NORWICH City Council

Committee name: Cabinet

Committee date: 08/02/2023

Report title: **Department of Levelling Up, Housing and Communities funding opportunities for housing**

Portfolio: Councillor Harris, Deputy leader and cabinet member for social housing

Report from: Executive director of community services

Wards: All Wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider the acceptance of funding to deliver additional affordable housing.

Recommendation:

It is recommended that cabinet:

1. Delegate authority to the executive director of communities, in consultation with the council's Section 151 officer and the cabinet member for social housing, to acquire 24 properties for the council's Housing Revenue Account (HRA).

2. Delegate authority to the executive director of communities, in consultation with the council's Section 151 officer and the cabinet member for social housing, to determine the appropriate rent level subject to any approval required by the Secretary of State or the Regulator of Social Housing.

3. Delegate authority to the executive director of communities, subject to business case and in consultation with the council's Section 151 officer and the cabinet member for social housing, to approve the acceptance of funding from the Department for Levelling Up, Housing and Communities (DLUHC).

4. Recommend to Council, the adjustment of the 2022-25 HRA capital programme, to fund the acquisition of the dwellings as set out in the report.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.

- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the ‘Norwich has the infrastructure and housing it needs to be a successful city’ corporate priority.

This report addresses the following priority or action in the Corporate Plan:

- Provide and encourage others to provide new homes, open spaces and infrastructure for residents
- Secure and manage funds from a range of sources to invest in the city

This report helps to meet housing strategy adopted policy of the Council

This report helps to meet the housing, regeneration and development objective of the COVID-19 Recovery Plan

DLUHC Funding Opportunities

1. The Corporate Plan 2022-2026 identified the key actions to ‘provide and encourage others to provide new homes, open spaces and infrastructure for residents’ and to ‘secure and manage funds from a range of sources to invest in the city’

2. The council has recently been contacted by the Department for Levelling Up, Housing and Communities (DLUHC) regarding two funding opportunities that are provisionally allocated to the Council.

3. The first is through the Norfolk Devolution Deal, where up to £2m has been provisionally allocated to deliver new affordable housing

4. The second is through the Local Authority Housing Fund (LAHF) with £1.466m provisionally allocated towards providing accommodation for Ukrainian and Afghan refugees.

Norfolk Devolution Funding

5. DLUHC have provisionally awarded the city council funding, subject to business case being approved by them, for the acquisition or development of new affordable housing in the city. This funding is to provide up to 50% of the total cost, with the city council providing the remaining 50% from the Housing Revenue Account (HRA)

6. DLUHC have indicated that the funding is available in 2022/23 and would like the majority of the spend within this financial year.

7. Officers have looked at options to acquire either new-build properties currently under construction or those available on the open market.

8. When considering the options officers considered the overall cost, the specification of the available homes including environmental performance and delivery / acquisition timeframes.

9. The preferred option to fulfil the requirements is to acquire 12 homes currently under construction with details set out in the exempt appendix to this report.

10. Due to the nature of the development under consideration it is also recommended that the council acquires a further 12 properties directly by the HRA utilising 40% retained RTB receipts and the remainder coming from existing HRA reserves or borrowing.

11. The final decision on the funding availability is subject to the business case being approved by DLUHC, match funding being approved by full council, and approval by the developers Board. We are therefore seeking delegated authority to the executive director of communities to approve the acquisitions and the acceptance of the funding once confirmation is received.

12. For the HRA match funding to acquire the initial 12 dwellings DLUHC have agreed that the council could utilise retained Right to Buy (RTB) receipts to fund a further 10% of the total cost with the remaining 40% coming from HRA reserves or borrowing.

Local Authority Housing Fund (LAHF) Refugee funding

13. DLUHC has recently announced LAHF funding to provide accommodation for Ukrainian and Afghan refugees.

14. The City Council has provisionally been allocated sums outlined in the exempt appendix within 2 funding streams:

    a. Main element - funding to provide a minimum of 13 dwellings. This funding is based upon 40% of average lower quartile house prices for Norwich plus an additional amount to fund refurbishment and furnishing costs.
    b. Bridging element – funding to provide a minimum of 2 larger 4-bed+ homes for refugees currently residing in bridging accommodation. This is based upon 50% of average lower quartile prices for 4-bed+ accommodation plus an additional amount to fund refurbishment and furnishing costs.

15. DLUHC are asking for early delivery of this accommodation with an expectation that all acquisitions will be completed by end of November 2023.

16. Officers have met with colleagues from Norfolk County Council, people from abroad team, to discuss the housing needs of current refugees. They have advised an ideal property mix for the main element of 10 x 2/3-bedroom properties for Ukrainian families and 3 x 4/5-bedroom properties for Afghan families with the additional 2 x 4/5-bed dwellings being for families currently residing in bridging accommodation.

17. DLUHC have advised that the council would need to provide both elements of the scheme and cannot just provide the main or bridging elements in isolation.

18. The options included within the prospectus allow for:

    a. Refurbishing and/or converting local authority-owned residential or non-residential buildings, including defunct sheltered accommodation.
    b. Acquiring, refurbishing and/or converting non-local authority owned residential or non-residential buildings, including bringing empty or dilapidated properties back into use.
    c. Acquiring new build properties ‘off-the-shelf’, including acquiring and converting shared ownership properties.
    d. Developing new properties, including developing modular housing on council owned sites, and
    e. Working with and supporting other organisations who want to offer accommodation for this cohort

19. In Norwich there are currently very few properties available at average lower quartile house prices, particularly for family housing, and so the preferred option is likely to be refurbishing existing long-term city council owned properties that are void and require major works.

20. DLUHC have set a timetable that required the council to express an interest in the scheme by 25 January, which has been done, with proposals then worked up for submission by March 2023.

21. Cabinet is asked to approve delegated authority to the director of communities, in consultation with the council's Section 151 officer and the portfolio holder for social housing, to work up the business case for this proposal and to submit to DLUHC by the required deadlines.

Consultation

22. Officers have consulted with cabinet and labour group councillors on the proposals to acquire the 24 dwellings, with broad approval to accept the funding on offer subject to confirmation by DLUHC.

Implications

Financial and resources

23. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.

24. The acquisition of 24 properties from a developer and the LAHF project both require additional budget in 2022/23 and future years. Details are in the exempt appendix to this report.

Legal

25. Section 120 of the Local Government Act 1972 provides Local Authorities general powers to acquire land for the purposes of any of their functions, or to benefit, improve or develop their area.

26. Section 9 of the Housing Act 1985 states that a local authority may provide housing accommodation by acquiring houses.

27. Nplaw has confirmed that as the council is acquiring new-build properties off-plan at a market value then public procurement rules wont apply.

28. Legal advice and guidance will be sought from nplaw on the grant agreements when received.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	If successful with the LAHF funding the council will consider its duties to prospective residents under the Equality Act 2010. Refugees are defined and protected in international law. The 1951 Refugee Convention defines a refugee as 'someone who is unable or unwilling to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion.

Consideration	Details of any implications and proposed measures to address:
Health, social and economic impact	The acquisition of 24 new affordable homes will provide much needed accommodation for residents on the waiting list. The provision of sufficient and high-quality housing is essential to health and well-being of residents. The provision of homes designed to high environmental standards and let at affordable rents will advance financial inclusion by helping to improve affordability for residents. This development has provided employment opportunities, with the construction being undertaken by local contractors, supported by local suppliers, and has generated local spending for the benefit of the wider economy. Providing more housing is important in supporting sustainable economic growth and prosperity
Crime and disorder	The properties are designed along secure by design principles
Children and adults safeguarding	Providing homes for refugee families will positively impact upon their safeguarding.
Environmental impact	The 24 properties being acquired meet a high environmental standard that will help to address fuel poverty for the tenants. Consideration has also been given to amenity space and biodiversity on the development.

Risk management

Risk	Consequence	Controls required
Financial Risk The acquisition of properties from a developer is subject to business case approval by DLUHC and Council approval of budget.	If approvals from DLUHC or council are not approved the project would be unviable	On-going discussions with DLUHC. The project is outside the current HRA business plan but is affordable to be included. Deemed low risk as the project is included within the Norfolk Devolution deal and project is viable for the HRA.
Developer approval of price by their board	Negotiations have been positive with the developer and a	On-going discussions with the developer

Risk	Consequence	Controls required
	discount provisionally agreed through negotiation. If their Board do not approve the price then the project would need to be re-evaluated and may be unviable.	
The regulator of social housing doesn't approve the higher rent levels	There is a process for the uplifting of rents for new properties where this can be demonstrated to be required on viability grounds	Deemed low risk as standard process with the regulator
Reputational Risk DLUHC have confirmed the inclusion of funding for affordable housing in the City as part of the Norfolk Devolution Deal. Refusal of this funding could damage the council's reputation.	The council has a positive relationship with DLUHC and has been successful with several recent bids for grants in particular to support affordable housing. Refusal of this funding could damage future bids for funding.	Deemed low risk as the council has a viable project to utilise this funding.

Other options considered

29. Officers considered the acquisition of open market properties for both sets of funding, however there is a lack of properties available on the open market that would meet the same value for money in terms of initial costs, and refurbishment / future costs to meet future homes standard.

30. The preferred option for the devolution funding is to acquire available new-build properties to a high environmental standard that will help address fuel poverty for residents and that are affordable to the HRA and do not require extensive retrofit in the future.

31. The preferred option, due to cost, for the LAHF funding is to refurbish existing local authority owned stock.

Reasons for the decision/recommendation

32. Cabinet are asked to approve delegated authority in order that officers can progress both projects under the different funding streams as and when funding is confirmed.

33. **Background papers: N/A**

Appendices: Exempt Appendix to this report

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