

SUBJECT:	NEXT STEPS ACCOMMODATION PROGRAMME DELIVERY
DIRECTORATE:	HOUSING AND INVESTMENT
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1. Purpose of Report

- 1.1 To provide an update on the Next Steps Accommodation Programme (NSAP) including delivery costs.

2. Background

- 2.1 On 18 July 2020 the Ministry of Housing, Communities and Local Government (MHCLG) launched the Next Steps Accommodation Programme (NSAP). A key element of this programme was the provision of capital and revenue funding to facilitate move-on accommodation for rough sleepers who were being housed in emergency temporary accommodation following the 'Everyone In' Initiative in response to the covid-19 pandemic.
- 2.2 Vision 2025 contains the aspirations "Let's work together to tackle homelessness in Lincoln" and "Let's provide help to the most vulnerable in our city". NSAP properties help to tackle rough sleeping (albeit this is only one form of homelessness), rough sleepers being some of the most vulnerable people in Lincoln by providing move-on accommodation to former rough sleepers or those at risk of rough sleeping.
- 2.3 In line with the Rough Sleeping initiative the Local Authority must go beyond the statutory requirements of the Homelessness Reduction Act in assisting rough sleepers and those at risk of rough sleeping. It is expected that temporary accommodation is provided regardless of an individual's priority need status and that the council will not end its homelessness duties for non-cooperation, loss of temporary accommodation or refusal of accommodation, etc. The launch of the NSAP grant funding offered up an opportunity to the Council to purchase much needed accommodation for rough sleepers and to tailor its approach further.
- 2.4 Following Executive approval on 26 October 2020 to proceed with the NSAP bid, the City of Lincoln Council successfully submitted a capital and revenue funding bid and has been under contract to deliver 15 units of dispersed accommodation using a purchase and repair model since 22 December 2020.
- 2.5 The approved submission anticipated a capital scheme cost of £1.5m, which included grant of £0.8m and revenue support costs at £150,000 over a 3 year period to help fund 2 full time equivalent, NSAP support officers.

3. Delivery of the NSAP Scheme

- 3.1 All 15 units of accommodation have now been delivered and are being used to accommodate previous rough sleepers or people at risk of rough sleeping.
- 3.2 NSAP is a Housing First hybrid, providing a portfolio of self-contained dwellings with wraparound support, in accommodation provided for up to two years allowing dwellings to be “re-used” for other former rough sleepers or those at risk of rough sleeping.
- 3.3 Accommodation is let to the occupant via a non-secure tenancy. In line with the grant terms the accommodation is required to remain as move-on accommodation for former rough sleepers or those at risk of rough sleeping. The terms of use of the property cannot be changed unless the capital grant is repaid or recycled into the acquisition of a replacement unit.
- 3.4 To help with tenancy sustainment, NSAP properties have been acquired in areas of the city close to services and transport links, ensuring the tenants can become reintegrated into society and can feel part of their neighbourhood. In all cases, consideration is given to the location of the property and the need to balance suitability for the new tenant and those people already in the neighbourhood. Areas already known to have high levels of anti-social behaviour and/or drug issues are avoided.
- 3.5 Properties, where required, were improved to meet the Decent Homes Standard, and fully furnished for letting.
- 3.6 Although the initial aim was to acquire suitable one-bedroom dwellings, 7 out of the 15 properties purchased are two-bedroom units which are let via single person occupancy. The property market and limited availability of properties prompted the acquisition of 2 bedroom properties.
- 3.7 The Council’s Rough Sleeping Team selects suitable tenants for each property by considering the support needs, vulnerabilities, and likelihood of settling into each property/area. The two dedicated Support Workers provide support and guidance in relation to mental health, tackling substance misuse, financial and other life skills needed for independent living. If required, the rough sleeping team will also undertake the day to day management of each property and any enforcement action required.

4. Finance

- 4.1 Financial details now that all 15 units have been completed:

NSAP - Delivery costs	Original Bid Award 2020	Final costs on delivery 2021	Increase costs variance
Acquisition costs (purchase and SDLT)	£1,313,250	£1,336,500	£23,250
Works costs	£150,000	£187,774	£37,774
On costs	£36,000	£89,417	£53,417
Furnishings costs (Not capitalised <£10k)	£0	£35,629	£35,629
Total scheme cost	£1,499,250	£1,649,320	£150,070 (10% increase)

- 4.2 Upon completion the total capital scheme cost is £1.65m, which is £150k /10% over our original bid award from MHCLG of £1.5m. This increase in cost has been funded by City of Lincoln Council and viability is outlined in 4.4 below.

4.3 Key issues which have led to the increase have included:

- Limited suitable 1 bedroom properties on the open market within the £80,000 price range, resulting in 7 x two bedroom properties and 3 x higher priced 1 bedroom properties being purchased.
- Anticipated works costs within the original bid were based on an average of £10,000 per property, however the average repair cost increased to £12,518 per property.
- On costs within the original bid only captured £2,400 per property. Increased due to of higher purchase prices resulting in higher SDLT but also oncosts such as; professional, legal services, searches and property valuation fees were captured which had not been captured within the initial bid. The average oncost increased to £5961 per property.
- Furnishing to NSAP properties is required to facilitate the success of this form of housing provision. The cost to furnish each property was below £10k so we were unable capitalise this and the charge to furnish was paid from Council funds. Future replacement costs are now captured within service charges.

4.4 The financial viability of the project remains in good order as the affordable rent level generates a revenue return per property and we received a higher than average grant rate.

5. Grant Rate

5.1 The original grant award per property was £54,941, however, to meet the stringent grant funding terms; three milestones had to be achieved to draw down money at each stage i.e., acquisition, start on site and practical completion in advance of 30 June 21. Although we requested an extension to end of Q2 from Homes England and MHCLG, this was a nationwide approach to not extend.

5.2 The final practical completion payment on 7 properties could not be applied for works were still ongoing. As a result, the average grant claimed per property was reduced to £53,659. Issues preventing the achievement of the practical completion claim date included:

- Delays in conveyancing and chains delaying property purchases leaving not enough time to complete.
- Issues with availability of specialist contractors. We were experiencing issues with one of our contractors at this point who subsequently went into administration.
- Lead in times with supply chains for materials.

5.3 Although we received an average reduction in grant rate, this is still a 97.66% return rate across the project. This has not affected the financial viability of the scheme.

	Original Grant Rate PU	Final Grant Average PU	Average % grant rate paid
Average Grant Per Unit (15 units)	£54,941	£53,659	97.66%

6. Financial Contributions

6.1 Although there has been an overspend to the original anticipated £1.5m capital scheme, 48.8% of each purchase is funded by the NSAP grant, this is a very healthy grant rate compared to other available grants. For example, if we had funded these purchases via

our Purchase and Repair scheme during 20/21 the grant rate at that time would have been 30% and expenditure would be higher for the Council with revenue return lower due to increased borrowing costs.

	Original Bid Anticipated funding	Final contributions on delivery 2021	Average % allocation of funds per property
Capital Grant funding	£824,118	£804,889	48.80%
Funding by CoLC	£675,132	£844,431	51.20%
Total scheme cost	1,499,250	£1,649,320	100.00%

7. Revenue Bid Funding

	21/22	22/23	23/24
Service charge funding request	£48,590.28	£50,048.99	£51,549.48
Anticipated revenue claim by year end	£34,098.08	£50,048.99	£51,549.48

7.2 As part of the original bid, we were awarded £150k of revenue funding over 3 years. The original award for £48,590.28 for 21/22 was based on properties being ready to let and support staff in post from 1st April 2021.

7.3 At this point only 2 properties were ready to let, and support was provided within the existing rough sleeping team until the NSAP support officer positions were successfully recruited into during July 2021.

7.4 As no extra staff resourcing costs were being incurred until July, in line with the grant agreement, the revenue funds can only be claimed for when staff are in post and during, let and reasonable void turnaround times. The revenue claim amount was adjusted by Homes England in Sept 2021 and it is anticipated that £34,098.09 will be claimed this financial year.

7.5 This NSAP revenue funding offers up intensive housing staff support and provision at minimal cost to the Council. Future revenue requests will be considered upon application by DLUHC after the initial 3 years of the programme.

8. Housing Benefit, Service Charges and NSAP

8.1 NSAP affordable rents and additional service charges applied are fully Housing Benefit eligible. By having this form of accommodation, it ensures that the property is financially viable for persons in receipt of welfare benefits.

8.2 NSAP properties offer a much-needed form of accommodation for the City's rough sleepers, who may have been placed in emergency temporary accommodation including bed and breakfasts in line with our obligations under the Homelessness Reduction Act. Although the use of bed and breakfast as emergency temporary accommodation is something that may occasionally be used, it is both an inappropriate form of temporary accommodation and is a cost to the General Fund (Housing Benefit only funds 75% of the costs).

8.3 Having access to NSAP Properties reduces the burden on the general fund but also offers up potential future hidden savings as hotels, bed and breakfasts and other forms of temporary accommodation is often more expensive and not fully recoverable from Housing Benefit.

- 8.4 The average cost of a room in a B&B or hotel from April 21 to December 2021 was £54 per night or £378 per week. If the Council were placing 15 households into emergency temporary accommodation it would be estimated the average cost would be £5,670 per week of which there is a potential unrecoverable element of £1,418 per week from Housing Benefit.
- 8.5 In comparison, the average core affordable rent for an NSAP property is £95 per week plus service charges which at present is fully recoverable.
- 8.6 By having the 15 NSAP properties within our property portfolio, they not only offer a suitable home with better facilities but also provides financial continuity and control with a reduced reliance on the general fund.

9. Other Benefits and Successes of NSAP

- 9.1 Access to NSAP properties not only offers a safe home to a rough sleeper but enables a supported environment for a tenant to settle, access service provisions including health care and settle into a community.
- 9.2 Appendix A of this paper provides a case study example of how the rough sleeping team works with cohort members with Lincoln local area connections and achieves positive outcomes. The NSAP properties are being let using this same wrap around support service with the aim of continuing to achieve successes.
- 9.3 In line with the grant funding terms, NSAP properties can only be used to house rough sleepers or people at risk of rough sleeping. As a result, the properties are ring fenced and tenants do not have a legal right to buy securing this form of housing provision for future use.
- 9.4 On 18 March 2021 MHCLG launched the RSAP prospectus for 2021-24 (round two of NSAP/RSAP). The Council successfully submitted a further capital and revenue funding bid for units for RSAP. This was agreed at the Executive meeting held on 26 July 2021, and the Council has been under contract since 31 August 2021 for RSAP round 2. Work continues on the new RSAP programme and a further 3 properties have been purchased. We are conscious of a significant change in our operating environment in relation to costs, availability of properties and our void numbers. As a result, we have paused the current programme with a view to reviewing on-going deliverability.

10. Recommendation

- 10.1 That Housing Scrutiny Sub Committee note the implementation of the NSAP scheme, its delivery, and the brief update on RSAP 2.