



REPORT TO:	Cabinet
DATE:	28 th June 2023
SUBJECT:	Purchase of five houses utilising Government grant funding provided as part of the Local Authority Housing Fund programme
PURPOSE:	To present a business case relating to the purchase of five houses from a developer
KEY DECISION:	Yes
PORTFOLIO HOLDER:	Cllr John Baxter – Cabinet Member – Housing
REPORT OF:	Matthew Hogan, Assistant Director Strategic Growth & Development
REPORT AUTHOR:	Caroline Hannon, Head of Delivery
WARD(S) AFFECTED:	All
EXEMPT REPORT?	The Appendix to 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 February 2023, Cabinet agreed to take part on the Local Authority Housing Fund programme, with a view to bringing eight properties into the council's ownership to meet short, medium and long-term housing needs within the district. In March 2023, Council approved the 2023/24 Capital Programme which included provision for this project and accordingly accepted an allocation of £691,500 in government funding. The council has subsequently entered into agreement with government to take part in the scheme and source eight properties by November 2023.

This subsequent report provides a business case relating to the purchase of the first five properties identified to deliver this project and is seeking a decision from Cabinet on whether to proceed to acquire the homes. The properties comprise five 2-bedroom newbuild houses which would be acquired with the benefit of all relevant documentation and a 10-year structural warranty.

RECOMMENDATIONS

1. To approve the business case and approve the acquisition of five houses within the district.
2. To reiterate the decision of Cabinet in February 2023 which delegated authority to the Assistant Director – Strategic Growth and Development, in conjunction with the Deputy Leader of the Council, to conclude contractual matters, including those which may represent a minor variation to this business case, in respect of this scheme.
3. To delegate to the Portfolio Holder for Housing on behalf of the Cabinet, any further decisions relating to the purchase of additional properties in respect of this project, to reflect the need to act commercially to secure the homes (any decision to be in line with the Cabinet decision of February 2023).
4. To agree that BBC's contribution towards this project should increase from the notional figure provided in the outline business case presented to Cabinet in February 2023, which was £838,500, to £962,494 (an increase of £123,994), to reflect the nature and price of homes currently available for sale. The additional funding to be financed from the rental income.

REASONS FOR RECOMMENDATIONS

1. To fulfil the decision of Cabinet and Council to accept a grant allocation 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 eight homes required to fulfil the contract with Government.
6. To ensure sufficient funding is available for this project.

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 In late 2022 Boston Borough Council (BBC) was allocated £691,500 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 February 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 BBC and Department for Levelling Up, Housing and Communities (DLUHC), which sets out the terms of the agreement between the two organisations.

- 1.2 The Afghan scheme prioritises legal resettlement of those who assisted the UK with its military operations in the country, coupled with those at greatest risk as a result of the Taliban regime. The Ukrainian resettlement programmes focus attention on legal resettlement and support for refugee families displaced by the conflict in the region.
- 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 programme has two aims;
- To support in providing more suitable accommodation and affordable accommodation for these families, who arrived in the UK legally, until their visas expire in c 3-5 years' time.
 - To support local authorities in meeting their duties to accommodate such families if they present as homeless, therefore relieving pressure on wider local housing challenges and constraints.
- 1.5 Once the properties are no longer utilised by the cohort (likely upon the expiry of their visas), BBC will be free to use the properties for whatever purpose they deem suitable. In other words, the homes will be available for use by the council as a long-term asset to meet housing need. This includes the potential to utilise the properties to provide short term accommodation for homeless families, or longer term settled accommodation
- 1.6 The potential merits of participating in this project were considered by Cabinet and supported. They are set out below.
- Involvement in the Local Authority Housing Fund and directly investing the grant in property owned by the council would align well with the Council's ambition to explore holding and investing in new housing, as captured within the Council's Annual Delivery Plan. The scheme would provide up to £691,500 in funding to provide eight properties, paid for partially by government, for use by the authority over the longer term.
 - That if the authority was not to take part in the scheme, the housing need that the properties are designed to meet is likely to arise anyway. Therefore, the homes provided under the scheme would make a net positive contribution to housing available to the council to meet need, therefore supporting the council in meeting the needs of the wider population too.
 - The scheme will provide housing that the council can utilise for other needs over the longer term e.g. for use as temporary accommodation for homeless families
 - The properties would be held on the council's General Fund and let under non-secure tenancies to the cohort. This would prevent the need for the council to re-open a Housing Revenue Account or create a housing company in order to hold the properties in the council's ownership.
 - Potential to deliver a positive financial impact upon the council, through investment in new property.
- 1.7 Given the timescales set by government around delivery of the properties (by November 2023), the council's strategy has been to seek to acquire existing (or soon to complete) new build properties on the open market.

1.8 Following liaison with local developers, the first five (of eight) properties have been identified. The properties comprise five 2-bedroom newbuild houses and are considered to be appropriate to meet housing need in the district. This report provides a business case for the acquisition and provides information regarding the properties.

2. BUSINESS CASE

2.1 The five properties are summarised in the table below.

Property type	Parking provision	Unit size (m2)	Tenure	Anticipated completion date
2-bedroom end of terrace house	2 parking spaces	68	Freehold	27/09/2023
2-bedroom mid- terrace house	2 parking spaces	68	Freehold	27/09/2023
2-bedroom end of terrace house	2 parking spaces	68	Freehold	27/09/2023
2-bedroom semi-detached house	2 parking spaces	68	Freehold	Dec 2023
2-bedroom semi-detached house	2 parking spaces	68	Freehold	Dec 2023

2.2 The newbuild properties will be purchased directly from the developer. The homes will be provided with all relevant documentation and a 10-year NHBC structural warranty.

2.3 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.

2.4 The homes are currently being marketed on the open market and the provision of these homes, and use as affordable housing, will increase the provision of affordable housing within the district. Officers have negotiated a purchase price which provides a discount on the marketing price.

2.5 The homes will handover in phases as they are completed by the builder. A management strategy is currently being prepared which could include the homes being managed by BBC officers or an external management service. The financial evaluation provided at Appendix A is based on information from colleagues at South Holland District Council (SHDC) in relation to the cost of management and repairs within South Holland's well established housing investment portfolio.

2.6 Following acquisition, the authority will charge rents which will be no more than 80% of market rent levels in the district. The rents will also be no more than the current Local Housing Allowance rate to ensure that the homes are affordable to residents who are supported by welfare benefits.

- 2.7 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.
- 2.8 The residents of these homes will be offered non-secure tenancies, in accordance with the LAHF guidance. As the homes are not let on Secure Tenancies residents will not have a Right to Buy their home.
- 2.9 Within the MOU, BBC agreed to make best endeavours to deliver the homes by 30th November 2023. As two of these houses are not due to complete until December 2023, officers will liaise with DLUHC to seek to agree a November completion date for these units.

3. CONCLUSION

- 3.1 The purchase of these five houses will support the authority to deliver on its commitment to acquire eight properties. The homes will be part-government funded utilising the £691,500 grant allocation which BBC has accepted. The business case for the five properties demonstrates that they are 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 local priority to progress housing delivery including the development of proposals and options.

5. IMPLICATIONS

5.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

- 5.1.1 None. The Assistant Director for Housing will develop a management strategy for these homes utilising knowledge of SHDC's various stock management strategies.

5.2 CORPORATE PRIORITIES

- 5.2.1 Priority One of the BBC Corporate Strategy 2020-2024 is to be People Focused. The acquisition of these homes will support the delivery of this priority as BBC will be investing and supporting growth to meet local housing needs by co-funding affordable housing delivery. The project also aligns with Boston's Annual Delivery Plan, which includes action to progress the council's investment in new housing to meet needs within the borough.

5.3 STAFFING

- 5.3.1 Staffing resources to secure the acquisition of the five properties are being provided by officers at South Holland District Council. The cost for these services are included within the project management fees shown in Appendix A and are a capitalised cost. The methodology here reflects the same methodology that South Holland applies to the capitalisation of staffing costs within its own development programme.

5.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS

- 5.4.1 BBC has already made a decision to proceed with the LAHF project and to accept the grant allocation and acquire eight houses. This report sets out details of the first five properties identified to deliver this commitment. The acquisition of properties is an Executive function.
- 5.4.2 An external legal representative will be appointed to oversee the contract for the acquisition of these homes and will provide a Report on Title to ensure the homes benefit from a clean and marketable title. It is likely that BBC will exchange contracts with the developer at an early stage and will then complete on the purchase of dwellings as construction completes. The costs of this are accounted for within the business case.
- 5.4.3 Officers will undertake thorough due diligence before acquiring the homes. This report delegates authority to Assistant Director for Strategic Growth and Development, to review the due diligence, valuation and contract terms, and to sign the contract and transfer documents. This may include approving minor variations to the scheme approved in this business case, in consultation with the Portfolio Holder for Housing.

5.5 **DATA PROTECTION**

- 5.5.1 None

5.6 **FINANCIAL**

- 5.6.1 Appendix A provides a detailed financial evaluation of this proposal relating to the purchase of five properties. In advance of agreeing a management strategy, the financial evaluation makes an assumption around management costs, void costs, bad debt, repairs, maintenance and insurance. The return shown is Net of these operating costs. The assumptions around management costs, void costs and bad debt are based on a percent of rent due. The assumptions around repairs, maintenance and insurance are based on an annual cost. The assumptions are as used by South Holland District Council for modelling Council housing delivery.
- 5.6.2 A reservation fee will be required to be paid. In the event that BBC does not complete the purchase of these homes, the fee is unlikely to be returned and the cost would be abortive.
- 5.6.3 Subject to contract drafting, it is likely that on exchange of contracts, a deposit equal to 10% of the purchase price, will be paid. This deposit will be retained by solicitors, until completion.
- 5.6.4 A RICS Valuation will be sought to corroborate the agreed purchase price for these five dwellings. The valuation findings will be included within the due diligence information to be reviewed and approved by the Assistant Director of Strategic Growth & Development.
- 5.6.5 BBC has accepted a £691,500 grant allocation to enable the purchase of eight properties. Additional match funding has also been approved by BBC. The assumed total scheme costs (estimated at the point of accepting the grant allocation) were c.£1,530,000 based on indicative newbuild values and on costs generated by a desktop assessment. The total project costs will only be known once all of the properties have been identified and legal and other external professionals have been appointed. However, it is now expected that the scheme is likely to cost c.£1,653,994 based on current house price values and the availability of homes in the open market. This will mean that BBC's contribution will increase from an assumed £838,500 to £962,494, an increase of £123,994. However, this

revised budget includes project contingencies which might not be spent. Additionally, through procurement, best value will be sought for third party professionals. The additional capital cost will be financed from the rental income derived from the properties.

- 5.6.6 To support with forecasting ahead to when the council has acquired all eight properties, a financial evaluation of the completed eight property portfolio has been prepared based on a total scheme cost of £1,653,994. This tentatively indicates that the authority would generate a 6.5% return on its £962,494 investment (net of grant funding). It also indicates that the authority will purchase eight houses for £962,494 and that those homes will have an open market value of c£1.53M.

5.7 RISK MANAGEMENT

- 5.7.1 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 the project, by the project team. Officers will seek to ensure that the contract is negotiated in the best interests of the authority.
- 5.7.2 A management strategy is currently being prepared which could include the homes being managed by BBC officers or an external management service. As the full details of the strategy are not known yet this is a risk to this project, however, there are numerous management options available and therefore there is very little risk that a suitable management strategy will not be identified. The financial evaluation provided at Appendix A includes indicative management costs based on information from colleagues at South Holland District Council (SHDC) in relation to the cost of management and repairs within South Holland's well established housing investment portfolio.

5.8 STAKEHOLDER / CONSULTATION / TIMESCALES

- 5.8.1 Ward members have been informed of the proposal to purchase these properties and have not raised any objections.
- 5.8.2 The MOU indicates that BBC will endeavour to deliver all eight homes by 30th November 2023. Officers will liaise with DLUHC regarding this timetable, given the expected practical completion dates for some of the plots in December 2023.

5.9 REPUTATION

- 5.9.1 Risks around reputation will be mitigated through a robust project management structure. The Delivery Team will work closely with colleagues in Communications to ensure that a Communications Plan is in place where appropriate.

5.10 CONTRACTS

- 5.10.1 A contract will be required between SHDC and the developer. An external legal representative will be appointed to oversee the contract drafting and ensure the authority's interests are protected. The contract will contain a list of requirements and the homes will not be purchased until the requirements have been met. A Buyer's Representative will be appointed to review documentation provided by the developer and to ensure the homes are handed over in accordance with the contract.
- 5.10.2 The Assistant Director for Strategic Growth & Development is delegated authority to agree contractual matters and sign the contract and transfer document.

5.10.3 The tenancy agreement which is likely to be offered to the residents is a ‘Non-Secure-Tenancy’. A non-secure tenant would expect to receive the same level of service as a secure tenant. However, the right to buy, right to exchange, right to succession, the right to take in lodgers and the right to sublet do not apply to non-secure tenancies. This means that the occupants have the right to live safely in their home and the landlord must fulfil all landlord obligations relating to compliance. In the event that the authority seeks to recover a property, a Notice to Quit, giving the tenant four weeks’ notice would need to be served. If the tenant does not vacate the property, the Council would be required to apply to the County Court for a possession order. Should the tenant continue in occupation after the expiry of the possession order, a further application would be required for a bailiff’s warrant.

5.11 CRIME AND DISORDER

5.11.1 None

5.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

5.12.1 The delivery of these homes will deliver solutions to meet local needs. It will support the delivery of the Corporate Strategy 2020-24 priority ‘People Focussed’ by investing and supporting growth to meet local housing needs by co-funding affordable housing delivery.

5.13 HEALTH AND WELL BEING

5.13.1 The delivery of new affordable homes in the district will contribute towards improving health and wellbeing in the district by the provision of good quality new homes to meet local housing needs. The management strategy for these homes has not been determined yet, however, as part of this strategy a decision will be taken about whether the homes need to be furnished. In the first instance, officers will work with local charities and organisations who are supporting Ukrainian and Afghan families, to explore whether they are able to support with furnishings. Alternatively, the project contingency could be used for this purpose.

5.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

5.14.1 These homes will be built 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.

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.

ACRONYMS

None

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A

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 report – Local Authority Housing Fund

Agenda for Cabinet on Wednesday, 22nd February, 2023, 6.30 pm | Boston Borough Council

CHRONOLOGICAL HISTORY OF THIS REPORT

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

REPORT APPROVAL

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