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**Appendix A** to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**

Date: **2 March 2023**

Title: **Housing Crisis Update**

Portfolio Area: **Homes – Cllr Judy Pearce**

Wards Affected: **all**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Upon the expiry of the Call-in period – 5.00pm on Monday, 13 March 2023

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**RECOMMENDATION**

**That the Executive:**

- 1. Approves the spending of up to £385,000 of Section 106 Affordable Housing Contributions for the purchase of up to 7 properties as part of the Government Local Authority Housing Fund;**
- 2. Authorises the Head of Assets, in consultation with the Head of Housing and Section 151 Officer, to identify within the available funding, up to 7 suitable properties and to take the necessary steps for the Council to purchase those properties;**
- 3. Notes the progress of the Expressions of Interest exercise proposed to bring forward affordable-led housing schemes in Kingsbridge**
- 4. Approves the spending of Section 106 Affordable Housing Contributions on the terms set out at exempt appendix A**

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### **1. Executive Summary**

- 1.1. This report sets out three housing matters being progressed, aligned to the Housing Crisis:
- A recommendation to acquire up to 7 properties under the Local Authority Housing Fund (LAHF) at a cost to the Council of C. £1.3m, to provide accommodation for those displaced from Ukraine and Afghanistan.
- The LAHF provides 40% of funding and the difference must be provided from the Council. It is recommended to use capital rather than borrowing; Homes for Ukraine and Section 106 affordable housing contributions to make up the Council share.
- An update to members on the Expressions of Interest (EOI) that was run for development on the two sites in Kingsbridge.
  - An exempt report (Appendix A) recommending expenditure of up to £500k of Section 106 affordable housing funds, utilising money held by the Council for a minimum of 4 years or with a short developer clawback date.
- 1.2. Taken together, these three interventions will make a significant and positive intervention as part of the Housing Crisis; support the delivery of affordable housing in the District and step up to meet the challenge of accommodation for people fleeing conflict.

### **2. Local Authority Housing Fund - Background**

- 2.1. In December 2022, the Department of Levelling Up Housing and Communities released a prospectus regarding a £500 million capital funding opportunity known as the Local Authority Housing Fund (LAHF)
- 2.2. The fund aims to alleviate housing pressures on local authorities arising from conflict in Afghanistan and Ukraine. As part of this government's humanitarian response to these crises, over 170,000 people have been welcomed to the United Kingdom. This has unavoidably created additional demand for housing at a time when local authorities are already under strain. The aim of the LAHF is to acquire housing stock for those fleeing conflict (including those from Ukraine and Afghanistan) and reduce homelessness
- 2.3. The funding offer, made to selective Local Authorities of which South Hams is one, came with an allocation of 40% of up to 10 properties in the District with 1-3 bedrooms. This equates to a total allocation of £1,184,000 for South Hams District Council subject to the number of properties purchased.
- 2.4. Further funding is available for larger properties of at least 4 bedrooms at 50% of the purchase cost. This is part of the requirement of the funding allocation and the sum available for

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this is £242,730. 1-3 bed homes, explained at 2.3, can only be purchased if the Council commits to the purchase of the 4 bed home.

- 2.5. Participation in the LAHF scheme is optional for local Authorities, who must fund the balance of the purchase. In the case of South Hams to purchase the maximum 11 properties, this could be up to £2,018,730.00.
- 2.6. Having reviewed the available funding sources for the Council it is proposed to seek to acquire 7 properties, not the full 11.
- 2.7. Neither Homes England grant funding nor Right to Buy capital receipts can be used to fund the purchase of properties. Section 106 affordable housing contributions can be used, as can local authority reserves or public works loan board borrowing.
- 2.8. LAHF is an opportunity for Councils to purchase property, in the first instance for a cohort of Ukrainians where there is already a homeless duty following placement breakdown, and to support Afghan families who are in the UK and currently residing in bridging hotels.
- 2.9. When the property is no longer required by the intended cohort, the Council can use the property to meet its housing need and will retain ownership of the asset in perpetuity.
- 2.10. Having reviewed funding available to the Council it is recommended to support the Government proposal and match fund the purchase of up to 7 properties utilising:
  - The bridging element of the South Hams allocation of LAHF funding to purchase 50% of a larger property (4 bed)
  - The main element of the South Hams allocation of LAHF funding to purchase 40% of up to 6 properties
  - funding from the Homes for Ukraine fund,
  - part of the contingency Homes for Ukraine funding held by Devon County Council and
  - Section 106 affordable housing contributions for the balance of no more than £385,000.
- 2.11. It is proposed to target the acquisition of new homes from developments in our key towns, including Sherford.

### **3. Funding**

- 3.1. To fund the 60% share of the property portfolio of 7 properties (up to £1,308,300), the Council can use Homes for Ukraine Funding it already has - a total of £660,462 after commitments
- 3.2. A further contingency fund of Homes for Ukraine Funding is held by Devon County Council. Subject to agreement we are proposing to utilise a proportion of this. DCC are supportive of the proposals within this report however to maximise the opportunity the funding is subject to ongoing negotiation.

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- 3.3. In addition, the Council currently has significant sums of Section 106 Affordable Housing funding remaining. In the Housing Crisis declaration of September 2021 Members unanimously supported the following action:

*Use any Section 106 affordable housing contribution as soon as possible to help fund developments anywhere in the District where the terms of the Section 106 agreement permit.*

Most, if not all of our Section 106 agreements allow the Council to use the contributions towards affordable housing anywhere in the District.

There will be significant Section 106 affordable housing contributions left after the acquisitions have been made to ensure positive affordable housing interventions can be made in the next year, where opportunities exist.

A forward scan of future Section 106 affordable housing contributions also shows that significant contributions are due to be received in the short-term.

- 3.4. It is proposed to prioritise the use of the affordable housing contributions from the oldest Section 106 agreements or the ones expiring first held by the Council. This mitigates the risk of them having to be given back to the developer/landowner. This is subject to legal advice in respect of the terms of the individual agreements.

3.5. **South Hams House Purchase Funding Model Example**

- 3.6. This shows an example based on a portfolio of 7 properties (1x4bed 3x3bed 3x2bed) advertised on the open market on 10<sup>th</sup> February 2023. It is recommended this is the maximum number of properties in the varying sizes that the Council should consider utilising a proportion of aged Section 106.

Portfolio cost is likely to be (A)	£2,261,460
Grant (40% of 2/3 bed + 50% 4 bed) (B)	£953,130
Our proportion (A-B=C)	£1,308,330
H4U capital available for use (D)	£660,462
DCC contingency –subject to agreement	£263,812
Amount requiring funding from S106 (C-D-E = F)	£384,056
S106 available after allowances for next year commitment + exempt expenditure of up £500k (G)	£1,123,563
S106 remaining (G-F = I)	£739,507

## **4. Local Authority Housing Fund - Conclusion**

## **NOT FOR PUBLICATION**

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- 4.1. It is recommended to acquire up to 7 new properties (not more than 10 years old), utilising:
  - A proportion of the South Hams allocation of LAHF funding,
  - funding from the Homes for Ukraine fund,
  - part of the contingency Homes for Ukraine funding held by Devon County Council and
  - Section 106 affordable housing contributions.
  
- 4.2. Homes will be offered on non-secure tenancies only. This ensures the properties remain available for temporary housing and prevents security of tenure or right to buy provisions.
  
- 4.3. It will provide the Council with a portfolio for use as temporary accommodation and enable the Council to discharge its statutory homeless duties.
  
- 4.4. There is a Government expectation that to secure the funding allocation, monies will be committed to be spent by November 2023. The ability to realise this opportunity will be dependent upon the following:
  - The signing of a Memorandum of Understanding with Department of Levelling Up Housing & Communities by 15<sup>th</sup> March 2023,
  - The availability of suitable housing stock in the District,
  - Successful negotiation on the Homes for Ukraine contingency funding held by Devon County Council.
  - Ability to agree acceptable terms with vendors in a timely manner and
  - Exchange contracts on properties prior to November 2023.

## **5. Kingsbridge Expressions of Interest Update**

- 5.1. The Council owns 2 sites in Kingsbridge at Rope Walk and have been consulting with Kingsbridge Town Council (KTC) as to how these sites are progressed, as it is collectively recognised there is significant unmet housing need in the Town, particularly for affordable housing.
  
- 5.2. On 13<sup>th</sup> October 2022, the Executive approved the commencement of an Expressions of Interest (EOI) process to further understand the opportunities to bring forward affordable led housing schemes on the Council-owned sites at Ropewalk, Kingsbridge.

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- 5.3. It was recognised undertaking an EOI exercise on both sites would inform the Council of what opportunities there are in the market to bring forward affordable led housing schemes.
- 5.4. The EOI Brochure included details of the poll of Kingsbridge Town Councillors' opinions (Revision - 16th November 2022) for use of the Ropewalk site as follows:
- "Town Councillors were asked to submit their favoured vision for the Ropewalk development sites and are unanimous in their support for the greater provision of truly affordable housing in Kingsbridge primarily for local people, which is underlined in the emerging Kingsbridge, West Alvington & Churchstow Neighbourhood Plan (Theme 2 – Housing & Homes). Below is a bullet point collection of the attributes they wish to see achieved:
- *Ropewalk developments to be targeted for 1- and 2-bedroom housing*
  - *Covenants for said housing to be occupied by people with a local connection to Kingsbridge and neighbouring parishes only.*
  - *Outstanding architectural merit, adventurous and eco 'net zero' design.*
  - *The 2 sites to be considered holistically i.e. there should not be an open market site to effectively pay for an affordable site.*
  - *Routes to home purchase of affordable housing to be subject to a legal restriction to ensure the housing remains affordable and a discount is sustained."*
- 5.5. The EOI advert went live on 30<sup>th</sup> November 2022, with a closing date of 29<sup>th</sup> January and was advertised on both the Seamoor Homes and Council Website.
- 5.6. Through the process, Registered Providers and other strategic partners were notified and invited to put forward proposals for consideration.
- 5.7. A total of 5 EOI submissions were received from a range of prospective partners including developers and Housing Associations. Accordingly, a range of proposals has been received, ranging from 100% affordable housing schemes to those of a more commercial nature.
- 5.8. The next action is to commence an evaluation of the received EOI's to include a due diligence and vetting process of submissions. This may include an invitation to applicants to present their proposals.
- 5.9. Once complete, selected parties will be invited to outline their proposals in more detail. For example, detailed delivery plans, alongside relevant financial information, anticipated programmes,

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delivery models and affordable led housing delivery experience including examples of operational expertise.

- 5.10. Throughout this process, there will be an opportunity for both parties to make further enquiries and provide information or points of clarity. It is anticipated this process will take until the end of April 2023 to complete.
- 5.11. Formal submissions will then be evaluated by officers and the recommendations brought to an Evaluation Panel made up of the Leader of the Council and Lead Member for Homes, the Local Kingsbridge Members, a representative of Kingsbridge Town Council and the Head of Housing and the Head of Assets is formed to assess the EOI's.
- 5.12. This will be followed by a full report with recommendations to the Executive expected to be brought forward for consideration in 2023/24 Q 3.

**6. Outcome of Recommendations**

- 6.1. This report sets out recommendations to invest a significant amount of Section 106 affordable housing contributions to achieve marked improvements of housing outcomes in the District, all entirely align with the declared Housing Crisis, as follows:
  - Securing 40% grant funding from the Government and utilising Homes for Ukraine funding to acquire up to 7 properties will provide an opportunity to purchase property that supports the Council in providing accommodation for Ukrainians where their local placements have broken down, Afghan families currently residing in bridging hotels, and also, when not being utilised by this cohort an asset for the Council to use to address housing need locally.
  - The proposals for Kingsbridge are a positive step forward in progressing much needed affordable-led housing in the town together with Kingsbridge Town Council

**7. Implications**

Implications	Relevant Y/N	Details and proposed measures to address
Legal/Governance	Y	Legal advice has been sought on the precise wording of the Section 106 affordable housing agreements.

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		<p>Purchase of the property portfolio through LAHF will create a Landlord/tenant relationship with any occupants. Because the properties will be offered as temporary accommodation on Licenses or non-secure tenancies the Council will not be at risk from right to buy.</p> <p>The EOI process for Kingsbridge does not create any contractual relationship between the parties. Instead, the process informs the Council of opportunities which may be available to move forward.</p>
Financial implications to include reference to value for money	Y	<p>It is recommended that not more than £385,000 of Section 106 funding be used to purchase up to 7 properties for the LAHF scheme, lessening the requirement of temporary accommodation through placement breakdown and providing the council with a rental income, instead of additional expenditure in expensive pay per night placements.</p>
Risk		<p>The purchase of up to 7 properties through the LAHF within the timescales set out by Government is a significant project. The fund makes a further £20k available per property to assist in conveyancing, legal work and furnishing, carpeting and white goods. which whilst reducing the risk does not alleviate completely with the number of external factors influencing progression.</p> <p>Project management and a government requirement for 2 monthly returns will further manage this risk.</p>
Supporting Corporate Strategy		<p>See the main body of the report</p>
Climate Change - Carbon / Biodiversity Impact		<p>The purchase of new residential units will increase our operational carbon emissions, as buildings we will own, but not directly occupy, an increase will be found in our 'scope 3' emissions for electricity (and gas if available) arising from occupier use. Whilst these new buildings will need to be decarbonised if we are to reach our climate emergency declaration aims to become net zero as an organisation by 2030, its important to be aware of emissions forecasts up to 2030. Whilst the emissions factor for gas is largely unchanged (as gas will always emit CO<sub>2</sub>) the total emission factor for electricity is forecast to be 0.089 kg CO<sub>2</sub>e/kWh by 2030 (down from 0.267 kg CO<sub>2</sub>e/kWh</p>



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		currently). This effectively means under a “do nothing” approach, emissions from any electricity consumption will fall by 71% between the most recent year of data and 2030. We haven’t been able to calculate the emissions additions associated with these buildings as information is not available to do this. However, as the building will add to our overall emissions by virtue of increase gas and electricity consumption, based on future grid decarbonisation forecasts, the likely cumulative effects of electricity emissions will fall naturally over time. Works instead will need to focus on moving properties off gas.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity		None directly as a result of this report
Safeguarding		None directly as a result of this report
Community Safety, Crime and Disorder		As the accommodation will be utilised by Ukrainian, Afghan and other vulnerable homeless households we will work with the police and the Community Safety Partnership to ensure purchase of properties are in safe locations
Health, Safety and Wellbeing		The LAHF proposal represents an opportunity for the Council to offer self-contained accommodation, in sustainable locations to households who would otherwise need to access pay nightly accommodation, lacking cooking or laundry facilities or holiday lets, at not only significant cost to the taxpayer but at detriment to the health and wellbeing of the household, including any children.
Other implications		

**Supporting Information**

**Appendices:**

Appendix A Exempt report

Appendix B Section 106 affordable housing contributions held by the Council

**Background Papers:**

Local Authority Housing Fund Prospectus