

**SUBJECT: NEXT STEPS ACCOMMODATION PROGRAMME**

**DIRECTORATE: HOUSING AND INVESTMENT**

**REPORT AUTHOR: MELANIE HOLLAND, HOUSING STRATEGY AND INVESTMENT MANAGER**

## **1. Purpose of Report**

- 1.1 This report advises the Executive of the Council's recent Next Steps Accommodation Programme bid and requests approval to deliver the capital element of this bid.

## **2. Background**

- 2.1 On 18 July 2020 the Ministry for Housing, Communities and Local Government (MHCLG) announced the Next Steps Accommodation Programme. This Programme comprised two strands:
- £105m revenue funding, for 2020-21 only, to provide immediate support to people living in Covid 19 emergency accommodation; and
  - Capital and revenue funding to provide resettlement accommodation in the form of supported longer-term move-on housing for people recovering from rough sleeping. £130m capital funding was available to provide an anticipated 3,300 units of accommodation by the end of March 2021; with £31m associated revenue funding for the period 2020-24.
- 2.2 With respect to the longer-term move-on housing funding, capital grant would only be paid on the proviso that:
- Each unit of property must be available for rough sleepers, those at risk of rough sleeping or those at risk of homelessness on initial allocation and subsequent re-let;
  - The Council must seek permission from MHCLG when it wants to use any property that has received capital grant funding under NSAP for a different purpose, and either recycle it into another property for the same use as the original purpose or repay the capital grant funding received (if this circumstance arose the Council would seek to negotiate with MHCLG);
  - For acquisitions or refurbishment schemes, units should be made available for 30 years for those rough sleeping or at risk of rough sleeping and homelessness; and
  - Any investment made using the grant and subsequent reinvestment of the principal repaid from the grant must be used to deliver

investments that provide accommodation available for rough sleepers, those at risk of rough sleeping and those at risk of homelessness for a minimum of 30 years.

2.3 Successful bids under the £105m immediate support revenue funding strand are to receive payments under Section 31 of the Local Government Act 2003.

2.4 With respect to the longer-term move-on accommodation for bids requesting both capital and revenue funding, these payments will be made under Section 19 of the Housing and Regeneration Act 2008 and will be issued by Homes England (HE). Capital payments will be made in three instalments: 45% paid on acquisition; a further 50% paid on start on site (95% accumulatively); and a final 5% paid on practical completion (100%). Revenue payments linked to capital bids, will be made in instalments to a timetable to be agreed at the point at which successful bids are announced. To receive grant payments, the Council will be required to enter into a standard HE grant agreement where it commits to engage with monitoring and evaluation activities. This will include regular reporting of management information.

### **3. Bid**

3.1 Further to moderation by MHCLG, the bid comprises:

- £62,026 revenue funding for 2020-21, to provide immediate support to people living in Covid 19 emergency accommodation – this funding was announced on 17 September 2020 and has been accepted;
- Capital and revenue funding to provide supported longer-term move-on (resettlement) housing for people recovering from rough sleeping for the purchase and repair of 15 one-bedroom units of self-contained accommodation at an estimated total scheme cost of £1,499,250; a capital grant ask of £824,118; and a revenue grant ask of £150,188 for 2021-24. All units to be practically complete and occupied by 31 March 2021. At the time of drafting, this element of the bid is still being considered by MHCLG and subject to ministerial sign-off, however, a decision by 26 October 2020 is anticipated. This report seeks approval for the acceptance of any offer of funding.

### **4. Strategic Priorities**

#### **4.1 Let's reduce inequality**

The provision of resettlement accommodation promotes equality of opportunity as residents are provided with supported accommodation to meet their needs.

#### **4.2 Let's deliver quality housing**

It is intended that all acquisitions will receive sufficient works to meet the Lincoln Homes Standard.

## 5. Organisational Impacts

### 5.1 Finance

#### Capital Implications

On the assumption of the purchase and repair of 15 units at an average purchase price of £85,000 and average repair costs of £10,000 and including an allowance for Stamp Duty, legal fees and other associated purchase costs the estimated total capital cost of the scheme is £1,499,250. Grant funding of 55% of the scheme has been requested with the remaining funding through prudential borrowing.

	<b>2020/21</b>
	<b>£</b>
Purchase price	1,275,000
Repair works	150,000
Stamp Duty Land Tax	38,250
Other purchase costs	36,000
<b>Total Scheme Cost</b>	<b>1,449,250</b>
Grant Funding	824,118
Prudential Borrowing	675,132
<b>Total Funding</b>	<b>1,449,250</b>

#### Revenue Implications

Following an assessment of the revenue implications of the scheme, including the costs of depreciation, responsive repairs, borrowing and the specialist support staff, offset by the affordable rent on the properties with allowances for voids and bad debts, it is currently estimated that there would be a revenue surplus to the HRA, as follows:

	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Scheme costs	116,941	119,541	122,219	124,978	127,819
Scheme income	(139,579)	(143,767)	(148,080)	(152,522)	(157,098)
	<b>(22,639)</b>	<b>(24,226)</b>	<b>(25,861)</b>	<b>(27,544)</b>	<b>(29,279)</b>

The above assessment is based on an average purchase price of £85,000 per property, a further assessment has been undertaken for the scenario of the actual purchase price of the properties exceeding the assumed £85,000. Under this scenario the overall capital cost of the scheme would increase and without a consequent increase in grant funding there would be a need to incur additional borrowing with an increased revenue cost. Under this scenario the rental income is still in excess of the associated costs, as shown below:

	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Scheme costs	119,155	121,740	124,402	127,145	129,970
Scheme income	(139,579)	(143,767)	(148,080)	(152,522)	(157,098)
	<b>(20,425)</b>	<b>(22,027)</b>	<b>(23,677)</b>	<b>(25,377)</b>	<b>(27,128)</b>

The final revenue and capital implications will not be confirmed until actual purchase prices and repairs works are known. Although provision will be made in the capital programme as set out above, this will be subject to a final adjustment on completion of the scheme. The revenue implications of the scheme will not be included in the HRA budgets/MTFS until the properties are purchased and costs are finalised.

Executive will be advised as to any change to the total scheme cost and will provided with quarterly monitoring updates setting out acquisitions and expenditure to date.

### **Revenue funding requested from MHCLG**

At the point of preparing the bid for MHCLG an assessment of the level of rent receivable through Housing Benefit had not concluded, with an indication that an element of the rent and service charge would not be eligible. On that basis the bid to MHCLG also provided for revenue support for three years so that there was no detriment to the HRA. The following amounts of revenue support were requested:

	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Revenue to support capital scheme	48,590	50,048	51,549	Nil	Nil

Following confirmation of Housing Benefit levels the scheme is now shown to make a revenue surplus to the HRA. However, MHCLG has indicated that it is still minded to approve the allocation of this additional revenue funding in order to allow for the provision of additional support workers over the period 2021-24.

In addition to the revenue bid to support the capital scheme a further submission of £62,026 for 2020-21 was requested to provide immediate support to people living in Covid19 emergency accommodation. This funding has been approved and will be allocated in the 2020/21 budget to partially offset against the overspend forecast on emergency accommodation.

## **5.2 Legal Implications including Procurement Rules**

Consideration must be given as to whether the funding from MCHLG will be deemed to be state aid or whether this falls within the general exemptions for state aid. It is considered that the provision of rough sleeping accommodation/affordable housing comes within the meaning of a Service in the General Economic Interest (SGEI). Therefore the funding would be

exempt state aid, provided certain requirements are met, which will be monitored by Legal Services.

The Council undertakes to allocate move-on accommodation in accordance with the provisions of the relevant homelessness legislation, where the Council owes a duty to secure accommodation to persons who are eligible for assistance and have a local connection to the City of Lincoln.

Occupants of move-on accommodation will be issued with a licence. The licences and the conveyancing transactions will be undertaken by Legal Services.

### **5.3 Equality, Diversity and Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Equality and diversity has been considered in both elements of the bid: The immediate revenue support funding will allow the provision of support to provide support to vulnerable persons in emergency accommodation.

The purchase and repair of units of one-bedroom self-contained accommodation, again with support, promotes independent living. Acquisitions will take account of individual circumstances, including those with particular medical and/or physical needs, as well as social considerations which might affect the suitability of accommodations, for example, any risk of violence, racial or other harassment in a particular locality.

### **5.4 Human Resources**

The proposed move-on accommodation scheme will require a need for up to three FTE fixed term posts to be created. These will be new roles, which will have new job descriptions; to be evaluated in line with the Council's job evaluation procedures. At present it is not possible to advise on the grade of these posts.

It is recommended that these posts should be recruited to in line with the Council's recruitment process.

### **5.5 Land, Property and Accommodation**

All dwellings acquired will form part of the Council's Housing Revenue Account (HRA).

## 5.6 Significant Community Impact

Resettlement accommodation, in the form of supported move-on self-contained housing, for people recovering from rough sleeping seeks to break the cycle of rough sleepers being placed in emergency accommodation and then returning to the streets.

## 6. Risk Implications

### 6.1 (i) Options Explored

1. Submit a bid to the MHCLG under the Next Steps Accommodation Programme and seek to achieve a grant allocation in excess of 50% of total scheme cost (TSC).
  - a) Limit the purchases to former local authority flats and freehold one bedroom dwellings.
  - b) Broaden the purchases to include the general housing market leasehold stock.
2. Use the Council's own capital resources – useable Right to Buy receipts, restricted to 30% of TSC - to provide resettlement accommodation.
  - a) Limit the purchases to former local authority flats and freehold one bedroom dwellings.
  - b) Broaden the purchases to include the general housing market leasehold stock.

Option 1 attracts a higher level of capital grant and provides a larger volume of potential acquisitions and accelerated trajectory towards the practical completion date set by MHCLG of 31 March 2021. It should be noted that the Next Steps Accommodation Programme capital funding cannot be used in conjunction with useable Right to Buy receipts.

### 6.2 (ii) Key risks associated with the preferred approach

Whilst all of the options have a key risk regarding the availability of suitable accommodation which the Council is able to acquire, the specific risks of the preferred option include:

- The lease terms and acceptability (including freehold landlord approval, if required) of the Council's intended use, proposed works and terms of sub-letting;
- The length of the lease; and
- The cost of freehold landlord service charges and ground rents.

## **7. Recommendation**

- 7.1 It is recommended that, subject to confirmation by MHCLG of a successful bid, the Executive accept the capital and revenue funding for the provision of move-on accommodation and authorise the Director of Housing and Investment, in consultation with the Chief Finance Officer, to approve the acquisition of one-bedroom self-contained dwellings and reflect the resulting budget implications in the Housing Investment Programme and the Housing Revenue Account.

**Is this a key decision?** Yes

**Do the exempt information categories apply?** No

**How many appendices does the report contain?** None

**List of Background Papers:** None

**Lead Officer:** Melanie Holland, Housing Strategy and Investment  
Manager  
Telephone (01522) 873641