



REPORT TO:	Portfolio Holder for Strategic Housing, Leisure Centre Delivery and Spalding Town Improvement
REPORT OF:	Matthew Hogan, Assistant Director - Strategic Growth and Development
REPORT AUTHOR:	Caroline Hannon, Head of Delivery
SUBJECT:	To make multiple decisions to purchase homes in the district, for the purposes of providing affordable housing
PURPOSE:	To present a business case relating to the purchase of six houses within the district
KEY DECISION:	Yes
WARD(S) AFFECTED:	All Wards
EXEMPT REPORT?	Yes - This report is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 because it contains information relating to commercially sensitive information.

SUMMARY

In September 2023, Cabinet and Council decided to accept an £880,000 grant allocation as part of Round 2 of the Local Authority Housing Fund (LAHF). The LAHF programme aims to provide accommodation to Ukrainian and Afghan families, settled in the UK legally under various government schemes following the conflicts that have occurred in those countries.

The grant funding, alongside additional funding approved by Council, enables SHDC to acquire eight additional homes. A memorandum of understanding (MOU) has been signed by SHDC and DLUHC. The MOU stipulates that of the eight new homes, five will be for Afghan families, and three will be for temporary accommodation to meet wider housing need.

The total project cost was estimated at c.£1,960,000. This business case relates to the purchase of six homes. A report relating to the purchase of two further homes will be published separately.

RECOMMENDATIONS

1. To consider the business case and approve the acquisition of six houses.
2. To delegate authority to Assistant Director of Strategic Growth & Development to conclude contractual matters in respect of the purchase of these homes, including

signing contracts, transfers and reviewing due diligence and approving any other matters which may represent a minor variation to this business case.

REASONS FOR RECOMMENDATIONS

1. To fulfil the decision of Cabinet and Council in relation to the Local Authority Housing Fund and acquire new homes within the district.
2. To meet short, medium and long-term housing needs within the district.
3. To increase the provision of affordable housing in the district.
4. To increase the number of homes owned by the authority, which enables the authority to directly deliver solutions to housing issues within the district.
5. To enable the authority to act swiftly in the housing market to secure the six homes required to fulfil the contract with Government.
6. To increase the supply of temporary accommodation directly provided by the authority and reduce the use of nightly paid accommodation.

OTHER OPTIONS CONSIDERED

Do Nothing. In this event the authority would not proceed to purchase these properties. As a consequence, the expected benefits set out in the Reasons for Recommendations section of this report would not be realised. Officers would seek to identify alternative, appropriate properties to acquire, for consideration by the Executive.

1. BACKGROUND

- 1.1 South Holland District Council (SHDC) was allocated £880,000 in government funding as part of the Local Authority Housing Fund (LAHF). The LAHF programme is intended to support local authorities to provide accommodation to Ukrainian and Afghan families who are settled in the UK legally under various government schemes. In September 2023, the authority made a decision to accept the grant allocation and to invest further capital to enable eight properties to be acquired. A Memorandum of Understanding (MOU) was signed by SHDC and Department for Levelling Up, Housing and Communities (DLUHC), which sets out the terms of the agreement between the two organisations.
- 1.2 SHDC has been offered funding as part of Round 2 of the programme which prioritises resettlement of Afghan families who assisted the UK with its military operations in the country, coupled with those at greatest risk as a result of the Taliban regime.
- 1.3 For the purposes of clarity, the scheme is not aimed at households who have arrived in the UK illegally, outside of government sponsored resettlement schemes.
- 1.4 The LAHF2 programme objectives are:
 - Provide sustainable housing to those on Afghan resettlement schemes at risk of homelessness so that they can build new lives in the UK, find employment and integrate into communities.

- Reduce local housing pressures beyond those on Afghan resettlement schemes by providing better quality temporary accommodation to families owed homelessness duties by LAs.
- Reduce emergency, temporary and bridging accommodation costs.
- Reduce impacts on the existing house and homelessness systems and those waiting for social housing.

1.5 Once the five properties are no longer utilised by the Afghan cohort, SHDC will be free to use the properties for whatever purpose deemed suitable. In other words, the homes will be available for use by the council as a long-term asset to meet housing need.

1.6 Given the timescales set by government around delivery of the properties by March 2024, the Council's strategy has been to seek to acquire existing (or soon to complete) new build properties on the open market.

1.7 Following liaison with local developers, eight properties have been identified, and purchase prices agreed. This report provides a business case for the acquisition of six of the properties on one site in Holbeach.

2. BUSINESS CASE

2.1 The property mix is summarised in the table below.

Property type	Parking provision	Unit size (m2)	Proposed use	Anticipated completion date
2 Bedroom Semi-Detached	2 parking spaces	70.04	Temporary Accommodation	March 2024
3 Bedroom Semi- Detached	2 parking spaces	84	Transfer	March 2024
2 Bedroom Semi-Detached	2 parking spaces	69.9	Temporary Accommodation	March 2024
3 Bedroom Semi-Detached	2 parking spaces	83.9	Transfer	March 2024
4 Bedroom Detached	2 parking spaces	107.4	Transfer	December 2023
4 Bedroom Detached	2 parking spaces	107.4	Transfer	December 2023

2.2 As set out above, four of the homes will be provided as General Needs Affordable Housing. These homes will be held in the Housing Revenue Account and managed by the Housing and Property Teams within the HRA. The LAHF Guidance indicates that the authority is able to substitute properties in existing stock to make allocations for the LAHF target cohorts, and then move the LAHF acquisition into general stock. This is the approach considered by Cabinet for the HRA properties. Accordingly, whilst the General Needs affordable homes shown in the table above will be acquired utilising the LAHF grant funding, the Afghan families will be offered accommodation in existing SHDC owned accommodation in existing, established communities and the newly acquired homes will be used to provide transfers to existing tenants who are unsuitably housed.

- 2.3 The two temporary accommodation homes shown in the table above will be held in the General Fund and used as temporary accommodation. They will be managed by the Homelessness Team, in the same way that existing temporary accommodation is managed. A repairs services will be provided by the HRA repairs teams. The purchase of new homes will limit maintenance/repair costs for the General Fund because the homes will be brand new, built to a good standard and with the benefit of a 10 year structural warranty plus a 2-year developers liability period.
- 2.4 The newbuild properties will be purchased directly from the developer.
- 2.5 Prior to completion of the purchase, officers will undertake thorough due diligence. External legal advice will be sought to oversee the contract drafting, and a report on title will be provided to ensure the homes are purchased with clean and marketable title. A Buyer's Representative will also be appointed to ensure that all relevant documentation and regulatory certification is in place and that the properties are handed over in accordance with the contract.
- 2.6 The houses were for sale on the open market. Officers have negotiated a purchase price which provides a discount on the developer's proposed marketing price. A RICS 'Red Book' valuation will be obtained to corroborate the purchase price. The acquisition of these houses, and use as affordable housing, will increase the provision of affordable housing within the district.
- 2.7 The houses will handover in phases once construction is completed by the builder. SHDC may exchange homes on all plots and then complete as they become available. Alternatively, simultaneous exchange/completion may be agreed. Paragraph 2.1 of this report provides the indicative delivery timetable.
- 2.8 The financial evaluation provided at Appendix A provides an indication of the expected capital and revenue costs associated with this acquisition. The capital costs are indicative based on the delivery of other homes within the district. The revenue costs are based on the existing costs of owning and managing properties. The management costs for the temporary accommodation are as per the costs associated with providing HRA housing. The assumed rents for the HRA homes and the temporary accommodation are in line with Local Housing Allowance rates to ensure the homes are affordable to people who may be working. However, if the rental charges for the temporary accommodation were to increase, this would improve the return on investment for the authority.
- 2.9 A management company will be in place for this site and the cost of this has been taken into account in the financial evaluation at Appendix A.
- 2.10 The Afghan families will be offered tenancies in accordance with the approved SHDC Strategic Tenancy Policy. The Temporary Accommodation dwellings will be let on Licence.
- 2.11 Within the MOU, SHDC agreed to make best endeavours to deliver these homes by 29th March 2024. As the construction of the homes is underway, this timescale is considered to be achievable.

- 2.12 The value of the eight properties identified coupled with the structure of the grant funding means that the authority may underspend on the LAHF funds. Consequently, officers have engaged with central government around the options in the event of an underspend. Through these discussions, it has been indicated that it may be possible to direct any underspends into acquiring additional properties (i.e. exceeding the requirement to provide eight homes under the programme, utilising the capped level of funding if financial circumstances allow). Consequently, officers are exploring options around expanding the number of homes delivered through the LAHF programme within the confines of the project.

3. CONCLUSION

- 3.1 The purchase of these homes will support the authority to achieve its commitment to acquire eight properties. The homes will be part-government funded utilising the £880,000 grant allocation which SHDC has accepted. The business case for the acquisition of these properties demonstrates that it is a viable acquisition for the council, in a location for which there is evidence of need for new homes. The homes will meet short, medium and long-term housing needs within the district.

4. EXPECTED BENEFITS TO THE PARTNERSHIP

- 4.1 The recommendations will support the aims and ambitions of the South and East Lincolnshire Council's Partnership which include to deliver ambitious growth and regeneration plans. The partnership's Annual Delivery Plan 2023/24 includes a corporate priority to purchase homes and a local priority to progress housing delivery for HRA investment.

5. IMPLICATIONS

5.1 SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

- 5.1.1 None

5.2 CORPORATE PRIORITIES

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

- 5.2.2 This project will support the agreed vision and priorities of the Plan, including:
- Maintain our commitment to Council Housing by building new council homes to replace those that have been lost.
 - Providing good-quality housing that everyone in our community can call their home.
 - 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.
 - Deliver substantial and continued growth as proposed through our Local Plan.

5.3 STAFFING

- 5.3.1 None

5.4 WORKFORCE CAPACITY IMPLICATIONS

5.4.1 None

5.5 CONSTITUTIONAL AND LEGAL IMPLICATIONS

5.5.1 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. It is proposed that the HRA properties will be acquired in accordance with section 9 of the Housing Act 1985. The General Fund properties will be acquired using the general competence power in Section 1 of the Localism Act 2011.

5.5.2 Given the nature of the proposed contract, detailed legal advice will be obtained. This will ensure the contract protects the council's interests such as in the event that the developer fails to deliver the homes in accordance with the specification.

5.6 DATA PROTECTION

5.6.1 None

5.7 FINANCIAL

5.7.1 Appendix A provides a detailed financial evaluation of this scheme and a further scheme for the acquisition of two dwellings. The indicative financial evaluation shows that the homes can be delivered within the approved £1,960,000 Capital Programme budget for the HRA and General Fund.

5.7.2 A RICS valuation will be obtained to confirm the open market value of the properties. The Assistant Director Strategic Growth & Development will be delegated authority to review the valuation and agree the final purchase price prior to the purchase of the homes.

5.7.3 A credit check on the developer will be undertaken prior to entering into contract. The results will be included within the due diligence pack to be signed off by Assistant Director Strategic Growth & Development.

5.7.4 The financial evaluation provided at Appendix A indicates that this scheme will provide a positive return on investment for the authority. Appendix B provides an estimation of capital spend across the HRA and General Fund.

5.8 RISK MANAGEMENT

5.8.1 Acquisition and development activity has within it inherent risks. Officers strive to identify and manage risk at each stage of the project. Each project has a risk register that is reviewed throughout the lifecycle of a project by the project team.

5.8.2 Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project.

5.9 STAKEHOLDER / CONSULTATION / TIMESCALES

5.9.1 Ward members have been informed of the proposal to purchase these properties and have not raised any objections.

5.9.2 It is expected that SHDC will exchange contracts for all six homes as quickly as possible and then complete on each purchase once the properties are practically complete.

5.10 REPUTATION

5.10.1 Risks around reputation are mitigated through a robust project management structure. The Housing Delivery team work closely with colleagues in Communications on all projects and meet on a regular basis to ensure that a Communications Plan is in place where appropriate.

5.11 CONTRACTS

5.11.1 A contract will be required between SHDC and the developer. The contract will contain a list of requirements and the homes will not be purchased until these requirements have been met. The contract will be reviewed by the Council's appointed external legal representative.

5.11.2 As per the recommendation, the Assistant Director Strategic Growth & Development will be delegated authority to agree the contractual matters such as signing the contract/transfer document, approving the associated due diligence and valuation required to purchase the properties, and any incidental actions that may be required such as agreeing an alternative tenure mix if necessary.

5.12 CRIME AND DISORDER

5.12.1 None

5.13 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

5.13.1 This project will provide homes for Afghan families who assisted the UK with its military operations in the country, coupled with those at greatest risk as a result of the Taliban regime. It will also provide housing to meet local housing need.

5.14 HEALTH AND WELL BEING

5.14.1 This project and the continued delivery of new council-owned homes will deliver housing solutions to meet local needs and aspirations. This will contribute towards improving health and wellbeing in the district by ensuring that residents have access to a range of housing options in the district and are enabled to live in high quality housing.

5.15 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

5.15.1 The homes will be delivered in accordance with the appropriate building regulations relating to sustainable construction. At handover, each property will have an energy performance certificate illustrating the energy efficiency of the property and the efficiency rating.

5.16 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

MISSIONS	
This paper contributes to the follow Missions outlined in the Government's Levelling Up White paper.	
Housing	By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is

	for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas.
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6. ACRONYMS

6.1 None

APPENDICES	
Appendices are listed below and attached to the back of the report: -	
APPENDIX A – Exempt	Financial Evaluation

BACKGROUND PAPERS	
Background papers used in the production of this report are listed below: -	
Document title	Where the document can be viewed
Cabinet and Council report – September 2023	<u>Agenda for South Holland District Council on Wednesday, 27th September, 2023, 6.30 pm - South Holland District Council (sholland.gov.uk)</u>

CHRONOLOGICAL HISTORY OF THIS REPORT
A report on this item has not been previously considered by a Council body'. Also delete the below text/boxes.

REPORT APPROVAL	
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