strategy (MTFS)	One of the four homes will be used immediately for Temporary Accommodation for homeless households delivering savings compared to the cost of alternatives such as bed and breakfast. The remaining three homes can be used as Temporary Accommodation in the longer-term.
Council Policies & Strategies	Housing Strategy 2021 – 2025

Corporate Governance:	
Is this a key decision	Y
Has the public interest test been applied	NA
Details of any previous decision(s) on this matter	NA

1. Purpose of the report

- 1.1 This report sets out details of the Round 2 Local Authority Housing Fund (LAHF) grant that NNDC has been offered to acquire four homes to meet housing need. The report considers options for delivering these four homes and the associated implications, and recommends NNDC does accept the grant and acquire four homes to help meet housing need.

2. Introduction & Background – Round 1 Progress

- 2.1 In December 2022 the Department for Levelling Up, Housing and Communities (DLUHC) wrote to selected councils offering Local Authority Housing Fund (LAHF) grant funding to help meet the costs of acquiring homes to be used, initially, to provide move-on and settled accommodation for Afghan and Ukrainian households.
- 2.2 NNDC was awarded up to £1,245,210 through 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.
- 2.3 The grant funding could cover up to 40% of the acquisition costs of the main element / Ukrainian homes and up to 50% of the cost of the Bridging element home. Additional grant of £20,000 per property is also available for associated costs (purchase, refurbishment, etc.). If the Council acquired all 11 homes ourselves this would have required significant match funding (over £1.4m), take considerable staff resources and expose the Council to risk, especially as the grant has tight timescales pressures (homes to be acquired before April 2024). Therefore Cabinet agreed that NNDC would work in partnership with Flagship Housing who would acquire (and match fund) the homes. The homes would then become part of the overall stock of affordable housing in the district; managed and maintained by Flagship, but with NNDC having full nomination rights to the homes.
- 2.4 With support from NNDC, Flagship have now agreed the purchase of 10 x new homes on two sites in the District. These homes are currently still under construction but will be complete before April 2024. The homes are all two or three-bed, and will therefore fulfil the Main Element Ukrainian homes part of the LAHF grant.
- 2.5 Flagship were unable to identify a new build 4-bed home to deliver the Bridging element of the LAHF grant. Accommodation for larger homeless families is very difficult (and expensive) to secure, and in the longer-term a 4-bed home would be extremely useful to NNDC to help meet these needs. Therefore Cabinet on 29 June agreed that NNDC use the Bridging element of the LAHF grant to help acquire a 4-bed home, which will be used to resettle Afghan households in Bridging accommodation, but could, in the longer-term, be used as TA for larger families. This home has now been purchased and is undergoing repairs to make it ready to let.

3. LAHF Round 2 Offer

- 3.1 On 7 June 2023 DLUHC contacted NNDC (as one of 230 eligible Councils) with an offer of further Round 2 LAHF of £560,000. The funding is again available as two elements:
- Resettlement element - to provide a minimum of 3 homes for Afghan households who are currently in bridging accommodation (or have left bridging hotels and are homeless, at risk of homelessness, or living in unsuitable temporary accommodation).
 - TA element – to provide a minimum of 1 home for ‘general needs’ homeless households
- 3.2 The grant can cover 40% of total capital costs plus £20,000 per property for associated costs such as refurbishment. This equates to an average grant rate per property of £140,000 per home (£120k plus £20k). The timescales for Round 2 are the same as Round 1, i.e. the Council agrees to deliver by 29 March 2024.
- 3.3 In Round 2 there are no specific size requirements for homes but the guidance says “the vast majority of properties acquired will be family sized homes (2 to 4+ bedrooms)” and that “priority should be placed on acquiring larger properties which can accommodate a family as those with larger

families have found it particularly difficult to find accommodation”.

3.4 Four options for Round 2 LAHF have been identified which are considered in more detail below:

- a) NNDC take up offer of Round 2 LAHF and delivers 4 x homes – match funding largely with existing Capital funding earmarked for TA
- b) NNDC take up offer of Round 2 LAHF and works with a partner Registered Provider (RP) to deliver 4 x homes (3 x with RP, 1 x NNDC)
- c) NNDC take up offer of Round 2 LAHF and delivers 4 x homes – match funding from borrowing
- d) NNDC does NOT take up offer of Round 2 LAHF

3.5 Option a.) NNDC take up offer of Round 2 LAHF and delivers 4 x homes – match funding with existing Capital funding earmarked for TA

The Council could accept the LAHF grant and deliver four homes itself, using existing capital budget to match fund the acquisition of all four homes. LAHF grant of an average of £120k can cover up to 40% of the four homes, plus there is a further £20k per home of grant available to help with purchase costs or other associated costs, such as initial repairs. Therefore, based on a total cost of £300k per property, match funding of at least £640k would be required.

3.6 NNDC had an annual budget of £250k per annum for TA purchase in the capital programme for the next 3-years (2023/24 – 25/26). However, given the current pressures on homelessness (with 60+ households in TA) the Budget Outturn report for 2022/23 recommended bringing forward the remaining years’ budgets to increase the 2023/24 TA budget to £750k. Some of this budget is already spent or committed - for the purchase of a TA property and to match fund the Round 1 LAHF home. These two most recent homes, purchased in 2023/24, brings the Council’s portfolio of TA and move-one homes to a total of 19.

3.7 The Council has recently received a further £168k of Homeless Prevention Grant, which can also be used to help purchase TA. This means there is sufficient budget available to match fund the Round 2 LAHF grant to allow purchase of four homes without the need for borrowing. There is also the possibility of further government funding available to support Afghan resettlement which could potential be used to help match fund purchase and ‘free up’ some of the other funding (see Section 5. Financial and Resource Implications for capital budget details).

3.8 Pros of option a.):

- NNDC would receive funding of £560k to add four homes to the long term stock of affordable homes to help meet housing need.
- The terms of the grant mean that homes purchased would not be eligible for Stamp Duty meaning a saving of £11,500 on a purchase price of £300k
- One of the four LAHF homes would be available to provide TA to a homeless households in this year.
- The remaining three homes would be available to meet wider housing needs (including use as TA) in the longer-term.

3.9 Cons of option a.):

- Match funding of at least £640k would be required, this would use all of the remaining TA budget and our additional allocation of Homeless Prevention Grant.
- Finding four suitable family homes of good quality, requiring limited repair works, and with good energy standards at an average cost of £300k will be challenging.
- To meet the LAHF timetable for four homes (in addition to the two homes we have recently purchased) will mean NNDC adding six further homes to our portfolio in 2023/24. This will add workload pressures for the teams involved (Assets for acquisition, Property Services for initial works/maintenance, and Housing Options for management).
- Whilst all four LAHF homes will be available to meet wider housing needs in the longer-term, it is likely that three of the homes, used for Afghan resettlement, will be required for that purpose for the foreseeable future.

3.10 Option b.) NNDC take up offer of R2 LAHF and works with RP to deliver 3 x homes (3 x with RP, 1 x NNDC)

This option is similar to the approach we have taken with Round 1, i.e. Flagship acquiring most of the homes and NNDC acquiring one. For Round 2 NNDC would pass grant to Flagship who would acquire three family homes. Initially these would be used for Afghan resettlement but in the longer-term the homes would become part of the 'normal' stock of affordable homes in the District (with NNDC having full nomination rights to the homes to meet housing need). NNDC would acquire the fourth home to be used as TA.

- 3.11 The challenge with this approach would be to find three suitable homes. Flagship will only purchase new build homes and there are very few new homes available in the District or likely to be available within the LAHF timeframe. Whilst officers continue to work with Flagship to identify any suitable new homes, it is unlikely that this will be possible.
- 3.12 If we were able to agree with Flagship the purchase of up to three homes, NNDC would still purchase one home for TA using LAHF funding of £120k plus the additional £20k. This would require an estimated £160k of NNDC match funding. There is sufficient existing TA capital budget for this and there would still be budget remaining to support further TA purchase (see Section 5. Financial and Resource Implications for capital budget details)

3.13 Pros of option b.):

- NNDC would receive funding of £560k to add four homes to the long term stock of affordable homes to help meet housing need.
- Flagship would provide match funding for three of the homes (and be responsible for their management and maintenance)
- NNDC would be able to purchase one TA home partly funded from LAHF grant and still have sufficient budget remaining to purchase one large, or possibly two smaller, further TA units.
- The terms of the LAHF grant mean that homes purchased would not be eligible for Stamp Duty meaning a saving of £11,500 on a purchase price of £300k

3.14 Cons of option b.):

- Finding three new build homes (or a combination of new homes and Flagship agreeing to repair a home it had intended to dispose of) will be

challenging and it is unlikely that three homes can be found within the timescales

- Whilst all four LAHF homes will be available to meet wider housing needs in the longer-term, it is likely that three of the homes, used for Afghan resettlement, will be required for that purpose for the foreseeable future.

3.15 Option c.) NNDC take up offer of Round 2 LAHF and delivers 4 x homes – match funding with borrowing

The Council could accept the LAHF grant but not choose to use the existing TA budget (retaining this for TA purchases) but instead to borrow the full match funding required of at least £640k. At the current PWLB interest rates, borrowing £640k for 15-years would cost around £36k p.a. in interest alone. The pros and cons of this option are very similar to those set out above for option a.) with the addition of:

3.16 Additional Pros of option c.):

- Borrowing, rather than using the existing TA capital budget, will allow us to purchase four homes partly funded from LAHF, plus purchase two further homes for TA with the remaining existing capital budget. This would mean a total of six additional homes - three additional homes for TA now, and three more homes (initially used for Afghan resettlement but available for TA in the long-term).

3.17 Additional Cons of option c.):

- Borrowing to provide match funding of at least £640k would mean an annual interest cost of £36k. There would be very limited savings achieved as a result of this as three of the homes acquired would be used for Afghan resettlement – and only one used to provide TA for households we would otherwise have to accommodate in alternative, more expensive TA.
- Acquiring four LAHF homes AND two further ‘normal’ TA homes would mean (with two TA homes already purchased this year) acquiring eight additional homes by April 2024 – this would add significant workload pressures which it is unlikely could be met within existing staffing resources.

3.18 Option d.) NNDC does NOT take up offer of R2 LAHF

NNDC could decide to not take up this opportunity and focus on purchase of TA units using our existing available TA capital budget.

3.19 Pros of option d.):

- Available funds and staffing resources would be used to purchase four TA units (two currently recently acquired plus two further homes with the remaining TA capital budget). This would require no further borrowing.

3.20 Cons of option d.):

- The Council misses the opportunity to add a further four affordable homes to the longer-term stock in the District
- Reputational – the Council would not be using the grant offered and therefore could be seen as not maximising opportunities to tackle housing need.

4. Corporate Priorities

Providing more affordable homes in the District is in line with the new Corporate Plan priority of “Meeting Our Local Housing Need” and specifically the aims of “Increasing our portfolio of Temporary Accommodation to support residents in crisis” and “Working with national, regional and local partners to support the needs of refugees”.

Adding to the Council’s stock of good quality TA homes helps deliver savings when compared to the costs of more expensive, and inferior, bed and breakfast type TA.

5. Financial and Resource Implications

The Capital (and staffing) resource implications of the four options a. – d. are set out in the main body of the report (paragraphs 3.5 – 3.20). The impact on the current / potential TA budget, assuming Option a.) NNDC acquires four additional LAHF homes is pursued, is set out in the table below. This demonstrates that, with the additional LAHF grant and the additional Homeless Prevention Grant, there is sufficient budget available to cover the cost of the two recently purchased homes (Round 1 LAHF and ‘normal’ TA) plus match fund Round 2 LAHF grant to purchase a further four homes.

2023/24 TA Capital budget (including carry forward from 2022/23 and brought forward 2024/25 and 2025/26 allocations)	£748,543
Additional grant from LAHF Round 1	+£177,500
Additional Homeless Prevention Grant	+£168,280
Additional LAHF Round 2 grant available	+£560,000
Total funds potentially available	£1,654,323
Agreed purchase of LAHF Round 1 home	-£330,000
Agreed purchase of TA unit	-£118,500
Purchase of 4 x LAHF Round 2 homes	-£1,200,000
Total forecast expenditure	-£1,648,500
Remaining TA budget	£5,543

6. Legal Implications

The council is able to hold in the General Fund, and let on license, homes to be used for TA for homeless households.

The Memorandum Of Understanding for acceptance of the LAHF grant has been checked by Eastlaw. The Memorandum commits NNDC to using best endeavours to meet the LAHF requirements. However, if we are unable to deliver we are able to return grant with no penalties.

Legal input will be required to ensure effective conveyancing and to identify any legal constraints on properties that are considered for purchase.

7. Risks

- 7.1 The LAHF provides grant for homes for both Afghan refugees and to provide Temporary Accommodation for homeless households. The fund aims to relieve pressure on existing limited temporary and affordable housing. The LAHF is a national scheme which will see additional funding for housing purposes in North Norfolk. 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.
- 7.2 If the Council is able to work in partnership with Flagship to acquire any of the four homes the Council will pass some of the financial risks associated with purchasing and managing the acquired properties to Flagship.
- 7.3 However, in all options NNDC will be required to acquire at least one home for TA, and it is likely that NNDC will need to acquire all four homes (if suitable new homes cannot be identified and agreed with Flagship). Therefore it is likely that NNDC will be responsible for the acquisition, long-term management and maintenance of homes of the four homes and for managing the associated financial risks, which can be summarised as:
- Risk of failing to deliver homes within target prices and costs over-running
 - Risk of failure to deliver homes within tight timescales given limited staffing resources
 - Risk of homes incurring rising management and maintenance costs
- 7.4 There is a reputational risk with DLUHC if NNDC fails to deliver four homes by April 2024. Our initial research indicates that there are suitable homes available within the target price level of £300k. We can manage this risk by identifying suitable properties as soon as possible and being able to move swiftly to agree purchase, which will leave time to complete purchases and carry out any repairs and safety checks before the April 2024 deadline.
- 7.5 However, 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. Afghan households may still present to the Council as homeless and we would still be responsible for providing them with Temporary Accommodation and supporting them to find secure accommodation. This would put further strain on housing and staff resources, but without the benefit of the additional LAHF homes.
 - Risk the increasing use of inappropriate and expensive temporary accommodation.

8. Net ZeroTarget

Homes purchased for use as TA will achieve good energy standards and improvements to heating and insulation will be undertaken where required to ensure this – we aim to ensure homes purchased have an Energy Performance Certificate rating of at least B or can achieve this within the

agreed budget. However, the addition of this property to our estate will increase the Council's carbon footprint. This will need to be off-set in order to achieve the carbon net zero policy by 2030. As the homes purchased will be existing homes, the overall 'community' emissions will not increase as a result of purchases.

9. Equality, Diversity & Inclusion

Initially three of the homes will be used to provide resettlement accommodation to Afghan refugee households. Long-term these homes would be available to households on the Council's housing list as temporary accommodation. Therefore there are not considered to be any negative impacts on EDI.

10. Community Safety issues

The council will work with partner agencies to ensure the safety of households accommodated in this property.

11. Conclusion and Recommendations

- 11.1 If NNDC takes up the offered Round 2 LAHF funding this would result in four additional affordable homes in the District. Three of the four homes would initially be used to house resettled Afghan households and one will be used as Temporary Accommodation for homeless households
- 11.2 NNDC could acquire all four homes using existing TA and HPG to match fund the LAHF grant. There is sufficient available budget to allow this. This will mean adding six further homes to our portfolio in one year – bringing the total homes held to 23. This will add workload pressures for the staff involved in the acquisition, management and maintenance of these homes.
- 11.3 Working with Flagship to deliver up to three of these homes would mean that the match funding (and future management and maintenance) of these homes would be Flagship's responsibility - meaning less risk and financial pressure for NNDC. Whilst officers will continue to seek to work in partnership with Flagship, given the lack of suitable new build homes in the District, this route is unlikely to be possible.
- 11.4 NNDC could acquire all four homes financed from borrowing and also purchase further TA homes using the existing TA budget. This would result in significant borrowing costs and significant risk and workload pressures – this approach is not recommended.
- 11.5 Not taking up the grant funding is a missed opportunity and could leave the Council open to accusations of not seeking to tackle housing need – this is not recommended.
- 11.6 In summary, If NNDC does accept the LAHF grant we will need to purchase at least one home for use as TA. Working with Flagship to acquire the remaining homes would involve less risk, budget and staff resources for NNDC. Whilst it is recommended officers continue to pursue this route, it is recognised it is unlikely to be possible. Therefore the likely outcome, if the LAHF grant is accepted, is that NNDC will need to purchase all four homes, provide the

match funding and be responsible for ongoing management and maintenance of the homes

11.7 It is recommended that:

- NNDC accept the LAHF grant
- Officers seek to work with Flagship to acquire three of the four homes, and officers seek to identify one LAHF home to acquire for use as TA to be match funded from our existing TA budget
- In the likely event that Flagship are unable to find three homes to purchase/repair, that officers seek to identify up to four homes to acquire (one for TA, up to three for Afghan resettlement) to be match funded using the existing TA budget and HPG funding
- Cabinet give delegated authority to the Section 151 Officer / other member of Corporate Leadership Team, in consultation with the Portfolio Holder for Housing and Benefits, to agree the specific purchase of up to four properties (within the identified budget limits).