

Report to: **Executive**
Date: **21st September 2023**
Title: **Progress Update on Housing Projects**
Portfolio Area: **Homes – Cllr Denise O’Callaghan**

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, 2 October

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RECOMMENDATIONS:

That the Executive:

- 1. Note the progress in the purchase of 7 properties through the Local Authority Housing Fund 1 (LAHF 1);**
- 2. Approve the additional purchase of an 8th property as a result of achieving an underspend from the agreed budget for LAHF 1;**
- 3. Approve participation in Local Authority Housing Fund 2 (LAHF 2) and purchase an additional 3 properties (the maximum permitted);**
- 4. Approve to use £475,000 from the capital receipts reserve to match fund expenditure for LAHF 2 to purchase 3 properties;**
- 5. Note the progress on construction of the 8 new homes for rent at St Anns’ Chapel and agree the management arrangements, including the local lettings policy and rent, and to commence the advertising and letting of the properties through Devon Home Choice as soon as available; and**
- 6. Agree the marketing and subsequent sale of the 3 open market properties at St Anns Chapel in accordance with the approved business case.**

1. Executive summary

1.1 LAHF 1

The Executive in March 2023 approved participation in the Government's LAHF 1 scheme. The Council is shortly exchanging contracts to purchase a portfolio of properties (1 x 4bed, 3 x 3 bed, 3x 2bed) at Sherford. These properties are due for completion in December 2023, and will be immediately ready for furnishing and occupation.

1.2 LAHF is a Government grant opportunity offered to Councils to help with the pressures around placement breakdown for Homes for Ukraine guests and to support Afghan families stuck in bridging hotels, and then for the Council's wider housing needs. The Government funded 40% (based on a formula for lower quartile open market property values in the District) of the purchase price and 50% for 4 bedrooms plus properties.

1.3 There has been an underspend on the approved budget for this portfolio of £195,857, derived through the successful negotiation of market discount.

1.4 The underspend creates an opportunity to purchase an additional 8th property through the LAHF 1 scheme, using further LAHF 1 funding. DLHUC (Department of Levelling Up, Housing & Communities) officials have confirmed agreement to this proposal, and it would allow the Council to further pursue its aims to tackle the housing crisis and improve temporary accommodation quality and service.

1.5 LAHF 2

The Government announced a second funding round - LAHF 2, with slightly different criteria. The South Hams total quota was for 3 properties. One of which can be used immediately for temporary accommodation whilst the other 2 must be offered to support Afghan families in the first instance. The LAHF funding is for 40% of the purchase with the Council funding the remaining 60%.

1.6 In LAHF 1 a significant amount of funding came from the Homes for Ukraine budget, this is not possible this time.

1.7 Alternative Council funding has been identified from an earmarked Housing Reserve, which was created from the sale of 3 properties used for temporary accommodation in 2019- 2021. This will enable the Council to take up the quota of 3 properties acquired under LAHF 2.

1.8 St Anns Chapel

The Council's own house building programme at St Anns Chapel has been progressing well, and the properties for affordable rent will be available in the late Autumn. This report recommends that management of these properties remains in house and that the advertising and letting of these properties commences as soon as there is a definitive handover date.

- 1.9 This report notes the previously approved business case for the development and the need to commence the marketing of the 3 open market properties, which provide cross subsidy for the affordable element of the development. Following this report, an agent would be appointed to undertake this activity.

2. Background

LAHF 1

- 2.1 On the 2nd March 2023 the Executive approved a recommendation to participate in the governments LAHF scheme and purchase up to 7 properties through a combination of Homes for Ukraine funding and Section 106 historic allocations for affordable housing.
- 2.2 The Council is now proceeding on the purchase of 7 mixed size properties at Sherford which will be ready for occupation from December 2023.
- 2.3 These properties will be offered on an affordable rent, which the Council will retain, as temporary accommodation for placement breakdown between hosts and guests of the Homes for Ukraine Scheme and for those Afghan families still in bridging hotels. When it is no longer required by the intended cohort, it will be retained by the council to support its own housing needs.
- 2.4 The total value of the portfolio is £1,925,320 and has been funded within the project budget as below achieving a project underspend of £195,857.

LAHF Government Grant	£953,130
Homes for Ukraine	£660,462
DCC Grant	£260,139
S106	£384,056
TOTAL	£2,257,787
Project underspend	£195,857

Additional property purchase LAHF 1

- 2.5 Due to the underspend in the approved budget for the purchase of 7 properties, officers asked the question of DLHUC whether it was possible to purchase and receive further LAHF funding for an

additional larger property (where the match funding is 50%). This has been accepted.

- 2.6 A property has been identified with the existing property portfolio and utilising the underspend of £195,857 and additional LAHF 1 funding could be purchased and still leave a project underspend of £49,007. It is recommended that this additional purchase under LAHF 1 is undertaken. The property will be completed for December 2023

LAHF 2

On the 7th June the Government announced a further LAHF scheme, LAHF 2 with a further allocation of funding for a maximum number of 3 properties for South Hams. Under LAHF 2, two of the properties in the allocation were specifically for households on Afghan resettlement schemes currently in bridging hotels and the third property to ease wider temporary housing pressures.

- 2.7 The Council can afford to participate in LAHF 2 fully and an example model can be found below

Guide price for 3 properties (2 x 2bed, 1 x 3bed) based on LAHF 1 property prices	£838,000
Full LAHF 2 funding entitlement for 3 properties at 40% of portfolio price	£335,200
Net funding requirement to be met by SH	£502,800
Less LAHF 1 underspend	(£49,007)
Contingency sum required	£21,207
Funding required from SH capital receipts reserve	£475,000

- 2.8 The £475,000 is in a capital receipts reserve from the former sale of 3 properties 33 & 30 Follaton Totnes and 21 Hermitage Road Dartmouth. A decision was made by full Council in the Autumn of 2017 that the receipts from the sale of these properties should be utilised for alternative accommodation. We are seeking agreement through this report to utilise up to £475,000 from this capital receipts reserve to give flexibility on location of the properties.
- 2.9 We have used funding from this reserve to match fund 1 bed properties in South Brent and Sherford for another housing project and together with the LAHF 2 purchases a reserve of £163,857 will remain.
- 2.10 It is intended the properties be let on an affordable rent, managed by our Seamoor lettings team and our refugee resettlement team with the rent retained by the Council less repairs, maintenance, and management costs.

St Anns Chapel Management Arrangements

- 2.11 The properties under construction at St Anns Chapel will shortly be at completion. The 8 properties the Council is retaining will be managed in house by the Seamoor Lettings Team with repairs and maintenance undertaken by our own depot teams.
- 2.12 The properties will be advertised on Devon Home Choice in accordance with the Section 106 agreement and the Councils allocation policy which gives preference to people with a local connection to St Anns.
- 2.13 These properties will be rented at the local housing allowance for the Plymouth Broad Market Area and will be £583.39 per calendar month for the 2 beds and £693.11 for the 3 beds. The Housing Team have already conducted an event and the demand for these homes is expected to be high.
- 2.14 The properties will be offered on a secure tenancy following an introductory period. The properties are designed to meet the Lifetime Homes Standard and therefore include walk in showers, have level access and the possibility of ground floor living as standard. Added to the excellent access to a local shop and medical facilities in nearby Modbury, these properties are suitable for general needs households and particularly suitable for older people and people with a disability. We believe this enables the Council to designate these properties as exempt from the Right to Buy. This will be explicit in any tenant's tenancy agreement and explained prior to tenancy commencement.
- 2.15 It is recommended that the Executive approve the allocation in accordance with the Section 106 and local lettings policy(Appendix 1) to commence as soon as there is a definitive handover date.

St Anns Chapel Open Market Sales

- 2.16 The Council at its meeting of the 21st November 2021 agreed as part of the St Anns Chapel development business case that 3 of the units would be sold on the open market, to repay the short term borrowing obligation required for the site.
- 2.17 The properties will shortly be marketed for sale. They will be sold with a primary residency clause. Meaning they cannot be used as a Second Home.

3. Outcomes of recommendations

- 3.1 This report sets out a number of projects which will increase the housing stock held by the Council. Whilst the majority of this is held as much needed temporary accommodation and supports the Councils pledges under the Homes for Ukraine Scheme and the Afghan resettlement scheme, it also invests in 8 low cost rented properties in St Anns Chapel – an area of high second homes and high property prices. These properties will be prioritised for people with a local connection to St Anns Chapel.

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Through measures set out in this report, the Council will be enabled to further support statutory housing duties.</p> <p>The property portfolio will create legally binding landlord & tenant relationships.</p> <p>The various tenancy arrangements will be licenses, non-secure tenancies and secure tenancies.</p>
Financial implications to include reference to value for money	Y	<p>The purchase of properties through LAHF 1 & 2 have been made without the reliance on borrowing, instead using £475,000 from the capital receipts reserve, £384,056 S106 affordable housing contributions and £1,288,330 Government funding, with the remaining £660,462 from Home for Ukraine funding and the Devon County Homes for Ukraine contingency fund of £260,139</p> <p>In time these properties will reduce the reliance on more expensive forms of temporary accommodation, and provide an income stream by way of the rents payable.</p>
Risk		<p>The LAHF properties are all required to be purchased by the end of the financial year. This in itself is a significant resource implication. Slippage in the construction industry is a risk, which may require us to consider purchasing nearly new rather than directly from developer.</p>
Supporting Corporate Strategy		Homes
Climate Change - Carbon /		The purchase of new residential units will increase our operational carbon emissions, as buildings we

Biodiversity Impact		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 CO2) the total emission factor for electricity is forecast to be 0.089 kg CO2e/kWh by 2030 (down from 0.267 kg CO2e/kWh 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.
Comprehensive Impact Assessment Implications		
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 LAHF 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 Local Lettings Policy for St Anns Chapel

Background Papers:

None