

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Christine Marshall – Deputy Chief Executive – Corporate Development s151

To: Portfolio Holder - HRA and Private Sector Housing
Cllr Christine Lawton

Author: Caroline Hannon, Head of Delivery

Subject: Property acquisition to support Housing Options service delivery (C)

Purpose: To consider whether to acquire a property to be occupied by rough sleepers and those at risk of rough sleeping, utilising a MHCLG grant allocation and the General Fund Capital programme budget 'Capital acquisitions re Growth and Commercialisation'.

Recommendation(s):

1. That the funding identified in the report is utilised from the approved General Fund capital programme budget 'capital acquisitions re Growth and Commercialisation' and a similar amount from the MHCLG capital grant allocation, to enable the purchase and adaptation of the identified property in Spalding St Paul's Ward.
2. That authority be delegated to the Deputy Chief Executive – Corporate Development (S.151 Officer) to agree a purchase price, oversee due diligence, sign any necessary contract and complete the transfer, and undertake any other actions necessary to secure the purchase of this property and to procure and sign a suitable contract to carry out any necessary refurbishment works, in consultation with Portfolio Holder - Assets & Planning.

1.0 BACKGROUND

- 1.1 There is an ongoing need to provide sustainable housing solutions to homeless people and rough sleepers in the district, beyond emergency provision.
- 1.2 In July 2021, a decision to acquire and refurbish accommodation for occupation by six households, became effective. The properties will be managed and maintained by SHDC's Housing Team as part of the overall management of the interim accommodation portfolio.
- 1.3 The decision enabled a grant allocation from MHCLG to be accepted. The funding is from the MHCLG Rough Sleeping Accommodation Programme 2021-24. The allocation to SHDC includes £390,026 of capital funding for the purchase and refurbishment of accommodation and £78,063 of revenue funding to provide an intensive support worker to assist the occupants to sustain their tenancies. The decision also made available match funding from the approved 'General Fund Capital Programme budget re Growth & Commercialisation', on the basis of individual business cases.
- 1.4 Decisions on individual property purchases were intended to be taken by the Portfolio Holder for Assets & Planning, in consultation with the Portfolio Holder for HRA & Private Sector Housing; the Portfolio Holder for Finance, Strategy & Partnerships; and relevant Ward Members. However, in the current absence of the Portfolio Holder for Assets & Planning, this decision will be made by Portfolio Holder for HRA & Private Sector Housing.
- 1.5 This report provides a business case for an acquisition in Spalding St Paul's Ward.

2.0 **PROPERTY DETAILS**

- 2.1 The identified property is a 2-bedroom terraced house at Medlock Crescent. SHDC will be purchasing the freehold interest in the property.
- 2.2 The property is for sale on the open market from a company. The property is vacant and is for sale with no chain.
- 2.3 The house has a small front garden and a small enclosed rear garden.
- 2.4 The marketing price is in line with the resources available for this project. A discount on marketing price has been negotiated.
- 2.5 The property is in a reasonable condition. However, some improvement works will be necessary and the indicative cost of this is reflected in the financial evaluation at Appendix A.
- 2.6 It is proposed that the internal wall separating the bedrooms will be removed to create one large bedroom. The provision of one-bedroom accommodation will meet the needs of rough sleepers in the district. The indicative cost of this work is also included in the financial evaluation at Appendix A.
- 2.7 The terms of the MHCLG funding require the property to be available for 30 years. The improvement works will ensure the property provides a good standard of accommodation from the outset which should minimise future maintenance costs for the authority.
- 2.8 Legal due diligence will be undertaken prior to completing the purchase including valuation, surveys and report on title.
- 2.9 The property attributes have been considered by the Portfolio Holder for Assets & Planning, the Portfolio Holder for HRA & Private Sector Housing and the Portfolio Holder for Finance, Strategy & Partnerships.
- 2.10 Spalding St Paul's ward members have been consulted on the proposed acquisition. Further information on the feedback from Ward Members is provided at Section 7.10 of this report.
- 2.11 The SHDC Housing Team has considered the property attributes and consider these properties to be suitable for the purposes of providing self-contained accommodation.

3.0 **HOUSING NEED**

- 3.1 The 2019 Rough Sleeper count identified 12 rough sleepers in South Holland and the district has an ongoing baseline of 12 rough sleepers. As part of the 'Everyone in' initiative, 29 rough sleepers or people at risk of rough sleeping were accommodated by the council in emergency accommodation. The 2020 count identified 11 rough sleepers and a further 18 people were accommodated under the Winter Protect programme.
- 3.2 The Change4Lincs project (a collaboration aimed at supporting rough sleepers and reducing the incidence of rough sleeping) enables the council to reach out to those rough sleeping. However, the limited availability of supported housing and time taken to secure permanent social housing, often results in unsustainable private sector accommodation being the only viable option for rough sleepers.

- 3.3 Officers have worked with individuals to secure alternative move on accommodation for them. However, there has been a rise in the number of people returning to the streets because they have been unable to sustain the move-on accommodation. These tenancy failures are likely to be due to the lack of wraparound support being provided alongside the accommodation.
- 3.4 During 2021, the authority has directly provided accommodation for rough sleepers, part-funded by MHCLG grant allocations from the Next Steps Accommodation Programme. The accommodation is provided alongside wraparound support to enable the occupants to sustain their tenancies. The accommodation is fully occupied and there is a need for additional accommodation in the district.
- 3.5 It is considered that addition of six properties will allow the authority flexibility in providing safe and suitable accommodation for rough sleepers. Whilst it cannot guarantee to eliminate rough sleeping in the district, it will ensure that rough sleepers can be matched with suitable accommodation for a suitable period up to 2 years to meet their needs; with wraparound support ensuring they are prepared to move to fully independent housing in due course.

4.0 **OPTIONS**

- 4.1 Utilise funding from the approved General Fund capital programme budget 'capital acquisitions re Growth and Commercialisation' and a similar amount from the MHCLG capital grant allocation, to enable the purchase of a property in Spalding St Paul's Ward and delegate authority to Executive Director – Strategy & Resources (S.151 Officer) to agree a purchase price, oversee due diligence, sign any necessary contract and complete the transfer, and undertake any other actions necessary to secure the purchase of the property and to procure and sign a suitable contract to carry out any necessary improvement/refurbishment works.
- 4.2 Do nothing, in which case the identified property will not be purchased and alternative properties may be pursued.

5.0 **REASONS FOR RECOMMENDATION(S)**

- 5.1 By proceeding with the acquisition, SHDC can make a meaningful contribution to reducing the incidence of rough sleeping in the district. The project will increase the authority's asset base and provide a return to the authority on its investment. The expected benefits set out in Section 6 will be realised.

6.0 **EXPECTED BENEFITS**

- 6.1 The delivery of this project will:
- a) Increase the accommodation options available to rough sleepers in the district by providing move-on accommodation.
 - b) Provide good value for money as MHCLG will contribute £390,026 towards the capital costs of acquiring new accommodation.
 - c) Provide a revenue contribution towards staffing costs until March 2024, to support the residents to sustain their tenancies.
 - d) Increase SHDC's asset base by bringing additional housing stock into the authority's ownership.
 - e) Provide a financial return on SHDC's investment.
 - f) Diversify SHDC's accommodation offer.

- g) Enable SHDC to provide interim accommodation to people who present as homeless, reducing the use of (and costs to the council associated with) nightly paid bed and breakfast accommodation.

7.0 IMPLICATIONS

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

7.1 Constitution & Legal

- 7.1.1 There are various statutory powers that allow the Council to acquire land, including a specific power under section 9 of the Housing Act 1985, a general power to acquire land under s120 Local Government Act 1972, and a general power of competence under section 1 of the Localism Act 2011. In view of the proposed funding arrangements, legal advice has been commissioned on the most suitable power to rely upon which has indicated that these properties can be acquired using the general competence power in Section 1 of the Localism Act 2011.
- 7.1.2 On 9th July 2021, a decision of Portfolio Holder – Assets and Planning became effective. The decision was to accept the MHCLG grant allocation and to make a similar amount available from an approved SHDC budget. The decision approved a project mandate for the authority to purchase accommodation to enable six additional units of accommodation to be provided for rough sleepers.

7.2 Contracts

- 7.2.1 This decision delegates authority to the Deputy Chief Executive – Corporate Development (S.151 Officer) to agree a purchase price, oversee due diligence, sign any necessary contract and complete the transfer, and undertake any other actions necessary to secure the purchase of this property and oversee any necessary improvement/refurbishment works.
- 7.2.2 A procurement exercise will be undertaken to identify a contractor suitable to carry out the any improvements to the property. Housing delivery officers will liaise with the SHDC's Procurement Team to ensure compliance with public procurement rules and that any contract demonstrates good value for money. This report delegates authority to the s151 officer to agree and enter into any works contract.
- 7.2.3 The Portfolio Holder decision of 9th July 2021 delegated authority to the then Executive Director s151, now Deputy Chief Executive – Corporate Development to negotiate, approve, enter into and sign the grant agreement with Homes England and/or MHCLG and to accept any variation to the amount of grant, subject to consultation with the Portfolio Holder - Planning and Assets.
- 7.2.4 The grant agreement is in a similar format to the Homes England contract signed by SHDC to secure grant for the Next Steps Accommodation Programme (and upon which external legal advice was obtained). Any significant changes to the previous grant agreement will be identified by the housing delivery team and then reviewed by the Assistant Director – Governance. It should be noted, however, that there is usually little or no opportunity to

negotiate changes to these agreements. The contract includes a number of clauses and requirements which SHDC will have to comply with which seek to ensure that the scheme is delivered in accordance with the agreed project and timescales.

7.2.5 Some of the key conditions of the agreement are detailed below:

- **Timescales for delivery** - The grant has been offered to the authority on the assumption that SHDC will deliver the scheme as detailed in the approved funding application and to the timeframe agreed. The bid was submitted committing to the delivery of six properties which will be practically complete by 31st March 2022. The grant agreement requires that any deviation to this must be agreed by Homes England.
- **Reporting** – The grant offer is subject to the authority maintaining regular and on-going communication with Homes England. Homes England require strict monitoring and reporting and all data relating to the project must be kept for a minimum of 10 years. Homes England require regular updates on progress and the submission of an ‘Officers Certificate’ confirming compliance at intervals through the life of the project.
- **Penalties** - The grant agreement lists a series of potential ‘grant withholding events’, which are instances whereby Homes England may choose to withhold payment of the grant. These include a material breach of an obligation under the agreement or through not delivering the scheme within timescales.

7.2.6 This will be the third SHDC project which has been grant funded by Homes England. Officers will utilise project management tools to endeavour to ensure that projects are successfully delivered; maintaining appropriate data monitoring systems and excellent communication with Homes England. SHDC’s performance was recognised in 2019 when the authority successfully received a green rated compliance audit, with no major or minor breaches. Additionally, SHDC has recently qualified for continued partnership status with Homes England for the upcoming 2021-2026 grant funding programme based on performance to date.

7.3 Corporate Priorities

7.3.1 The SHDC Corporate Plan 2019-23 sets out the Council’s vision for the district and its priorities for this period.

7.3.2 This project supports the agreed vision and priorities of the Plan, including:

- Providing good-quality housing that everyone in our community can call their home.
- Delivering cost-effective core services by reducing costs or raising money by being more commercially-minded in how we work.
- Applying for national and regional funding to help with local projects.
- Work to prevent and mitigate homelessness.
- Enable effective planning and delivery of housing solutions to meet local needs and aspirations to ensure that our residents have access to a range of housing options in the district.
- Ensure that our residents are enabled to live in high quality housing no matter the tenure.

7.4 Equality and Diversity / Human Rights

7.4.1 Rough sleepers often struggle to access appropriate services due a lack of contact details and the complexity of maintaining documentation. This accommodation, which is specifically for occupation by rough sleepers or those with a history of rough sleeping due

to the requirements of the MHCLG funding, will improve the housing options available to rough sleepers in the district.

7.5 Financial

- 7.5.1 Prior to the applying for the grant funding, a high-level financial evaluation relating to the acquisition and refurbishment of six indicative units of self-contained accommodation indicated that a capital budget of £780,052 would be appropriate to deliver six properties for this project and provide a return on investment.
- 7.5.2 MHCLG has made a £468,089 time limited grant allocation to SHDC for this project, comprising £390,026 of capital and £78,063 of revenue funding. The revenue funding will enable an officer to work closely with the residents of this accommodation to enable them to sustain their tenancies.
- 7.5.3 To support the delivery of six units of accommodation, £390,026 has been made available from the approved General Fund Capital Programme budget re: Growth & Commercialisation.
- 7.5.4 Appendix A provides a financial evaluation of the indicative costs associated with acquiring the properties subject to this business case. This evaluation is based on an agreed property purchase price, notional on-costs and indicative works costs (informed by the costs associated with the delivery of the Next Steps Accommodation Programme).
- 7.5.5 The financial evaluation makes an assumption that a pro-rata portion of the MHCLG grant funding will be drawn-down for each of the six properties delivered. As the costs associated with delivering each unit are likely to be different, this may make some property acquisitions appear to provide a greater/lesser return on investment. However, this programme approach is considered appropriate as the costs associated with future property acquisitions/refurbishments are not yet known.
- 7.5.6 It should be noted that the actual costs associated with the delivery of this property will not be known until the property has been acquired, all surveys have been completed and a quote for any improvement works has been provided. Due to the nature of refurbishment projects, it is not possible to provide a detailed profile of spend until intrusive property surveys can be undertaken following purchase. Accordingly, in the event that the actual costs are greater than indicated in the financial evaluation, the project may have to utilise a larger portion of the £390,026 which has been made available from the approved General Fund Capital Programme budget re Growth & Commercialisation. This will impact the budget available to deliver remaining properties. Any decision to use more of the approved General Fund budget for the delivery of this property than is set out in Appendix A will be made by the S.151 Officer, in consultation with Portfolio Holder – Assets and Planning, as per the delegation at Recommendation 2 of this report.
- 7.5.7 Officers will seek to secure best value from any services provided by third parties to ensure costs are kept to a minimum.
- 7.5.8 It should be noted that since the high-level financial evaluation was undertaken for this project, national trends have shown an increase in the cost of construction materials and a longer lead time for the materials to be available. This may impact on project costs. Officers will seek best value before instructing a works contract to ensure that the costs are appropriate.

7.6 Health & Wellbeing

7.6.1 The MHCLG Rough Sleeping Strategy evidences that people who sleep rough regularly over a long period are more likely to die young than the general population. They are also frequently victims of violence and theft. Helping people before they sleep rough will not only reduce the human cost of rough sleeping, it will also help to reduce costs to the wider public sector.

7.7 Reputation

7.7.1 Addressing the needs of rough sleepers and those at risk of rough sleeping should create a positive impact on the authority's reputation. It will demonstrate the authority's commitment to safeguarding vulnerable people and create a positive impact on the environmental impact of rough sleeping in the district.

7.8 Risk Management

7.8.1 All project risks will be managed by the Council's Housing Delivery team, utilising risk registers and other project management tools. The known risks around this project include:

Financial. As set out in paragraph 7.5.3 of this report, and Appendix A, the authority will be providing capital funding. However, the authority's contribution only represents a portion of the value of the property and accordingly, represents good value for money. An expert property valuation will be commissioned to ensure the purchase price is appropriate. Furthermore, an indicative financial assessment of this project indicates that the project will achieve an operational surplus despite the uncertainties around tender prices and materials as set out in paragraph 7.5.8.

Contractual. SHDC will be entering into contract with Homes England. SHDC must adhere to the terms of the grant agreement to safeguard the grant award. The timeline for the delivery of the new homes is tight, with practical completion expected by 31st March 2022. Officers will continue to work closely with Homes England/MHCLG throughout the next period. The authority's Housing Delivery Team will project manage the acquisitions to ensure the grant conditions are fulfilled and maintain robust records which will satisfy any subsequent Homes England audit. If the delivery date of 31st March 2022 or any other grant conditions cannot be met, officers would have to renegotiate the position with MHCLG/Homes England and this poses a risk.

Legal. The housing development process, whether by construction or acquisition, comes with inherent risk. To mitigate this, SHDC will appoint expert legal representation to commission and advise on all conveyancing matters including a report on title and transfer documentation.

7.9 Staffing

7.9.1 MHCLG has allocated £78,063 to SHDC for revenue expenditure. This will be used to meet the costs associated with an officer working with the occupants to enable them to sustain their tenancies and prepare for fully independent living.

7.9.2 A project manager from the existing Housing Delivery team will project manage the acquisition and refurbishment of the properties. The costs associated with project managing this scheme are included in the financial evaluation at Appendix A.

7.10 Stakeholders / Consultation / Timescales

7.10.1 The stakeholders include:

MHCLG/Homes England who are funding and administering the grant programme. Housing Delivery officers and the Assistant Director of Housing will maintain close contact with both parties to ensure they are informed about SHDC's project through the delivery phases and that all activity is in accordance with the grant conditions. The MHCLG grant funding requires this scheme to achieve practical completion by 31st March 2022. If, as plans for the project's delivery progress, it is considered that further time will be required, officers will seek to work with MHCLG/Homes England to extend project deadlines and renegotiate the grant agreement accordingly. However, officers will seek to meet the timescale and grant conditions if possible.

External appointees including property valuers, legal representatives and contractors who will provide the necessary expertise to mitigate risks associated with property acquisition and refurbishment works.

7.10.2 Consultation has taken place with Spalding St Paul's ward members in the form of emails and virtual meetings.

7.10.3 A summary of the feedback from ward members is provided below:

- The location is good, close to town but away from the most deprived areas of the ward.
- Happy with the approach to convert to a one-bedroom house rather than a HMO.
- Property will need renovation work to bring up to standard.
- Agree that the accommodation should be furnished with all facilities to allow people to move straight in.
- Like that residents will be supported.
- Marketing price seems high for a terraced property.
- Supportive of the proposals to assist rough sleepers.
- The property seems appropriate for the project.
- No concerns to pass on to the Portfolio Holder - Assets & Planning.

7.10.4 The views expressed by ward members during the consultation were considered by Portfolio Holder – Assets and Planning prior to a decision being made on whether to acquire this property.

8.0 **WARDS/COMMUNITIES AFFECTED**

8.1 Spalding St Paul's

9.0 **ACRONYMS**

9.1 MHCLG – Ministry of Housing, Communities and Local Government
SHDC – South Holland District Council

Background papers:-

Lead Contact Officer

Name and Post: Caroline Hannon, Head of Delivery
Telephone Number: 07971 353863
Email: caroine.hannon@sholland.gov.uk

Key Decision: Yes

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:
Exempt Appendix A - Financial Evaluation