

NOT FOR PUBLICATION

Appendix B 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: **Hub Committee**

Date: **19th September 2023**

Title: **Progress Update on Housing Projects**

Portfolio Area: **Homes – Cllr Mark Renders**

Wards Affected: **All**

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

Date next steps can be taken:

Author: **Isabel Blake** Role: **Head of Housing**

Contact: **email: Isabel.Blake@swdevon.gov.uk**

RECOMMENDATIONS:

That the Hub Committee:

- 1. NOTE the acquisition of 5 homes through the Local Authority Housing Fund (LAHF 1);**
- 2. AGREE to participate in LAHF 2 and purchase at least an additional 2 properties;**
- 3. APPROVE expenditure to purchase properties through LAHF 2 of up to £410,000 from Section 106 affordable housing contributions;**
- 4. APPROVE expenditure of up to £80,000 from the Affordable Housing Revenue Earmarked Reserve, to modernise 3 Springhill to a suitable standard to be used as additional temporary accommodation;**
- 5. NOTE the details contained in the exempt report (Appendix B) and put on hold further progression of the Spring Hill redevelopment project whilst other options are explored.**

1. Executive summary

1.1 LAHF 1

The Hub in March 2023 approved participation in the Government's LAHF 1 scheme. The Council has now purchased 5 properties in Okehampton (1 x 4bed, 2 x 3 bed, 2x 2bed). These properties will shortly welcome their first cohort of tenants.

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 Borough) 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 £46,241, derived through the successful negotiation of market discount.

1.4 LAHF 2

The Government announced a second funding round - LAHF 2, with slightly different criteria. West Devon were offered the opportunity to purchase 3 more 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 again for 40% of the purchase with the Council funding the remaining 60%. DLHUC through negotiation with the Council has agreed to allow the Council to purchase 2 properties for temporary accommodation and one to support Afghan families.

1.5 It is recommended that the Council seeks to purchase 3 properties (subject to funding) through the LAHF 2 scheme. At a total guide cost of £760,000. Requiring approximately £456,000 from the Council to make up the 60% match funding.

1.6 In LAHF 1 a significant amount of funding came from the Homes for Ukraine budget, this is not possible this time. Other than the round 1 underspend of £46,241.

1.7 Alternative Council funding of £410,000 has been identified from aged Section 106 affordable housing contributions.

This will enable the Council to take up the quota of up to 3 properties acquired under LAHF 2.

1.8 3 Springhill

The Council purchased 3 Spring Hill as part of the adjacent Spring Hill project. The property was in poor condition, at the time and requires upgrades to achieve the required Energy Performance Certificate of C or above, including a new roof. Once refurbished this property will be available as temporary accommodation for a homeless family. It is recommended that this work is funded from The New Homes Bonus housing reserve.

1.9 1-2 Springhill

The Councils former temporary accommodation provision at 1-2 Spring Hill received Planning permission in December 2021 (2828/21/FUL) to demolish and construct a new building on a larger footprint to create 11 self-contained apartments, in a mix of 1- and 2-bedroom units for the accommodation of homeless persons. The new development will also include a staff office, bin store and rear courtyard to provide safe outdoor space for residents.

1.10 Since planning consent was secured a delivery mechanism has been sought for construction. After an initial nil response from the market to the original tender process, alternative procurement routes have been implemented to try and secure a suitable contractor to deliver the scheme.

1.11 In April 2023 we secured a formal tender from our selected contractor. The construction cost is as set out in exempt appendix B with a 94-week construction programme. It is therefore recommended the development be paused while all alternative options are considered.

2. Background

LAHF 1

2.1 In March 2023 the Hub approved a recommendation to participate in the Government LAHF scheme and purchase up to 5 properties.

2.2 The Council has now purchased 5 brand new properties, including carpets and white goods and electrical charging points in Okehampton directly from the developer. West

Devon is one of the first Councils in the Country to deliver through this funding route.

- 2.3 These properties will be offered on an affordable rent, which the Council will retain, as temporary accommodation for those in the bridging hotels and displaced due to the conflict in Afghanistan, or those who have travelled under the Homes for Ukraine scheme and their placement has broken down. 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 purchase price and additional conveyancing and legal costs total £1,292,776 and has been funded within the project budget as below.

LAHF Government Grant	£601,154
Homes for Ukraine	£545,124
DCC Grant	£192,739
Total Budget	£1,339,017
Total Expenditure*	£1,292,776
Project underspend	£46,241

*An amount of £1,275,364.80 was spent by 31.7.2023, as shown in the Capital Programme monitoring report, which is also an item on this Hub Committee agenda.

LAHF 2

- 2.5 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 West Devon. 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. Through negotiation with DLUHC the Council has been able to swap the allocation to 1 property for Afghan resettlement and 2 for wider housing pressures.
- 2.6 The Council can afford to participate in LAHF 2, by utilising Section 106 affordable housing contributions currently ringfenced to 1-2 Springhill this will be subject to other decision made within this report. An example model can be found below

3 LAHF 2 PROPERTIES (2 x 2bed, 1 X3Bed)	£760,000
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LAHF 2 Funding (40% of purchase)	£304,000
Balance for WD	£456,000
LAHF 1 Underspend	£46,241
Section 106	£409,759

- 2.7 £410,000 has been identified from S106 contributions (Appendix A highlighted yellow) to fund the balance. Ideally the Council should seek purchase opportunities in other places such as Okehampton to provide a spread of property, however this will very much depend on market availability and affordability.

3 Spring Hill

- 2.8 As part of the main 1-2 Spring Hill project, the Council purchased 3 Spring Hill a 3 bedroom property in need of modernisation for £161,500 when it came to the market. This was to provide greater flexibility and enhanced buildability options for the project. For example, using the property to provide a site office or welfare facilities during construction.
- 2.9 However, this report now seeks approval to refurbish the property to bring it up to Decent Homes standard for use as general needs temporary accommodation.
- 2.10 The property was in a poor condition on purchase and there are internal and external repairs (roof) required. Quotations for the work have been sought and estimated costs are up to £80k.
- 2.11 It is recommended these works are commissioned and funded from the affordable housing revenue reserve which was created using 22/23 New Homes Bonus allocation and has an uncommitted balance of £142,084.
- 2.12 The current programme estimates works will take circa 12-16 weeks to complete and the property will be ready for occupation by the end of the calendar year. This occupation date remains subject to contractor availability.

1-2 Spring Hill

- 2.13 The Council owns 1-2 Springhill Tavistock which currently contains 9 self-contained flats. The building has a covenant which expressly states that WDBC "are not to use or allow to be used any buildings erected on the property for any purpose other than as accommodation for homeless

persons". The building was formerly leased to Westward Housing who returned it to the Council in 2019.

- 2.14 Since that time, work has been ongoing on proposals to improve the quality of this accommodation. In December 2021, the Council obtained planning permission to demolish the existing building and rebuild 11 flats.
- 2.15 Since planning permission was obtained the Council has gone through three different procurement processes to attempt to secure a contractor to take on the build. These have included traditional tender, a framework and finally a 2-stage procurement exercise with Devon Contractors, which commenced in November 2022.
- 2.16 In April 2023 the first stage of the final procurement exercise was concluded. A construction tender price was returned which allowing for project risk contingency gives a construction cost contained in exempt appendix B
- 2.17 Disappointingly, the high investment costs required to deliver this project make the business case unviable and is not considered to represent good value for money when compared to purchasing property on the open market. Furthermore, the construction period does not bring forward temporary accommodation in Tavistock within a satisfactory timescale. is therefore recommended putting on hold further progression of the 1-2 Springhill Redevelopment Project whilst further options are explored.
- 2.18 Since the project commenced, costs and availability of materials, and labour has been dramatically impacted. The war in Ukraine, challenges post pandemic and the vast increases to public works loan borrowing rates have further impacted on the project viability.
- 2.19 To date, the Council has spent £275,000 at risk, which had previously been approved by Council. As the current procurement process is in two parts, the Council now has an opportunity to pause work and look at alternative options for the site and delivery of temporary accommodation. These will include whether a reduced standard refurbishment could be possible whilst still meeting climate commitments and providing accommodation to decent homes standard, negotiation with the adjacent landowner regarding the covenant and consideration of alternative provision elsewhere.

3. 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>At present any development of No.1-2 Spring Hill remains subject to the existing covenant and is likely to require a separate agreement by the NHS prior to commencement.</p>
Financial implications to include reference to value for money	y	<p>The purchase of properties through LAHF 1 & 2 and the refurbishment of 3 Spring Hill are made without the reliance on borrowing, instead using S106 affordable housing contributions and, Government funding and earmarked capital reserves.</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> <p>It is not recommended to progress with the existing project at 1-2 Spring Hill At present is not considered to represent good value for money nor does it bring forward temporary accommodation in Tavistock within a satisfactory timescale.</p>
Risk	Y	<p>The LAHF properties are all required to be purchased by the end of the financial year. This 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> <p>The price and programme for the delivery of the 1-2 Spring Hill scheme is reflective of the key residual risks, which include constrained site access, NHS requirements, Extended single lane</p>

		highway closure, planning conditions and the need to refresh existing utility quotations.
Supporting Corporate Strategy		Homes
Climate Change - Carbon / Biodiversity Impact		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 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		None directly as a result of this report.
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: S106 Affordable housing contributions

Appendix B: **Exempt** viability report on 1-2 Spring Hill

Background Papers:

None