



**URGENT LEADER OF THE COUNCIL  
CABINET MEMBER MEETING  
4 October 2022**

# ITEM 5

Report sponsor: Strategic Director of  
Communities and Place  
Report author: Director of Housing Services  
(Derby Homes)

## **DEPARTMENT OF LEVELLING UP HOUSING AND COMMUNITIES (DLUHC) CAPITAL GRANT OPPORTUNITY LINKED TO DEVOLUTION DEAL**

### **1. Purpose**

- 1.1 In July 2022, the Department of Levelling Up, Housing and Communities (DLUHC) offered a bidding opportunity to D2N2 authorities for housing related capital projects which would be a strategic fit for the department, and which could largely be delivered in the financial year 2022/3.
- 1.2 Derby Homes, on behalf of Derby City Council, and Nottingham City Council have co-produced a bid to DLUHC for capital funding of up to £1.9m for the development of a Private Rented Sector Leasing Scheme in Derby and expansion of an existing Private Rented Sector Leasing Scheme in Nottingham.
- 1.3 Private Rented Sector Leasing Schemes create additional housing solutions for families owed duties under the Homeless Reduction Act 2017, by allowing local authorities and their partners to channel properties to households in most need; properties otherwise unavailable to homeless families in an increasingly competitive market. Such schemes also support Government's requirements for the use of B&B accommodation for families to be minimised wherever possible.
- 1.4 The scheme will enable DCC and NCC to lease up to 55 private rented sector properties from private landlords over an extended period (5 years) which can then be let to homeless families currently in or otherwise headed for B&B accommodation.
- 1.5 Derby Homes, on behalf of Derby City Council, has also produced a bid to DLUHC for capital funding of up to £1.122m to part fund the development of 15 additional homes to be owned by Derby City Council and let at and affordable rent. These homes will aim to help respond to the current shortage of affordable housing by providing additionality in the affordable housing market.
- 1.6 With historically low turnover of social housing in the city, the impact of not providing sufficient additionality is translating into more placements into temporary accommodation and bed and breakfast accommodation and those placed waiting longer and longer for more suitable longer-term accommodation.
- 1.7 The capital funding for the development of 15 additional homes is a 40% contribution towards the 2022/23 and 2023/24 capital costs of the proposed scheme. The remaining 60% will be funded through the Housing Revenue Account (HRA).

1.8 The closure date for applications to DLUHC is close of business on 10<sup>th</sup> October 2022.

## **2. Recommendations**

2.1 To authorise the submission of a joint bid with Nottingham City Council to DLUHC of up to £1.9m of capital grant (Private Rented Sector Leasing Scheme) and to authorise the submission of a bid by Derby City Council to DLUHC of up to £1.122m of capital grant.

2.2 If the Council is successful in the bidding process:

- To delegate approval of the acceptance of the resultant DLUHC grant to the Strategic Director of Communities and Place, following consultation with the Strategic Director of Corporate Resources and Cabinet Lead for Adult's Health and Housing, subject to acceptable grant conditions.
- To authorise the transfer of the Derby element of the resultant Private Rented Sector Leasing Scheme grant award to Derby Homes, in line with the 2021 Partnership Agreement.
- To delegate approval to the Strategic Director of Communities and Place, following consultation with the Strategic Director of Corporate Resources and Cabinet Lead for Adult's Health and Housing, to authorise flexibility across the Derby City and Nottingham City allocation of Private Rented Sector leasing grant to respond to underspends across either region to ensure the allocation is fully spent.

2.3 To authorise Derby Homes to identify and process all necessary grant payments to third parties in relation to the Private Rented Sector Leasing Scheme, in line with the 2021 Partnership Agreement and subject to the approval of the Strategic Director of Communities and Place.

2.4 To approve the use of Assured Shorthold Tenancies for the purpose of allocating to the newly leased properties, in line with the requirements of the bid.

2.5 To delegate to the Strategic Director of Communities and Place in consultation with the Strategic Director of Corporate Resources submit any subsequent bid and to receive grant funding in respect of the business cases detailed in paragraph 4.15

## **3. Reasons**

3.1 The submission of a bid will enable the Council to continue to expand the availability of accommodation that can be used to discharge the Councils' duties under the Homeless Reduction Act 2017.

3.2 The bid also seeks to increase the availability of accommodation for those in housing need.

3.3 In line with the Council's finance procedures rules, Cabinet approval is required prior to submitting a bid for external funding and for accepting a bid for external funding.

- 3.4 The bid requires the use of leases between Derby Homes and Private Landlords. These leases must be of a minimum 5-year duration. In turn these leased properties will be let on Assured Shorthold Tenancies with a minimum period of 6 months to those with an identifiable housing need under the Homeless Reduction Act 2017. The use of Assured Shorthold Tenancies is permitted under the terms of the Derby Homes Tenancy Policy and Councils Tenancy Strategy.

#### **4. Supporting Information**

##### **4.1 Private Rented Sector Leasing Scheme**

Both Nottingham and Derby are currently breaching the statutory limit on the use of Bed & Breakfast accommodation for families due to high volume of presentations and lack of suitable temporary/intermediate accommodation.

- 4.2 Placements into B&B are always a last resort where there are no suitable alternatives in Temporary or Move On accommodation. Placements that last for over six weeks are in breach of the statutory limit for use.
- 4.3 Both Cities are working very hard to reduce both the number and length of stay for families in bed and breakfast accommodation and both are reporting progress of their B&B reduction plans to the Department of Levelling Up, Housing and Communities (DLUHC).
- 4.4 Private Rented Sector leasing schemes create additional housing solutions for families owed duties under the Homeless Reduction Act 2017, by allowing local authorities and their partners to channel properties to households in most need, providing properties otherwise unavailable to homeless families in an increasingly competitive market. Such schemes also support Government's requirements for the use of B&B accommodation for families to be minimised wherever possible.
- 4.5 This scheme will enable DCC and NCC to lease up to 55 private rented sector properties from private landlords over an extended period (5 years) which can then be let to homeless families currently in or otherwise headed for B&B accommodation.
- 4.6 This should lead to a reduction in homeless families being accommodated in unsuitable accommodation lacking facilities and amenities that are conducive to providing a stable environment from which to normalise life as far as possible.
- 4.7 Whilst some of the lease costs will be covered by rent revenue collected through housing benefit (LHA), there will be a shortfall once the likely cost of the lease and the management costs are included. Financial modelling is based on collecting Local Housing Allowance levels of rent for both 2- and 3-bedroom properties.
- 4.8 Both NCC and DCC will use partner organisations, Framework Housing Association and Derby Homes respectively, to deliver this scheme. They will source and lease the properties the let them on Assured Short hold Tenancies to homeless families.
- 4.9 Approval has been obtained by the Chair of the Board of Derby Homes (the council owned ALMO) to enter into Leasing Agreements with Private Sector Landlords, subject to the grant award being passed over to Derby Homes.

- 4.10 Approval has also been sought from the Councils' S151 Officer and relevant Cabinet/portfolio leads.
- 4.11 Private Landlords have been approached and we are confident that we can have lease arrangements with landlords set up or in train by the end of this financial year, with letting commencing within the financial year and into quarter 1 2023/24.
- 4.12 **New build Properties bid**

4.13 The projects, listed below, aim to help respond to the shortage of affordable housing by providing additionality in the affordable housing market. With historically low turnover of social housing in the City, the impact of not providing additionality is translating to more placements into temporary accommodation and bed and breakfast accommodation and those placed waiting longer and longer for more suitable longer-term accommodation.

- Cummings Street, Normanton, Derby – Creation of an additional 4 x 2 bed houses of social housing, to be let at an affordable rent.
- Berwick Close, Alvaston, Derby – Creation of an additional 3 bed bungalow of social housing, to be let at an affordable rent.
- Chesapeake Road, Chaddesden, Derby – Creation of an additional 6 x 2 bed houses and 2 x 4 bed houses of social housing, to be let at an affordable rent.
- Whitaker Street, Normanton, Derby – Creation of an additional 2 x 2 bed houses of social housing, to be let at an affordable

The table below summarises the key construction milestones for the capital newbuild schemes:

#### Key Milestones

Address	Units	Project Managed by	Actual / Proposed Completion Date
<b>Projects on Site</b>			
Berwick Ave	1 x 3b Bungalows	Derby Homes Arcus Architects	SOS – October 2021 / ECD – October 2022.
Cummings Street	4 x 2b Houses	Derby Homes Arcus Architects	SOS – March 2022 / ECD - March 2023
Chesapeake Road	6 x 2b Houses + 2 x 4b Houses (8 units)	Derby Homes DCC Architects	SOS – February 2022 / ECD - May 2023
<b>Projects to start on Site during Q3 2022</b>			
Whittaker Street	2 x 4 bed houses	DH DCC Architects	SOS – October 2022 / ECD – July 2023

#### 4.14 Other Schemes

Across the combined authority area, expressions of interest were submitted against the devolution capital bid budget of £18 million. These were appraised and 6 schemes were agreed by the leaders of the constituent authorities for business cases to be developed. The six schemes are detailed in the below table

4.15

<b>Propo sal No.</b>	<b>Housing or Net Zero</b>	<b>Project</b>	<b>Summary</b>	<b>Geography</b>	<b>Capital Bid</b>
1e	Both	Boosting Retrofit in EMCA	Government funding for retrofit projects currently results in delivery gaps across neighbourhoods and households benefiting from funding as they fall outside of a schemes strict criterion. This funding would enable area-based delivery, increasing provision.	D2N2 across entire patch	£8.45m
20	Net-zero	D2N2 GigaHubs	Increase access to digital connectivity in the D2N2 Combined Authority area through deploying multiple GigaHubs. Focus on enhancing gigabit connection in public/community buildings in rural areas.	D2N2 specific sites across patch	£2m
1g	Housing	Shortage of affordable housing - Derby City. Reducing use of B&B's.	These projects combined will provide an addition 15 units of affordable family accommodation across 4 locations via new builds, to respond to the identified housing need in the city.	Derby City Cummings Street Berwick Close Chesapeake Whitaker Street	£1.1m
1a/b	Housing	Addressing homelessness – long term private rental scheme, reducing use of B&B's.	Reduced reliance on Bed and Breakfast placement for families through development and delivery of pilot. Private Sector Leasing Scheme in support of the discharge of LA temporary accommodation duties under Homeless Reduction Act 2017	Derby and Nottingham City	£1.8m
22	Net-zero	Growth Through Green Skills	Development of a flagship skills centre and demonstrator site for low carbon construction and retrofit in the D2N2 LEP region.	West Nottinghamshire College/Ashfield	£1.5m
27	Net-zero	D2N2 (LCWIP) strategic network improvements	Provision of cycling and walking infrastructure	D2N2 specific sites across patch	£3m

4.16 Subject to the business cases being submitted by other lead authorities there may be opportunity to secure funding from those identified as D2N” schemes across the patch in the above table.

Due to the need to spend in this year, it is proposed to delegate to the Strategic Director of Communities and Place in consultation with the Strategic Director of Corporate Resources to submit any subsequent bid and to receive grant funding in respect of the business cases detailed in paragraph 4.15

## **5. Public/stakeholder engagement**

- 5.1 The bid has been developed taking into consideration the 2020-25 Homelessness and Rough Sleeping Strategy priorities and associated action plan, developed through public and stakeholder engagement and monitored through the Homeless Liaison Forum alongside the views and opinions of lead advisors from the Department for Levelling Up, Housing and Communities. The Cabinet Member for Adults, Health & Housing has been consulted and is supportive of this bid.

## **6. Other options**

- 6.1 The Council could choose not to submit a bid for a Private Rented Sector leasing scheme. This is not recommended as the city is already struggling to meet the requirements for interim accommodation under the Homeless Reduction Act 2017. Not proceeding with a Private Rented Sector Leasing Scheme would continue to limit the housing options available to discharge these duties.

The Council could choose not to submit a bid for additional affordable new build housing. This is not recommended as the city is already struggling to meet housing need. Whilst alternate funding such as Right to Buy Receipts could be utilised to deliver these schemes, using this grant opportunity will allow for those receipts to be used to gain further additionality in the City.

- 6.2 The Council could choose to bid for alternate provision. Officers feel that the bids, as presented, provides the best opportunity to continue to manage housing need in Derby.

## **7. Financial and value for money issues**

- 7.1 As stated in the recommendations of this report, it is intended to pass the Private Rented Sector Leasing Scheme grant over to Derby Homes, and they will manage the associated risks, such as compliance with grant conditions and the risk of overspend. The newbuild scheme funding, and any associated risks, will be managed, as part of Council's HRA capital programme. The impact of these proposals will be to discharge the councils' duties under the Homeless Reduction Act 2017 and their associated costs and operational impacts and meet housing need. Without the investment, homelessness costs will increase, some of which would be bed and breakfast which remains a general fund cost.
- 7.2 It is likely that in delivering the capital newbuild project, resources will be diverted away from work to meet the Right to Buy (RTB) expenditure target. The Ministry for Department for Levelling Up, Housing and Communities have relaxed the time within which RTB funds have to be spent within, from 3 years to 5 years. This relaxation should reduce the risk of not using RTB funds within time and the resulting repayment of RTB receipts including interest.

7.3 The calculated capital bid to be up to £2.993m in total for 2022/23 and 2023/24.

	22/23 £m	23/24 £m	Bid Total £m
<b>PRS scheme</b>			
Derby approx element of bid	0.855		<b>0.855</b>
Nottingham approx element of bid	1.016		<b>1.016</b>
<b>New Build Scheme</b>			
Forecast Capital expenditure	2.465	0.340	
Devolution Housing Grant @ 40%	0.986	0.136	<b>1.122</b>
<b>Total Bid</b>			
			<b>2.993</b>

7.4 It is expected that the funding for the business cases will be via Section 31 grant from Government and that this will allow the payment of a Capital Grant to Derby Homes to progress the schemes. This will be reviewed on receipt of grant conditions linked to a successful bid to DLUHC

## 8. Legal implications

8.1 Other than noting that the bid addresses the application criteria, there are no other legal implications arising from the report.

## 9. Other significant implications

9.1. N/A

This report has been approved by the following people:

Role	Name	Date of sign-off
<b>Legal</b>	Olu Idowu, Head of Legal Services	23/09/2022
<b>Finance</b>	Amanda Fletcher Head of Finance for Projects & Transformation	23/09/2022
<b>Service Director(s)</b>	Clare Mehrbani, Director of Housing (Derby Homes)	26/09/2022
<b>Report sponsor</b>	Rachel North, Strategic Director of Communities and Place	
<b>Other(s)</b>		

Background papers: