

Use of Housing Reserves to Enhance Delivery

Summary: This paper provides information on the level of housing reserves held by NNDC as at 31/3/21, which were £2.516m; and includes information on the source of these reserves.

The report goes on to set out some proposed uses for these reserves; including reference to a paper elsewhere on today's agenda which set out proposals for maintaining and strengthening staffing resources in Peoples Services.

The report sets out plans and commitments already in place to use some of the funding, i.e. continuing to fund the Community Enabler post and ensuring some grant funding remains for community-led housing.

The report further recommends that funding is used to support a dedicated energy officer role to help deliver many of the energy efficiency projects included in the agreed Housing Strategy

The report then recommends uses for the remaining housing reserves to enhance housing delivery, which are in line with the objectives in the Housing Strategy.

Options considered: Options considered for use of reserves, in line with agreed Housing Strategy objectives, are set out in the body of the report.
Retaining un-committed reserves was rejected as an option as it is considered that releasing the funding can have a positive impact on housing need at this time.

Conclusions: £2.516m of housing reserves were brought into 2021/22. Some of these reserves have already been committed to existing salaries and projects. However, the remaining reserves can be used to help meet housing needs in the district in line with the Corporate Plan objective Local Homes for Local Need.

Recommendations: That Cabinet support the recommended uses of the £2.516 of housing reserves to fund the continuation of posts and restructure of Peoples Services, continuation of community-led housing activity and an energy officer role (as set out in paragraphs 2.1 – 2.11)

That Cabinet support use of the remaining £890,246 of reserves to accelerate housing delivery (as set out in paragraphs 2.12 – 2.25), including the purchase of two further units of temporary accommodation for homeless households.

That Cabinet gives delegated authority to a Chief Officer, in consultation with the Portfolio Holder for Housing & Benefits, for the purchase of the specific properties within the overall re-allocated budget of £640,000 (with all purchases subject to an independent valuation and survey).

Reasons for Recommendations: To provide authority for expenditure over £100,000.

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)

<p>Outturn Report – Period 12 budget monitoring (Cabinet 6th September 2021) Community Housing Fund (Cabinet 6th February 2017)</p>
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<p>Cabinet Member(s) Cllr Wendy Fredericks</p>	<p>Ward(s) affected Districtwide</p>
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1. Introduction

1.1. The Housing Strategy 2021-2025 was recently agreed at Full Council on 21/7/21. The Strategy and accompanying action plan set out the Council's priorities for housing and the actions and interventions which the Council, partners and stakeholders will undertake to deliver the key priorities for Housing. The Strategy covers four main areas of activity:

- Increasing the supply of new housing
- Improving housing stock condition in the private sector
- Making better use of existing housing
- Supporting vulnerable residents

1.2 The Strategy builds on much of the current ongoing work to improve housing in the district (such as development of an effective Local Plan, enabling activity to support delivery of new affordable homes, particularly support to community-led housing). This 'foundation' work is key to ensuring the right environment is in place to ensure delivery of new homes and other aspects of the Strategy. Many housing projects, especially building new homes, are slow-burn projects with results delivered several years down the line. There have been significant housing delivery successes over the last year or so:

- The council now has 12 homes in its ownership for use as temporary accommodation (with one further home being purchased and one being converted to bring the total to 14).
- Delivery of the first Extra Care housing scheme providing 66 affordable homes with support for older people in Fakenham, and

Planning Permission submitted for a further scheme.

- Delivery of new affordable homes above the 100 homes per annum target; 108 delivered in 2020/21 and 183 in the pipeline for 2021/22
- 1.3 There are some specific sources of funding for housing activity (beyond use of generic council funding sources) and the key sources are:
- Revenue grant funding for homelessness prevention work, including specific funding for tackling rough sleeping. These are government grants provided to the council to help perform our statutory duty in relation to prevention and relief of homelessness
 - Fee income from delivery of Disabled Facilities Grants to cover the council's services as an agent (specifying and managing grant works)
 - Community Housing Fund – this was one-off funding from government in recognition of the impact of second and holiday homes on communities and is used for enabling activity to support delivery of new affordable homes, in particular community-led housing schemes.
 - S106 Commuted sums – this is ring-fenced capital funding in lieu of on-site provision of affordable homes and can only be used to support the delivery new affordable homes.
 - Specific project grants – recently the council has received grants to help with the cost of provision of housing for ex-rough sleepers, this funding can only be used on the projects for which it was awarded.
- 1.4 A Housing Reserve of £2.516m was brought forward to 2021/22. This figure does not include the last two sources of funding (s106 or specific project grants) set out above as these are ring-fenced and not available for other uses. However, plans for use of the s106 monies are set out in paragraph 2.14 below. Given the current housing pressures in the district (high levels of homeless cases and use of temporary accommodation) and likely approaching pressures (with the end of the ban on private rented sector evictions together with the end of the furlough scheme and the temporary increase in Universal Credit) Cabinet have asked for options to use these reserves to improve / accelerate housing activity and delivery.
- 1.5 This report sets out the existing plans for use of the available housing funding together with options for additional spend to accelerate delivery. The report links to another report to Cabinet which recommends strengthening teams in the People Services directorate to help prevent housing crisis. These posts very much align with objectives in the Housing Strategy, particularly regarding support to vulnerable residents. This report assumes that Cabinet support the funding of additional resources in Peoples Services so the report focuses on options for use of any remaining housing reserves to accelerate housing projects.

2. Housing Reserves - proposed and potential uses

Peoples Services

- 2.1 The level of Housing Reserves brought forward into 2021/22 is £2.516m. This consists of the following: Homeless Grants (including Rough Sleeper Initiative and Norfolk County Council grants) - £786,961, Disabled Facilities Grant fee income - £192,123, Social Prescribing Funding - £43,211 and Community Housing Fund - £1,466,195 (there is also a small amount - £27,861 left from the Broadland loan fees).

- 2.2 Some of the reserves are already committed to funding ongoing posts and services, such as rough sleeper outreach in Peoples Services. Additionally, the restructure proposals for Peoples Services would use some of reserves (£486k – see report elsewhere on today’s agenda) over the remainder of 2021/22 and the two years 2022-2024. As proposed this review would use the Social Prescribing funding to fund social prescribing activity in 2021/22 and 2022/23, the majority of the Disabled Facilities Grant fee income to support the restructure to 2024 and some of the Homeless grant, also to support the restructure to 2024.
- 2.3 In the new Housing Strategy the restructure of People Services is important to help identify people ‘at risk of crisis’ and so prevent homelessness. (Housing Strategy – Prevention of Homelessness and Help for those who are Homeless - 4.1).

Use of Community Housing Fund

- 2.4 As set out above, the Community Housing Fund (CHF) makes up a large part of the Housing Reserves - £1,466,195 brought into 2021/22. Adding the small Broadland loan fees of £27,861 gives a total of £1,494,056 of funding broadly aimed at providing more affordable homes. The CHF was a grant received from government in 2017. The Council was awarded £2,436,942, with payment of 50% of this sum dependent on the submission of a satisfactory delivery plan. Cabinet supported the delivery plan in September 2017 which included dedicated staffing resources (now the Community Enabling Officer) plus loan and grant funding to support the development and expansion of community led housing.
- 2.5 Between 2017/18 – 2020/21 just over £1m of the CHF has been spent. On average this has been £50k per annum on staffing resources and £200k per annum on grants and support to community-led housing (e.g. for formation of new groups or expansion of existing groups such as Homes For Wells, Holt Housing Society and Stable Door – who have all received grant to help them purchase additional homes).
- 2.6 The current Community Enabling Post is a fixed term contract which runs until March 2023. This post is key, not only to delivery of community-led housing but also to help enable affordable housing especially on rural exception schemes. The Enabler works with housing associations to identify housing need, gain the support of parish councils to new affordable homes, identify suitable sites and willing landowners, liaise with Planning, carry out public consultation, etc. Without this work housing associations may not choose to develop in North Norfolk and would arguably develop in districts where development is considered ‘easier’. In line with the Peoples Services restructure and funding posts until the end of 2023/24 we propose to commit £50k p.a. to ensure continuation of the Community Enabling role.
- 2.7 In addition to the requirement to fund the Enabler role from the CHF there is an expectation that some funds will be maintained for the development and expansion of community-led housing. A new Community Land Trust has recently been formed in Swanton Novers who, together with existing groups, are likely to request funding from the Council for additional affordable homes. Additionally, £50k of grant has already been spent this year to provide support to Stable Door to purchase a further home in Sheringham. Therefore it is recommended that a budget of £300k p.a. (£50k revenue for staffing costs and £250k capital for grant) is continued for the next 3 years (2021-24).
- 2.8 Support for community-led housing is part of the Housing Strategy

(Supporting new types of Development – Supporting the delivery of community-led housing – 1.6).

Energy Officer Proposal

- 2.9 North Norfolk District has over 5,000 households living in fuel poverty. At the same time CO₂ emissions from domestic properties represent nearly 30% of carbon emissions in the district. Taking action to improve energy efficiency for low income households will help deliver corporate objectives to reduce both fuel poverty and CO₂ emissions.
- 2.10 A key element of the Corporate Plan and Housing Strategy is about improving energy efficiency and reducing fuel poverty.
- Identifying the most effective interventions to improve conditions and energy efficiency in the private sector (Corporate Plan Action Plan 1.2.2)
 - Investigate the viability of methods to help reduce fuel poverty amongst vulnerable local residents (Corporate Plan Action Plan 1.2.4).
- 2.11 This report recommends that the Council appoints an Energy Officer, initially on a two-year fixed term contract. The salary including on-costs will be £76,266. (We anticipate a contribution from Norfolk Warm Homes will fund £22,500¹ of the cost leaving a net cost of £53,766 for the Council).

The Energy Officer will be responsible for:

- Delivering the actions relating to energy efficiency and fuel poverty in the Housing Strategy.
- Identifying properties/households likely to be eligible for grants for energy efficiency improvement works and raising awareness/encouraging applications from those households.
- Providing support to grant applicants to make the application process easy and to minimise disruption caused by installation works.
- Supporting partner organisations with work that will improve energy efficiency of homes in the district.

Other Options for use of Reserves

- 2.12 In total, taking account of: the proposals for Peoples Services, continuation of an enabling role and community-led housing activity, and part-funding a dedicated energy officer post; there would be £890,246 of uncommitted Housing Reserves available (see section 5. Financial and Resource Implications).
- 2.13 This funding could be used to deliver new affordable homes. However, it is very hard to accelerate new build, which has a long lead-in period, so additional funding is unlikely to yield quick results. There are a number of actions already identified in the Housing Strategy to secure a good pipeline of new affordable homes – such as working with Planning to make the process of planning applications for affordable housing easier, continuing the enabling role (as set out above) and making available a programme of s106 funding to support schemes that might otherwise struggle due to viability.
- 2.14 S106 commuted sums are already to be used to help deliver new affordable

¹ Subject to a successful LAD3 and HUG bid.

homes. Cabinet on 23/2/21 agreed to allocate £900k of existing Section 106 commuted sums to provide enabling grant to Registered Providers to deliver new affordable homes in North Norfolk. The funding was agreed to deliver five housing schemes providing approximately 181 affordable homes between 2021/22 and 2023/24 and a £500k budget has been included in the 2021/22 capital programme. Individual reports will be presented to Cabinet for approval of grant support over £100k (the first of which is anticipated in November 2021).

- 2.15 Therefore it is not recommended that Housing Reserves are used to fund building of new affordable homes as this is unlikely to deliver quick results and s106 funds are already being used for this purpose. Recommended options to deliver housing strategy aims are set out below:
- 2.16 **Purchase of Temporary Accommodation (TA)** – the council has over the last two years purchased several additional units of TA. The People Services restructure acknowledges the impact of this and the need to adequately resource management of the homes and residents. Business cases for previous TA purchase have shown that this is a viable use of funding, reducing the net cost to the council of more expensive/poorer quality bed & breakfast accommodation and providing a rental income to the council. Available Reserves could be used to purchase further TA units. In particular we have recently purchased a Flagship disposal bungalow for £160k which requires some renovation with an estimated outturn full cost of £200k. Reserves could be used to purchase a similar further unit of TA.
- 2.17 Additionally, the Council has no acceptable TA options for large families who are faced with homelessness. There is no suitable TA available for large families and if we have to resort to bed & breakfast accommodation this is not only expensive but also means families are split across a number of separate units. The council could purchase a large property, primarily to be used as TA for large families, but which could be used flexibly in future (e.g. as a shared house for younger single people). It is likely that a budget of £440k would be required to purchase a suitable property.
- 2.18 Developing and implementing a new Homelessness and Rough Sleepers Strategy and Action Plan (Corporate Plan Action Plan 1.4.1) is a Corporate Objective and the Housing Strategy identifies delivery of further temporary accommodation (Housing Strategy Action Plan 4.2.2) as a way of helping implementation of the Corporate objective. In addition both the Corporate Plan (Corporate Plan Action Plan 1.5.3) and the Housing Strategy Housing Strategy Action Plan (3.1) see the purchase of Flagship properties rather than sale on the open market as option to deliver other housing objectives, i.e. in this case the provision of temporary housing.
- 2.19 Whilst the elements of the uncommitted housing reserves are not ring-fenced those arising from the DFG/Homelessness reserve could be used towards purchase of additional temporary accommodation.
- 2.20 **Rent guarantee** – The private rented sector in North Norfolk is relatively small and there is often fierce competition for decent properties that do become available. Increasingly landlords require not only significant deposits but also (for those on lower incomes) a rent guarantor. A guarantor needs to be someone in full time employment and/or a home owner. Many customers who approach the council for advice and support do not have anyone that can act as a guarantor for them and so trying to access private renting can be impossible. The council could act as a guarantor in such circumstances. Guarantees are generally required for the full length of a tenancy, i.e. 6 or 12 months, and must be available to cover the full cost of the rent (so for

example a rent of £800 per calendar month would require a guarantee for 6 months of £4,800). It might be sensible to set a cap, perhaps a maximum guarantee of £5,000 which would support access to most reasonably priced accommodation. As a trial it is also suggested that a relatively small provision could be made for this use – which would allow time to understand the level of default/bad debt this might incur. A pilot scheme will also help us develop and refine criteria to identify which households should be prioritised for help with this scheme. Therefore a budget provision of £50,000 to help at least 10 households into private renting could be established.

- 2.21 Although rent guarantees are not specifically mentioned in the Housing Strategy rent guarantees do help achieve the objective of Accessing Alternative Housing Options (Housing Strategy Action Plan – 3.5).
- 2.22 Whilst the elements of the uncommitted housing reserves are not ring-fenced those arising from the DFG/Homelessness reserve could be used towards rent guarantees.
- 2.23 **Shared ownership – conversion to Affordable Rent** – this year’s forecast of new affordable homes contains a particularly high level of shared ownership (SO) homes – 112 from a total of 183 homes. There is a mixture of reasons for this high number – 36 are older persons SO flats at Meadow Walk the new extra care scheme in Fakenham, 36 are homes purchased by Clarion that were due to be full market sale in Fakenham, similarly 20 are homes purchased by Broadland housing association at Holt that were also due to be full market sale homes. Most of these 92 (36+36+20) homes are already sold and in some cases the developer will not accept other tenures (i.e. rented) homes. However, there are some SO homes on sites due for delivery in 2021/22 or 2022/23 where it may be possible with grant support from NNDC, for the housing association to convert SO homes to Affordable Rent homes, which are in greater need. SO homes are more viable for housing associations – not only do they recoup some of their build costs immediately with sale of part of the home, they also charge rent on the remaining share and are not responsible for much of the repair of these homes. Therefore additional funding is required to change SO to rented homes. Discussions with Homes England and local housing associations suggest the conversion cost is around £25k per home (depending on location and type of property). £200k could be allocated to convert eight SO homes to more affordable rented homes.
- 2.24 Although not a specific objective in the Corporate Plan or Housing Strategy, conversion of shared ownership homes to affordable rent does help increase the supply of homes which meet the needs of the most vulnerable households.
- 2.25 Whilst the elements of the uncommitted housing reserves are not ring-fenced those arising from CHF reserves could be used towards shared ownership conversion to affordable rent.

3. Corporate Plan Objectives

This proposal helps deliver the Corporate Plan objective “Local Homes for Local Need”

4. Medium Term Financial Strategy

The proposals for use of Housing Reserves are based on outrun information for 2020/21 and have taken account of commitments to fund key services for

the 3-year period 2021-24. Use of reserves to help strengthen homelessness services and other Peoples Services, provide new affordable rented homes, provide access to the private rented sector for those in housing need and fund purchase of NNDC properties to be used for TA, instead of a more costly alternative such as bed and breakfast, will help reduce the Council's net spend on homelessness and TA.

5. Financial and Resource Implications

The report sets out a range of recommendations and options for use of £2.516m of Housing Reserves brought into 2021/22. The table below summarise these:

Starting Balances as at 31/03/2021	£2,516,351
Recommended Uses:	
Balance remaining after funding Peoples Services restructure (additional cost £486k) and continuation of existing posts 2021-24 (total £649,850)	£1,866,501
Balance remaining after funding continuing enabling and community-led housing activity 2021-24 (£900k)	£966,501
Balance remaining after funding part of the cost of Energy Officer 2021-23 (£76,266)	£890,246
Balance remaining after purchase TA (1 x large family TA & 1 x 'normal' TA (£640k)	£250,235
Balance remaining after establishing a private rented sector rent guarantee scheme (£50k)	£200,235
Balance remaining after converting 8 x Shared Ownership homes to Affordable Rent (£200k)	£235

6. Legal Implications

Whilst none of the housing reserves are legally ring-fenced, proposals for their use in this report are in line with the purpose for which the funding was originally awarded or allocated. Both Homelessness and provision of Disabled Facilities Grants are statutory services and strengthening these services will help us perform these statutory duties more effectively. The council is able to hold in the General Fund, and let on license, homes to be used for TA for homeless households. Legal input will be required to ensure effective conveyancing and to identify any legal constraints on properties that are considered for purchase.

7. Risks

The risks of associated with the Peoples Services review are set out in a separate report on today's agenda.

The risks associated with use of the Community Housing Fund were identified in the original Cabinet report in 2017 and the scheme has been running

successfully for four years.

The main risk relating to the energy officer post is that the Norfolk Warm Homes LAD3 and HUG bid is unsuccessful or only partially successful. In this event Norfolk Warm Homes will be unable to grant fund part of the cost of the energy officer. This risk has been mitigated by budgeting in this report for the full costs of the posts and not assuming grant funding.

The key risks and mitigations associated with purchase of properties for TA are:

- The property is a poor investment – mitigated by purchases being subject to an independent valuation
- The property has unforeseen major investment needs – mitigated by purchases being subject to a full survey
- The property is not required for TA in the future – mitigated by either sale of the asset or use as market rented home (if a housing company is in place)

The key risk associated with the establishment of a private rent guarantee scheme are: that it is oversubscribed – this will be mitigated by clear criteria for use and regular monitoring; or that tenants default on their rent and the guarantee is called in – this will be mitigated by budgeting for a bad debt allowance.

The key risk associated with conversion from shared ownership to affordable rent is that this change could be reversed in future by the housing association – this will be mitigated by use of a Funding Agreement and by securing the change in tenure through a variation to the Section 106 agreement.

8. Sustainability

The creation of an energy officer role will help raise awareness of sustainability issues and improve the energy efficiency of homes in the district. Homes purchased for use as TA will achieve good energy standards and improvements to heating and insulation will be undertaken to ensure this where required.

9. Equality and Diversity

No direct implications in this report

10. Section 17 Crime and Disorder considerations

No direct implications in this report

11. Conclusion and Recommendations

The housing reserves held (£2.516m as at 31/3/21) can be used to make a positive impact at a time of high housing need in the district. Therefore it is recommended that the funding should be used in line with the table in paragraph 5. (to support the strengthening of Peoples Services, continuation of community-led housing activity, creation of a dedicated energy officer role, purchase of two further units of temporary accommodation for homeless households, establishment of a private rented sector guarantor scheme and conversion of 8 shared ownership homes to affordable rented homes) and funds reallocated to the appropriate budgets.

Further, to allow purchase of suitable properties for temporary accommodation in a timely way, authority for individual property purchases should be delegated to a Chief Officer, in consultation with the Portfolio Holder for Housing & Benefits (with all purchases subject to an independent valuation and survey).