

WEST NORTHAMPTONSHIRE COUNCIL CABINET

11 July 2023

CABINET MEMBER WITH RESPONSIBILITY FOR HOUSING, CULTURE AND LEISURE - COUNCILLOR ADAM BROWN

Report Title	Housing Acquisitions Programmes
Report Author	<p>Joanne Barrett Assistant Director Housing & Communities; and Joanne.barrett@westnorthants.gov.uk Phil Morrison Strategic Finance Business Partner Philip.morrison@westnorthants.gov.uk</p>

List of Approvers

Monitoring Officer	Sarah Hall (Deputy Monitoring Officer)	03/07/23
Chief Finance Officer (S.151)	Audra Statham (Assistant Director, Finance – Accountancy)	03/07/23
Other Director	Lisa Hyde (Interim Director of Communities & Opportunities)	03/07/23
Communications Lead/Head of Communications	Craig Forsyth (Deputy Head of Communications)	03/07/23

1. Purpose of Report

- 1.1. To seek approval to increase the capital programme in the Housing Revenue Account for additional acquisitions, for the Council to participate in Local Authority Housing Fund Round 2 and to complete a procurement process to appoint a property purchasing/renovation service to support with acquisitions work programmes. This will include the Housing Revenue Account general acquisitions programme, Local Authority Housing Fund (LAHF) and a Single

Homelessness Accommodation Programme (SHAP) property acquisition and refurbishment project.

2. Executive Summary

- 2.1 The council has an acquisitions programme underway to purchase homes to increase our council-owned housing stock to meet local housing need and reduce pressures relating to homelessness and temporary accommodation costs.
- 2.2 In addition, the council will need to acquire some properties through the LAHF programme (both the initial round and the recently announced second round). Registered Provider partners were very willing to support the Council with delivery of the whole of this programme, but they have found it challenging to agree sales with developers in our area who are on-site building new properties. To achieve the LAHF programme targets it will be necessary for the Council to undertake some direct purchases from the open market. The total number of property acquisitions required for LAHF Round 1 is 30 and up to a further 10 for LAHF Round 2.
- 2.3 As outlined above, on 7 June 2023 the Department for Levelling Up and Housing and Communities (DLUHC) announced a second round of the LAHF (R2). This funding is to support local authorities to increase their stock of affordable housing, help house those on Afghan resettlement schemes currently in bridging accommodation and ease wider homelessness pressures in the local community. West Northamptonshire Council has been made an indicative LAHF Round 2 allocation of £1,32m and was required to submit an Expression of Interest (EOI) on 5 July 2023. If this EOI is accepted by central government then the Council will be expected to sign a Memorandum of Understanding to be formally awarded the funding.
- 2.4 In addition to the general acquisitions programme and LAHF programmes, the authority would like to bid for DLUHC Single Homelessness Accommodation Programme (SHAP) funding which has deadlines in September and November 2023 for submissions. The aim of SHAP is to provide funding for appropriate accommodation for entrenched rough sleepers likely to have very complex needs. This programme will also require the council to acquire and renovate suitable accommodation for this cohort.
- 2.5 The Council already has a budget for general acquisitions to meet local housing need. For the Council to complete additional acquisitions in the LAHF scheme approval for additional budget and an increase in the Housing Revenue Account capital programme will be required.
- 2.6 These multiple acquisition programmes require an increase in capacity and some additional specialist skills associated with acquisitions/renovations work. To meet funding programme deadlines these programmes must be delivered at pace. Engaging the services of an external property purchasing and renovation company will increase the pace of this activity using a specialist service and make the best use of limited officer capacity during a period of intense acquisitions activity which is unlikely to be repeated.

3. Recommendations

- 3.1 That Cabinet recommend to Full Council an increase in the capital programme of £10.907 million additional funding/borrowing in the Housing Revenue Account to deliver the LAHF R1 and R2 programmes.
- 3.2 That Cabinet delegate authority to the Section 151 Officer in consultation with the Cabinet Member for Finance and Cabinet Member for Housing, Culture & Leisure to approve the procurement of services of a property purchasing and renovation company to accelerate delivery and provide the necessary capacity to deliver the different acquisition programmes by the required deadlines subject to full business case and financial appraisal.
- 3.3 That Cabinet delegate authority to the Section 151 Officer to enter into a Memorandum of Understanding with DLUHC relating to LAHF R2 upon confirmation that the Expression of Interest is accepted.

4. Reason for Recommendations (NOTE: this section is mandatory and must be completed)

- 4.1 An increase to the capital programme is being requested to enable completion of LAHF R1 and LAHF R2 programmes within the required timeframes. When the Council submitted its LAHF R1 EOI to DLUHC Registered Provider partners were very willing to support the Council with delivery of the whole of this programme, however they have found it challenging to secure sales with private developers in our area. To achieve the LAHF programme targets it will be necessary for the Council to undertake some direct purchases from the open market. The funding on offer through the LAHF programmes offers a good level of external funding towards property acquisitions between 40% and 50% of the property cost. The properties acquired will form part of the general needs housing stock in the medium/long term so will help address local housing needs once they have been initially used in the short term as temporary accommodation focused on resettlement pressures. The Finance Team have completed modelling within the HRA and set parameters for ceiling purchase prices within each LAHF programme to ensure that the schemes 'breakeven' or payback within the expected timeframes agreed in the HRA and are therefore capable of paying off borrowing over the 40-year business planning period.
- 4.2 The services of a specialist property purchasing and renovation company are required to accelerate delivery and provide the necessary capacity to deliver the different acquisition programmes within challenging timescales. Across WNC and Northamptonshire Partnership Homes there is limited capacity to successfully deliver the three acquisitions programmes simultaneously. Cabinet is being requested to delegate authority to the S151 Officer (in consultation with the Cabinet Member for Finance and Cabinet Member for Housing, Culture & Leisure) to approve the procurement process and most importantly the costs parameters of this process. However, in total costs for these specialist services across the 3 acquisition programmes are likely to exceed £500k therefore a specific delegation to the S151 officer regarding this process and the financial parameters of it is being requested.
- 4.3 The timescales for West Northamptonshire Council for LAHF R2, are to submit an Expression of Interest (EOI) on 5 July 2023. If this EOI is accepted by central government then the Council will

be expected to sign a Memorandum of Understanding swiftly afterwards to be formally awarded the funding. The Cabinet meeting cycle and dates would not allow a Cabinet decision within the required timeframes therefore delegated authority is being requested to the S151 Officer to complete this.

5. Report Background

Increase in HRA Capital Programme

- 5.1 The Local Authority Housing Fund (LAHF) is a capital fund introduced by the Department for Levelling Up, Housing and Communities (DLUHC) supporting authorities in England to provide accommodation to families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes.
- 5.2 In January 2023, for LAHF R1 WNC was identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003) totalling £3,73m. The funding was allocated specifically to obtain and refurbish 30 homes during 2023 for those unable to secure their own accommodation who are here under Ukrainian and Afghan resettlement schemes. The details of LAHF R1 were as follows:
- Main element: £2,59m for a minimum of 25 homes.
 - Bridging element: £1,14m in funding for a minimum of 5 larger 4+ bedroom homes to be allocated to households currently residing in bridging accommodation.
 - The funding includes £20k per property for refurbishment and other costs
 - The total grant allocation is £3,73m.
 - timescale for delivery of the programme is by 30 November 2023.
- 5.3 On 8 June 2023, WNC was informed that it had been identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003) for LAHF R2 with an indicative allocation of £1,32m in funding. This second round of LAHF is additional support to councils to assist providing safe and suitable housing to those in the UK under resettlement scheme but also support local authorities to acquire good quality, and better value for money Temporary Accommodation (TA) for families owed a homelessness duty by local authorities. The funding is also intended to enable local authorities to grow their asset base, creating sustainable assets to help manage local housing pressures on an ongoing basis. The details of LAHF2 are as follows:
- Resettlement element: to provide a minimum of 7 homes.
 - The Resettlement element of the scheme is for households who have arrived in the UK on the Afghan Citizen Resettlement Scheme (ACRS) and the Afghan Relocations and Assistance Policy (ARAP) and who are currently in bridging accommodation or who have left bridging hotels and are homeless, at risk of homelessness, or living in unsuitable temporary accommodation.
 - Temporary Accommodation element: to provide a minimum of 3 homes.
 - The Temporary Accommodation element of the scheme is to provide accommodation to those households owed a homeless duty by the local authority (this is likely to be local residents to whom a homeless duty is owed).
 - The grant rate per property is £112k (based on median property prices in our area) plus £20k per property to account for other costs including refurbishment.
- 5.4 Key features of the schemes are:

- Support areas with housing pressures which have generously welcomed substantial numbers of people under the various resettlement schemes so that these areas are not disadvantaged by increased pressures from these arrivals on the existing housing and homelessness systems.
- The funding mitigates the expected increased pressures on local authority homelessness and social housing resources which arise from resettlement schemes as sponsorship/family placements/bridging accommodation arrangements come to an end by increasing the provision of affordable housing to those in the cohort who are homeless, at risk of homelessness, or in bridging accommodation.
- Reduces costs to local authorities on emergency/temporary accommodation.
- Deliver accommodation that as far as possible will convert into general needs housing to support wider local authority housing and homelessness responsibilities to local residents (UK nationals) e.g. after usage by this cohort ends.
- In the longer term helps to build a sustainable stock of affordable housing to meet local housing need.
- Mitigate the impact of resettlement schemes on the existing housing and homelessness systems and those waiting for social housing.

5.5 Under the schemes between 40% and 50% capital funding is provided towards property purchases. Therefore, either the Council or Registered Provider (RP) partners will need to identify between 50% and 60% match capital funding to support this programme.

5.6 Registered Provider partners were very willing to support the Council with delivery with LAHF R1 and R2 but their ability to do so is dependent on having suitable empty/dilapidated properties in their stock to bring back into use, opportunities to remodel defunct specialist accommodation, ability to 'flip' forthcoming shared ownership units into rented accommodation and agreeing sales with developers in our area who are on-site and building new properties. It is unlikely that RP partners will be able to support the whole 40 unit programme and that they will only be able to deliver apart of the programme with the remainder delivered by the council.

Procurement of a specialist property purchasing and renovation company

5.7 Services offered by specialist property purchasing and renovation companies include:

- Taking instruction from WNC concerning property requirements and searching bespoke the local housing markets for matching properties
- Rapid feedback to WNC on potential properties and ability to monitor progress of each property acquisition throughout the process
- Completion of surveys, including asbestos, fire risk assessment, building/structural, gas and electric services.
- Negotiating offers to acquire the properties
- Obtaining and reviewing due diligence survey and reports
- Production of a summary of any risks and mitigations highlighted by surveys and reports to WNC for consideration
- Preparation of a draft Schedule of Works (SOW), ahead of completion of the purchase of the property and a post-purchase site visit with a WNC representative to approve and finalise

the SOW and the works budget

- Coordinating work associated with exchange and completion of contracts for purchases
- Ensuring all works are delivered to the required standard in accordance with the SOW
- Coordination of site visits to allow WNC personnel to oversee the progress of works at each property
- Provision of a full property handover pack including all certificates and warranty documents
- A 12-month defects warranty on each property

5.8 The services of a specialist property purchase and renovation company would accelerate delivery and provide the necessary capacity to deliver the different acquisition programmes within the challenging timescales that have been set. In particular, such a company could be very suitable for some of the potential projects being considered for the Single Homeless Accommodation Programme which include purchase of an existing building which requires extensive remodelling and/or refurbishment. The scale and complexity of such a project may not be possible within existing WNC staff resources and a property purchasing company could potentially deliver “turnkey” solution including purchasing the site and managing works for handover to the authority on payment of SHAP grant.

6. Issues and Choices

Increase in HRA Capital Programme

6.1 WNC could choose to not draw down the LAHF R1 and R2 monies but this would lead to additional revenue spend and pressure on budgets in relation to procurement of temporary accommodation to house those who have arrived in the area through resettlement programmes and are threatened with or have become homeless. Also, this would mean WNC would be declining funds being made available to help mitigate the impact of resettlement schemes on the existing housing and homelessness systems and those waiting for social housing and for additional affordable homes that in the medium to long term will be available to meet local housing needs.

Procurement of a specialist property purchasing and renovation company

6.2 The council could choose to not contract with a company offering specialist property purchasing services but this could compromise WNC’s ability to draw down funding and comply with funded programme deadlines. Lack of additional capacity and specialist skills that a property purchasing and renovation company brings could mean that the authority has reduced ability to benefit from funding support available for resettled households, not increase stock levels and fail to increase the supply of more cost-effective temporary accommodation provision. Not having a specialist company onboard could mean a bid to Homes England for further external funding through programmes such as Single Homelessness Accommodation Programme would be at risk of failure.

MoU for LAHF R2

6.3 Cabinet could choose to not delegate authority to the S151 officer to sign a Memorandum of Understanding with DLUHC but the Cabinet meeting cycle and dates do not allow a Cabinet

decision within the required timeframes therefore WNC would be unable to draw down the funding allocated to it for LAHF R2.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 There is a requirement to increase the HRA capital programme for 2023-24 to cover the full delivery of the LAHF1 and LAHF 2 schemes. This increase is to be part funded by LAHF grant and further HRA borrowing. To cover the budgeted cost of full delivery it is recommended that the HRA capital programme be increased by up to £10.907m to enable council officers to start immediately to acquire the properties already identified. This is necessary to ensure that we have the best chance of delivering these schemes. The Indicative breakdown of the £10.907m and the financing is summarised in the table below:

Acquisitions	Total
Increase in Budget Needed	£10.907m
Funded by:	
LAHF Grant	£5.051m
HRA Borrowing	£5.856m

7.1.2 The increase in the capital programme would be financed by LAHF grant (scheme 1 and 2) of approximately £5.051m with the balance of £5.856m by HRA borrowing. The individual acquisition purchase ceilings have been calculated using the financial appraisal tool which delivers a breakeven point over the 40-year HRA business planning period. Properties acquired up to these ceilings will generate revenues to payback the borrowing over the life of the business plan. This additional borrowing will cost the HRA revenue account approximately £270k per annum.

7.2 Legal

7.2.1 This report is required to ensure that the Council complies with its governance arrangements for the making of decisions, awarding of contracts and entering into of MoUs.

7.3 Risk

7.3.1 Funding for this programme and progress against budgets will be closely monitored by CAB on a regular basis and Cabinet through budget monitoring reports should the council need to make some acquisitions and therefore use some council resources.

7.4 Consultation and Communications

7.4.1 No formal consultation has been undertaken or is required on this proposal. The Council would be able to communicate that it is increasing its housing stock and reducing pressures relating to homelessness and temporary accommodation costs. Communications activity can support future stages of the procurement process to source a specialist property purchasing and renovation company.

7.5 Consideration by Overview and Scrutiny

7.5.1 None.

7.6 Climate Impact

7.6.1 None.

7.7 Community Impact

7.7.1 The LAHF acquisitions will be in localities where there is a good level of service provision including shops and public transport links and existing community hub activities focused on resettlement.

7.7.2 Temporary accommodation acquisitions will increase the supply of housing available locally and reduce the need to use expensive 'nightly-let' accommodation and bed & breakfast.

7.7.3 Participation in the SHAP programme will deliver accommodation units in a supported setting for entrenched rough sleepers to support this extremely vulnerable cohort on their journey towards independent living.

8. Background Papers

8.1 None