

**Executive Board – 16<sup>th</sup> July 2024**

<b>Subject:</b>	Local Authority Housing Fund Round 3
<b>Corporate Director(s)/Director(s):</b>	Sajeeda Rose, Corporate Director of Growth & City development
<b>Executive Member(s):</b>	Cllr Jay Hayes, Executive Member for Housing and Planning
<b>Report author and contact details:</b>	Laura Marsden/Mark Lowe, Head of Housing & Regeneration Telephone: 0115 8763532 Email: mark.lowe@nottinghamcity.gov.uk
<b>Other colleagues who have provided input:</b>	Dawn Cafferty, Head of Procurement Thomas Straw, Senior Accountant Vendie Charles, Commercial Solicitor
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 8 <sup>th</sup> May 2024
<b>Total value of the decision:</b>	£1.633m
<b>Section 151 Officer expenditure approval</b>	Has the spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a Spend Control Board approval reference number:
<b>Commissioner Consideration</b>	Has this report been shared with the Commissioners' Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Any comments the Commissioners wish to provide are listed below.
<b>Wards affected:</b>	City Wide
<b>Date of consultation with Executive Member(s):</b>	20/06/24
<b>Relevant Council Plan Key Outcome:</b>	
Clean, Green and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Living Well in Our Communities	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
The government has allocated £1.633m of Local Authority Housing Fund (LAHF) funding to Nottingham City Council (NCC) for the purpose of providing homes for Afghan Citizen Resettlement Scheme (ACRS) families and accommodation for homeless families. The third round of the LAHF was announced in the Autumn Statement 2023 and runs over the 2024-25 and 2025-26 financial years. The fund directly allocates a sum to Nottingham City Council (NCC), which we have approval to provisionally accept through the signing of the Memorandum of Understanding (MOU) once it is made available by the Department of Levelling Up, Housing and Communities (DLUHC) which was signed subject to formal approval. Nottingham City Council (NCC) is looking to utilise a partnership model for the delivery of accommodation to support these specialist groups and the intention is to select a third party Registered Provider (RP)	

partner to utilise the grant funding and provide the match funding required
<b>Does this report contain any information that is exempt from publication? No</b>
<b>Recommendation(s):</b>
<b>1</b> To accept the Local Authority Housing Fund (LAHF) grant allocation from the Department of Levelling Up, Housing and Communities (DLUHC) and delegate authority to the Corporate Director of Growth and City Development to formally enter the MOU
<b>2</b> To identify a Registered Provider (RP) to deliver the agreed outputs via a compliant open procurement process
<b>3</b> To award the Local Authority Housing Fund (LAHF) funding to the selected Registered Partner (RP) via a Grant Funding Agreement
<b>4</b> To delegate authority to the Corporate Director of Growth and City Development to approve and enter into subsequent grant agreement and nominations agreement with appropriate conditions and restrictions

## 1. Reasons for recommendations

- 1.1 If the above recommendations are accepted and implemented, they will enable the Local Authority Housing Fund (LAHF) allocation to be retained by the city rather than returned to the Department of Levelling Up, Housing and Communities (DLUHC)
- 1.2 This funding will enable 5 units of Afghan Citizens Resettlement Scheme (ACRS) homes and 12 additional units of affordable homes for homeless families to be delivered for the benefit of Nottingham citizens and Nottingham City Council (NCC)
- 1.3 The delivery of housing for homeless families will enable savings to general funds homelessness expenditure on Nightly Paid Temporary Accommodation (NPTA)

## 2. Background (including outcomes of consultation)

- 2.1 Autumn Statement 2023 announced that the Department for Levelling Up, Housing, and Communities (DLUHC) would be launching a third round of the Local Authority Housing Fund (LAHF), to the value of £450 million, to run over the financial years 2024-25 and 2025-26
- 2.2 The funding guidance published by Department of Levelling Up, Housing and Communities (DLUHC) states that the Local Authority Housing Fund Round 3 (LAHF R3) will:
  - support local authorities to acquire good quality, and better value for money Temporary Accommodation (TA) for families owed a homelessness duty. This will reduce the usage of B&B accommodation and will enable local authorities to grow their housing stock, creating sustainable assets to help manage local housing pressures.
  - continue to provide resettlement housing for those on the Afghan Citizens Resettlement Scheme (ACRS). These homes would then become available to support wider local authority general housing and homelessness responsibilities after the resettlement needs of the eligible cohort have been addressed.
  - Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply

- 2.3 Nottingham received an initial LAHF R3 funding allocation from DLUHC in March 2024 and an initial expression of interest was returned on 25th March 2024. The Memorandum of Understanding (MOU) detailing the agreed allocation between the Council and DLUHC is being finalised by DLUHC and once this is provided to the Council we intend to sign as per the delegated approval granted by S151 Officer at the councils Corporate Leadership Team (CLT) on 7<sup>th</sup> May
- 2.4 The funding offer from DLUHC for Nottingham consists of an indicative allocation of £1,633,500 of capital grant funding (under section 31 of the Local Government Act 2003) and we are required to deliver:
- a minimum of 12 homes for the Temporary Accommodation or housing to prevent or alleviate homelessness.
  - a minimum of 4 homes for the ACRS Resettlement Accommodation
  - a minimum of 1 home for the ACRS Large Resettlement Accommodation
- 2.5 The allocation has been based on the following:

<b>Total Funding Allocation</b>	<b>£1,633,500</b>	
<i>Based on:</i>		
Area Median Property Price	(£185,000)	
Base Grant Rate (40% of Median)	£74,000	
Large Resettlement Unit (50% of Median)	£92,500	
On Costs per unit	£21,000	
<b>DLUHC Funding Offer</b>		
TA	12	£888,000
Resettlement	4	£296,000
Large Resettlement	1	£92,500
Total On-Costs		£357,000
Total	17	<b>£1,633,500</b>
Revenue Funding available		£12,125

- 2.6 The funding for the 12 units of homelessness accommodation is contingent of the delivery of the 5 units of ACRS accommodation. Accommodation for refugees in Nottingham is provided by third party organisations rather than by the Council directly as part of the Councils commissioning and enabling role. The intention is to continue with this approach in relation to this funding by selecting an RP partner to deliver both elements of the accommodation
- 2.7 Further, due to existing commitments within the capital programme, there is not sufficient match resource available in the required timeframe. The base grant rate awarded is 40% of the average 2/3 bed home cost of £185k in Nottingham. Working with a third-party RP partner will provide a mechanism for partners to lever in match funding
- 2.8 It is therefore proposed to secure a third party Registered Provider (RP) and award the allocated funding via a funding agreement to enable them to provide both elements of the funding requirement

- 2.9 A condition of the grant transfer will be entering into a nominations agreement with NCC, that will stipulate the homes be let to either refugees or people/families on the Homelessness register and where homeless relief duty will be ended (dependent on the element of the funding, in line with DLUHC requirements)
- 2.10 The LAHF programme allows NCC to work in partnership with third party Registered Providers to deliver the homes and to ensure that any contractual arrangements or MOU frameworks adopted with delivery partners contain appropriate mechanisms to enable delivery of the LAHF programme objectives
- 2.11 Although the programme promotes the provision of Temporary Accommodation (TA) for the homeless families allocation of funding, where appropriate, local authorities can use this funding flexibly to procure accommodation which supports them to prevent homelessness or provide relief duty for eligible families. In order to provide a longer-term solution for families at risk of homelessness, we intend that the properties acquired by the partner RP will be let as Affordable rent homes on Assured Short hold Tenancies (AST's). This will provide a longer term, settled housing solution with a tenancy rather than temporary accommodation which families will ultimately need to move on from. This will also be applicable to all Afghan Citizens Resettlement (ACRS) units as the fund should be used to increase access to settled accommodation for this target cohort
- 2.12 In the event that a third party cannot be secured then the Council will have to return the funding and could do so without penalty
- 2.13 If NCC is successful in securing a partner and 100% nomination rights to these properties, then the homeless element of this funding will deliver a significant saving to the Council's temporary accommodation budget. Homes for 12 households on the homelessness register could potentially save the Council circa £393k per annum compared to the cost of bed and breakfast accommodation (£90 night x 7 days x 52 weeks x 12 units)

### **Procurement of a Registered Provider Partner**

- 2.14 NCC will undertake a competitive call for competition to enter into a grant funding agreement, which will ensure a compliant route to market appropriate for the size of the grant allocation. The successful RP will enter into a funding agreement and nominations agreement with the Council, which will contain monitoring obligations/KPIs mirroring those the Council will be expected to provide to DLUHC as per the MoU or subsequent grant agreement
- 2.15 The provision of affordable housing in Assured Shorthold Tenancies (ASTs), means that there is no support anticipated and therefore no requirement for onward revenue support to the RP
- 2.16 The grant agreement will specify that the funding needs to deliver 1x large unit and 4x smaller units for Afghan Citizens Resettlement Scheme and 12 x units for homeless households to be delivered by end 2025/6. They will be available on Assured Shorthold Tenancies for Affordable Rent in line with the selected Registered Provider's letting and allocations policy and requirements

- 2.17 The selected RP will be required to enter into a Nominations agreement with the Council for all properties and this will stipulate the homes be let to ACRS families or people/families on the Homelessness register and where homeless relief duty will be ended. It will include a minimum term for operation for the specified use and permitted subsequent use. This mechanism will support the delivery of a 'housing legacy', by which the funding programme aims "to create a lasting supply of affordable housing for the general population" which is available for the lifetime of the properties
- 2.18 A specification will be provided that will include the type and location of properties to be acquired, tenure type and management and maintenance expectations will be made available. The specification will also specify the term and detail of the nominations agreement, the minimum term for which the properties are to be used for the stipulated purpose and what purpose they can be used for after this period, as well as conditions and restrictions should the scheme need to cease or partner cease operation
- 2.19 Submissions will be recommended from RPs and private RPs who can demonstrate established good practice in management and maintenance, as well as the financial capacity to deliver the scheme initially and into the future. Tenders will be assessed as to the ability to meet the specification and timescales of the scheme, quality expectations regarding management and maintenance (e.g. complaints, allocations and safeguarding procedures), a proven track record of experience with client groups and financial capacity
- 2.20 A Subsidy control assessment will be completed once the final MOU from DLUHC has been received

### **Grant/Funding Agreement**

- 2.21 The funding agreement will need to include details of the arrangements between the parties, the payments to be made, funding timescales and other general provisions to ensure that it is able to meet the requirements under the Council's LAHF MOU with DLUHC
- 2.22 This will include but not be limited to;
- monitoring, accountability and reporting requirements
  - compliance with internal governance and constitutional requirements, including but not limited to subsidy control measures, equalities duty, its procurement rules, and measures
  - requirement to monitor timescales, spend, outputs and outcomes as per agreed indicators
- 2.23 The funding agreement must cascade all the obligations imposed on the Council by the LAHF MOU and thereafter have, in addition, provisions that afford the Council some protection should the funds not be used as envisaged and/or DLUHC seek to clawback some, or all, of the funding for some other reason as stated in the MOU
- 2.24 The Council itself could be subject to DLUHC suspending, withholding or recovering funding if the Council fails to comply with the MOU including funding commitment and spend deadlines. The risk of clawback of already paid grant is minimal due to the funding being a section 31 grant, however the Council will need to ensure that its agreement with the selected RP, gives the

Council sufficient rights to suspend, withdraw or recover funding if the Council is subject to this from DLUHC

2.25 The Council will also need to ensure that its agreement with the selected RP gives the Council sufficient rights to suspend, withdraw or recover funding from the RP if the specified units are not delivered and the funding has not been defrayed. Also, if determined the rights to recover any remaining funding from the RP partner if the full allocation of units are not delivered and the funding has been partly defrayed

2.26 The LAHF funding allocation provides a revenue amount of £12,125. This amount may be utilised to support the legal works required to produce the funding

### 3. Other options considered in making recommendations

3.1 **The Council to utilise funding and deliver units:** Although the Council could choose to utilise this funding ourselves, we already have subsidy available from the Right to Buy Replacement Funds (RTB RF) to support the purchase of properties within the Housing Revenue Account (HRA) which can be used for either Permanent or Temporary Accommodation. If RTB RF are not used, then these will have to be repaid to the Government with a punitive interest. NCC already have an agreed purchase programme in place where the match funding is sourced via HRA revenue contributions to capital. The number of properties identified for purchase within this programme are a realistic assessment of what the Council will be able to source and complete within the timescale. Given this, the maximum benefit of the LAHF3 funding can be achieved by locating a third-party partner to supplement our own programme by sourcing additional properties. The LAHF3 funding can only be used for additional units so could not be put towards the conversion of existing properties

Additionally, the Council does not directly deliver ACRS housing and relies on third parties to provide this accommodation, as such the Council would therefore be unable to deliver this element of the funding in the timescales which is conditional on being able to access the funding for the accommodation for homeless families

There is an increased risk of properties (especially larger homes required by the LAHF scheme) exiting their intended use via RTB if they are delivered by a local authority as opposed to a RP

3.2 **Different RP's are selected to deliver the separate ACRS/TA elements of the funding:** The homelessness funding is contingent of the delivery of ACRS homes and a proportion of the latter needs to be in train before the TA funding can be accessed. The two streams are interdependent and therefore we would want to offer the grant as one package to one RP. This would prevent the need for partnership arrangements between two RPs in addition to our own agreement

3.3 **Do not utilise funding and forfeit back to DLUHC:** In the event that a third party cannot be secured or there if approval is not granted to deliver the scheme as outlined in this report, then the Council will have to return the funding and could do so without penalty. However, this would mean that the funding would not be utilised in the city for the benefit of Nottingham citizens

and to help reduce the budgetary pressures in delivering temporary accommodation

#### **4. Consideration of Risk**

4.1 No RP partner is identified via the identified procurement route: In the event that a third party cannot be secured then the Council will have to return the funding and could do so without penalty

4.2 RP partner goes bankrupt after the funding has been defrayed and units acquired: This is an unlikely risk that will have to be managed if it occurs. A suitable clause could be included in the grant agreement which could provide a level of security for the funding however as it is external grant there would be limited financial risk to the council anyway. In addition, clauses and restrictions on the property register could be included to ensure the properties are transferred to another register provider of social housing in the event of the appointed RP ceasing to operate

4.3 Grant conditions not adhered to by RP/MOU is breached: The proposed grant agreement will ensure that the council are able to meet its requirements under the MOU with DLUHC. If they are not adhered to by the RP there will be mechanisms within the grant agreement that will allow for funding to be recovered by the Council from the RP. Through the competitive call for competition we will also ensure that the selected RP have a suitably experienced delivery/management team and delivery/programme plan in place

4.4 Clawback of grant if MOU is breached: This is a section 31 grant and therefore the risk of grant clawback is minimal however the payment of the grant is made in tranches subject to the meeting of conditions within the MOU. These will be mirrored in the funding agreement with the Registered provider and the Council will need to ensure that its agreement with the selected RP, gives the Council sufficient rights to suspend, withdraw or recover funding if the Council is subject to this from DLUHC

#### **5. Best Value Considerations, including consideration of Make or Buy where appropriate**

5.1 The recommended proposal to transfer the LAHF funding to an RP partner will enable the funding to be utilised for the purposes of providing additional housing for ACRS and homeless families but will require no additional financial contribution from the Council. The city will be able to benefit from this funding opportunity but at no financial cost to the council

#### **6. Commissioner comments**

6.1 The Commissioners are content with this report

## 7. Finance colleague comments (including implications and value for money/VAT)

7.1 The expenditure within this decision is classed as Capital Expenditure and formal approval of this decision will increase the approved capital budget in the following years:

	2024/25 £m	2025/26 £m	Total £m
Forecast Expenditure	0.720	0.914	1.634

7.2 The assets are to be owned by a third party (i.e. the appointed RP), therefore, this project does not lead to any future maintenance risk for the Council. As detailed in the body of the report this project will reduce the need of B&B for homelessness and reduce homelessness pressures in future years

7.3 The grant agreement between Nottingham City Council and the appointed RP needs to ensure that the Council's financial position is protected from any financial clawback as part of the MoU

7.4 This scheme has been endorsed by Capital Board in May 2024

Tom Straw, Senior Accountant (Capital Programmes) – 17<sup>th</sup> June 2024

## 8. Legal colleague comments

8.1 The report seeks authority to accept Local Authority Housing Fund (LAHF) grant funding from the Department of Levelling Up, Housing and Communities (DLUHC) of £1.633,000 to be used to acquire 5 properties under the Afghan resettlement scheme (ACRS), and 12 properties for Temporary accommodation (TA), with a requirement that these properties create a housing legacy. The report author has indicated that NCC does not intend to utilise the grant funding directly due to the match funding requirement, but instead propose to elect to award grant funding to a Registered Provider (RP) to acquire these properties. I understand that an open competitive procedure call to competition would be undertaken to select a provider and enter into a grant funding agreement with the selected RP

8.2 The proposal to award grant funding to an RP is allowed under the MOU, however, utilising this option does present financial risks to NCC if subsequent grant conditions are breached, with claw back, suspension or withdrawing of grant funding implications for NCC. It is incumbent on NCC to ensure that any recipient of grant funding receives all obligatory documents cascade down to the RP for which the Council remains primarily liable under any grant agreement/MOU with DLUHC to safeguard against any potential breach. NCC must ensure that all conditions and restrictions regarding the use of the properties, ensure the properties creates a housing legacy in accordance with grant funding conditions

8.3 It is prudent that a carefully designed grant funding application procedure is applied, with all relevant conditions and restrictions clearly identified, along with robust drafted grant agreements, dealing with all relevant conditions and restrictions required on use of properties with the RP and how properties would be held and relevant restrictions placed on each property register for NCC's protection on any proposed future disposal or transfer, to comply with



the requirement that properties creates a housing legacy in perpetuity under grant funding conditions

- 8.4 There is an overarching duty on the Section 151 Officer to ensure that services are discharged as per the grant funding requirements. Therefore, contract manager must ensure that they are strict in complying with their contract management duties, including complying with all its internal governance and constitutional requirements, including equalities duty, its procurement rules, and subsidy control principles are complied with, all assurance arrangements as per grant condition are in place, and the added requirement that NCC guard against fraud risks in all aspects of the contract management, by applying robust due diligence. It is imperative that competent contract management is in place to ensure Grant finding conditions are complied with
- 8.5 Legal colleagues in property should be consulted to assist on drafting relevant property conditions/restrictions for grant agreement to enter on property register at Land Register and in procurement document and the finer workings on any potential disposal or transfer. Consideration must be given that any grant funding not used for the intended purpose, or incomplete projects, exposes NCC to substantial financial risk and liable to claw back, with the Council having the overall liability to DLUHC by way of repayment. It is advisable that any proposed property disposal by the RP should require repayment of grant funding to NCC due to claw back from DLUHC
- 8.6 The grant funding has strict requirements that the Section 151 Officer provides a statement at different phases of the project, stringent contract monitoring and reporting requirements of phases of the project delivery, the author of the report would need to provide further information on how they would ensure compliance and how they would retain a substantial level of control over the RP to ensure compliance. The proposal of using an RP to deliver the properties under the grant funding raises financial risks to NCC, it is therefore prudent for NCC ensure robust due diligence is employed in securing the right RP with all notable restrictions and conditions clearly included for transparency
- 8.7 In selecting any RP from an open competitive procedure, particular care in financial due diligence must be carried out in assessing that the RP is financially viable and can comply with all grant funding conditions and the ability to match grant funding and deliver all properties under the grant funding in perpetuity (consideration should be given in the procurement application process that requires RPs' provide proof of matched funding clearly identified at the time of the competitive procedure application in compliance with proof of matched funds from the RP
- 8.8 NCC must ensure that in receiving grant funding that it is able to comply with the conditions laid out in the final MOU and grant conditions from DLUHC, and that any grant funding award to an RP, that all grant funding conditions and restrictions are cascade down in any grant agreement
- 8.9 The report author must obtain the necessary prior approval from the Section 151 Officer, to ensure compliance with the restrictions imposed upon the Council within the Section 114 Notice

- 8.10 The information that is available, supports that the proposal falls outside the Contract Procedure Rules (and relevant procurement legislation), thus the report author proposing a call for competition to enter into a grant funding agreement
- 8.11 Provided grant funding terms are complied with and any onward spend of monies by an RP for the acquisition of 17 properties, are in accordance with the Council's Constitutional requirements, and procurement rules. Further consideration would need to be given to the commercial and financial mechanism of the proposal and a review of the final MOU and grant funding agreement, to alleviate any legal concerns with the recommendations
- 8.12 Legal services will continue to support the report author as required to complete the necessary formalities required by government in terms of putting in place the necessary grant agreements and work along with procurement colleagues

Vendie Charles, Contracts Commercial Solicitor - 17<sup>th</sup> June 2024

## 9. Procurement colleague comments

- 9.1 This paper relates to the receipt and allocation of Local Authority Housing Fund grant funding from DLUHC for the provision of homeless accommodation. It is proposed to transfer the funding to a Registered Provider (RP) to acquire property, meeting the requirements of the grant. From the information currently available this is understood to be outside the scope of Contract Procedure Rules (and relevant procurement legislation), and that an appropriate route to secure an RP would be a call for competition to enter into a grant funding agreement. It should be noted that this advice is given in principle to enable progress to receipt of funding and is pending receipt of the final MOU from DLUHC. It is recommended that further detailed consideration is given to the commercial and legal risks when the document is made available. This should include an assessment of Subsidy Control Principles. Following this further consideration, the final funding mechanism and route to secure the RP will be confirmed. The Commercial Hub will support as necessary with the chosen route to market

Dawn Cafferty, Head of Procurement - 5<sup>th</sup> June 2024

## 10. Crime and Disorder Implications (If Applicable)

10.1 N/A

## 11. Social value considerations (If Applicable)

11.1 N/A

## 12. Regard to the NHS Constitution (If Applicable)

12.1 N/A

## 13. Equality Impact Assessment (EIA)

- 13.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because this regarding a transfer of grant for the delivery of a project led by an external organisation

**14. Data Protection Impact Assessment (DPIA)**

14.1 Has the data protection impact of the proposals in this report been assessed?

No



An DPIA is not required because this regarding a transfer of grant for the delivery of a project led by an external organisation

**15. Carbon Impact Assessment (CIA)**

15.1 Has the carbon impact of the proposals in this report been assessed?

No



An CIA is not required because this regarding a transfer of grant for the delivery of a project led by an external organisation

**16. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

16.1 N/A

**17. Published documents referred to in this report**

17.1 N/A