



Report To:	Councillor Tracey Carter, Portfolio Holder for Strategic and Operational Housing
Subject:	Purchase of new homes
Purpose:	To present a business case relating to the purchase of six houses within the district
Key Decision:	Y
Report Of:	Vikki Cherry, Assistant Director - Housing; and Emily Spicer, Assistant Director – Wellbeing and Community Leadership
Report Author:	Caroline Hannon, Head of Housing Investment and Development
Ward(s) Affected:	All Wards
Exempt Report:	Partially Exempt - Appendix A 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 November 2024, following a decision of the Leader, a grant allocation of £817,961 was accepted from Ministry of Communities and Local Government (MHCLG). The funding was part of Round 3 of the Local Authority Housing Fund (LAHF). The aims of the LAHF programme include to reduce local housing pressures and the use of expensive and unsuitable accommodation by providing better quality temporary accommodation. It also aims to support local housing markets by assisting the delivery of new housing stock. A memorandum of understanding (MOU) has been signed by SHDC and MHCLG confirming SHDC will provide six new homes.

This report provides a business case relating to the acquisition of six new homes. The homes will be acquired from local developers on an 'off the shelf' once the construction has been completed and they are ready to be occupied. The acquisitions will be part-funded by the LAHF grant.

Recommendations

1. To consider the business case and approve the acquisition of six houses.

2. To delegate authority to Assistant Director of Housing 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 Executive decision (effective from 15th November 2024) relating to acceptance of the Local Authority Housing Fund Round 3 grant allocation.
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 supply of temporary accommodation directly provided by the authority and reduce the use of nightly paid accommodation.
5. To increase the number of homes owned by the authority, which enables the authority to directly deliver solutions to housing issues within the district.
6. To enable the authority to act swiftly in the housing market to secure the six homes required to fulfil the contract with Government.

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 has accepted £817,961 of grant funding to enable the delivery of six new affordable homes in the district.
- 1.2 The funding is being provided via the Local Authority Housing Fund (LAHF) Round 3. The objectives of this fund are to:
 - Reduce local housing pressures and use of expensive and unsuitable accommodation, by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
 - Reduce temporary accommodation costs.
 - Provide sustainable settled housing to those on Afghan Citizens Resettlement Scheme (ACRS) so that they can build new lives in the UK, find employment and integrate into communities.
 - Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.
- 1.3 The grant award provides on average c.£136,327 in grant funding per property. This represents a generous grant rate when compared with other Government schemes for housing delivery. This means the amount of direct investment required from SHDC to deliver homes under the programme will be lower than on other projects, because the capital cost will predominantly be funded by the grant.

- 1.4 The original grant allocation from MHCLG required the delivery of six HRA homes for the ACRS cohort. However, it has been agreed that the provision of some temporary accommodation would better meet local needs, Accordingly, an amendment to the Memorandum of Understanding is being prepared by MHCLG to enable the required mix of housing to include four HRA properties and two temporary accommodation properties.
- 1.5 SHDC has agreed to deliver two homes which will be available as Temporary Accommodation. This will increase the authority's portfolio of accommodation for households who are homeless or threatened with homelessness. It will enable households, including those fleeing domestic abuse, to be offered this accommodation until an offer of permanent accommodation can be made and will reduce the use of nightly paid accommodation.
- 1.6 The remaining properties will provide housing for those on the ACRS scheme who supported UK efforts in Afghanistan and arrived in the UK legally. For clarity, the scheme is not aimed at households who have arrived in the UK illegally outside of government sponsored resettlement schemes e.g. those who have arrived in the UK illegally, seeking asylum.
- 1.7 The grant allocation comprises £812,400 in capital grant and £5,561 in revenue grant. Revenue funding is provided for activities which support delivery of the new homes including programme/administration resource or professional services such as conveyancing. The authority is able to determine how it uses the capital allocation and the revenue funding as long as the delivery target is met.
- 1.8 SHDC has experience of delivering new homes as part of the LAHF programme. During 2024, SHDC successfully delivered 8 new homes including a mix of temporary accommodation and housing for the ACRS cohort. Housing colleagues have reported that the ACRS cohort have settled in well. The 'Upbeat Communities' charity is supporting some SHDC tenants are part of their usual charitable operations.
- 1.9 The strategy proposed in relation to the acquisition of these homes is to use the funds to acquire six new homes, however, the ACRS cohort will be offered existing HRA homes and the newly acquired homes will be let to households on the housing register.

2. Report

- 2.1 Homes will be acquired on two sites across the district. Details of the proposed purchases are provided in the table below.

Site	Property type	Parking provision	Unit size (m2)	Proposed use	Anticipated completion date
Spalding	2-bedroom semi-detached house	2 space driveway	63	Temporary Accommodation	Jan/Feb 26
Spalding	2-bedroom semi-detached house	2 space driveway	63	Temporary Accommodation	Jan/Feb 26
Holbeach	3-bedroom semi-detached house	2 space driveway	86	HRA – ACRS cohort	Jan/Feb 26
Holbeach	3-bedroom semi-detached house	2 space driveway	86	HRA – ACRS cohort	Jan/Feb 26
Holbeach	3-bedroom semi-detached house	2 space driveway and single garage	100	HRA – ACRS cohort	Jan/Feb 26
Holbeach	3-bedroom semi-detached house	2 space driveway	81	HRA – ACRS cohort	Jan/Feb 26

- 2.2 The four HRA houses will be managed by the Housing and Property Teams within the HRA.
- 2.3 The two temporary accommodation properties will be held in the General Fund. They will be managed by the Homelessness Team, in the same way that SHDC's 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 and built to a good standard.
- 2.4 All properties acquired will be newbuild and be purchased directly from the developer with the benefit of a 10-year structural warranty plus a 2-year developers liability period.
- 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 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 has been obtained to corroborate the purchase price. The acquisition of these houses will increase the provision of affordable housing in the district.

- 2.7 The houses will handover once construction is completed by the builder. SHDC may exchange contracts with the developer and then complete at a later stage once the construction is complete. Alternatively, simultaneous exchange/completion may be agreed.
- 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 As shown in Appendix A, the total capital cost of the scheme is £1,426,250, with LAHF3 grant funding covering £817,961. The remaining £608,294 will be met from the SHDC HRA capital programme and General Funds budgets. The financial evaluation indicates this project will provide a return on SHDC's capital investment. Right To Buy receipts will not be used to fund these acquisitions given the use of grant funding.
- 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 ACRS cohort will be offered tenancies in accordance with the approved SHDC Strategic Tenancy Policy. The Temporary Accommodation dwellings will be let on a non-secure licence.
- 2.11 Within the MOU, SHDC agreed to make best endeavours to deliver these homes by 31st March 2026. As the construction of the homes is underway, this timescale is considered to be achievable.

3. Conclusion

- 3.1. The purchase of these homes will support the authority to achieve its commitment to acquire six properties. The homes will be part-government funded utilising the £817,961 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 locations 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 recommendation presents an opportunity to deliver a number of expected benefits, including:
- The delivery of six new properties owned by the council to meet housing need in the district into the short, medium and long term, supporting with a net increase in supply of homes available to the council to meet need.
 - Increase the availability of temporary accommodation and reduce the use of nightly paid accommodation.

- Support households displaced and settled legally in the UK, following conflict in Afghanistan

5. Implications

5.1 South and East Lincolnshire Council's Partnership

5.1.1 None. This project will be managed within existing resources.

5.2 Corporate Priorities

5.2.1 The recommendation supports the SELCPs priority in the Sub Regional Strategy 2024/25-2028/29 to deliver affordable housing based on housing needs now and in the future.

5.3 Staffing

5.3.1 The project will be managed through the authority's existing Housing Development team which has resources available to deliver this project successfully. Colleagues from Democratic Services, Procurement, Communication, Finance and Housing will all support delivery of this project through usual working arrangements.

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 and 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 for the acquisition of six dwellings. The indicative financial evaluation shows that the homes can be delivered within the approved Capital Programme budget for the HRA and General Fund.

5.7.2 A RICS valuation has been obtained to confirm the open market value of the properties. Assistant Director of Housing will be delegated authority to review the valuation and agree the final purchase price prior to acquiring the properties.

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 the Assistant Director of Housing.

5.7.4 The financial evaluation provided at Appendix A indicates that this scheme will provide a positive return on investment for the authority.

5.8 Risk Management

5.8.1. The delivery of new housing projects comes with a number of risks. These include financial, reputation and legal. Considerable experience exists with the council in respect of the management and delivery of housing investment projects, and will be deployed in the delivery of these properties.

5.9 Stakeholder / Consultation / Timescales

5.9.1 HM Government and MHCLG are a key stakeholder in the LAHF scheme. Officers have developed a good relationship with key civil servants involved in the scheme and will continue to liaise with MHCLG throughout the course of the programme.

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

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

5.9.4 SHDC's Assistant Director of Wellbeing and Community Leadership has been engaged throughout the process and officers have been involved in the decisions around the purchase of homes for the purposes of providing temporary accommodation.

5.10 Reputation

5.10.1 The authority's reputation will be continuously considered as the project moves forward, including the development of a communications plan. SHDC has experience from delivering homes during LAHF Round 2 and has based its approach to delivery on Round 3 on recent experience.

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 of Housing 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.

5.12 Crime and Disorder

5.12.1 None

5.13 Equality and Diversity/ Human Rights/ Safeguarding

5.13.1 The temporary accommodation will be provided to households owed a homelessness duty by the local authority. Acquisition of the properties is intended to help address general local homelessness needs. The ACRS cohort will be offered existing housing which is considered to be suitable for their needs in an appropriate location.

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.

6. Acronyms

6.1 HRA – Housing Revenue Account

7. Appendices

Appendices are listed below and attached to the back of the report: -
Appendix A - FINANCIAL EVALUATION (**Exempt**)

Background Papers

Background papers used in the production of this report are listed below: -

Document title

Leader decision (Nov 2024)

Where the document can be viewed

Decision - Local Authority Housing Fund Round 3 grant allocation - South Holland District Council

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

Report author: Caroline Hannon, Head of Housing Investment and Development
Caroline.Hannon@sholland.gov.uk

Signed off by: Vikki Cherry, Assistant Director - Housing
vcherry@sholland.gov.uk
Emily Spicer, Assistant Director – Wellbeing and Community
Leadership
Emily.Spicer@sholland.gov.uk

Approved for publication: Councillor Tracey Carter