
Executive Decision Report

Action Homeless' Proposed Supported Housing Scheme

Decision to be taken by: Deputy City Mayor – Housing
and Neighbourhoods

Decision to be taken on: 11 April 2024

Lead director/officer: Chris Burgin

Useful information

- Ward(s) affected: All
- Report author: Janet Callan
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- Report version number: V6

1. Summary

Action Homeless has developed a scheme proposal to meet specific homeless needs identified in Leicester City Council's (LCC's) Strategic Gap Analysis for the Department of Levelling Up Housing and Communities (DLUHC), Single Homelessness Accommodation Programme's (SHAP) fund.

Leicester City Council submitted a bid to DLUHC on behalf of Action Homeless in November 2023 for £1,525k. As Action Homeless is not classed as a Registered Provider (RP), DLUHC has confirmed that the grant must be paid through a local authority acting as an Accountable Body; this report seeks approval to act as accountable body.

2. Recommended actions/decision

The Executive is recommended to approve that:

- a) The Council act as the Accountable Body for £665k of DLUHC capital grant funding and £860k of DLUHC revenue grant funding, to enable Action Homeless to deliver its proposed scheme;
- b) £665k is added as an immediate start to the 2024/25 capital programme;
- c) Authorisation is delegated to officers to accept and enter a Memorandum of Understanding (MOU) and adhere to the grant determination letter (when received with the first payment) with DLUHC.
- d) Authorisation is delegated to officers to enter a funding contract with Action Homeless, to, but not limited to, mirror the requirements of the MOU.

3. Scrutiny / stakeholder engagement

Discussions on this proposal have been held with DLUHC, Homes England and Action Homeless.

4. Report

Background:

In September 2022, the Government published their 'Ending Rough Sleeping For Good' strategy, which confirmed how the Government was going to tackle homelessness and rough sleeping. The SHAP was announced as part of this strategy, with the aim to increase the supply of good quality, specialist supported accommodation and housing-led approaches. The SHAP bidding round opened in January 2023 for 12 months and Leicester city was selected as a target area. The first stage involved Local Authorities (LAs) supported by DLUHC and Homes England, called co-production, submitting a Strategic Gap Analysis identifying gaps in local housing pathway provision relating to SHAP's target groups. Once the Strategic Gap Analysis had been approved by DLUHC, LAs could deliver directly, or work with housing associations, charities, and other organisations in the subsequent development of specific bids. In December 2022 Registered Providers (RPs) operating in Leicester City were asked to express interest in applying for SHAP funding.

One of the bid proposals for Leicester was from Action Homeless and they provided details and costings for a proposed scheme, based on the remodelling of a building they already owned. The co-production team considered the ability of this proposed scheme to address evidenced need in the city and agreed, in principle, for the bid to go to the next bidding stage. As Action Homeless was not a RP, the bid was submitted by LCC, with the understanding that DLUHC will pay the SHAP grant to LCC, as the Accountable Body, and LCC will enter a contract with Action Homeless, to secure the delivery of the proposed scheme.

In February 2024, LCC found out that they had been successful with securing Action Homeless' SHAP bid. LCC need to accept and enter the MOU with DLUHC and then DLUHC will pay the grant in agreed stages to LCC, as the Accountable Body. LCC will enter a contract with Action Homeless to secure the delivery of the proposed scheme, transferring any risk to Action Homeless whilst ensuring compliance to the SHAP guidelines and MOU. The terms of the funding require the units to practically complete by the end of March 2025 and the revenue funding runs for 3 consecutive years from practical completion.

Scheme:

Action Homeless is a registered charity with a proven track record of providing and managing accommodation for rough sleepers and people facing homelessness. Their proposal is to remodel part of their existing 30 bed hostel (let at a 20-bed capacity since the Covid-19 pandemic) for single people, which Action Homeless own. Action Homeless' proposal will provide 14 en-suite rooms (for single people) within three clusters, with each cluster sharing a kitchen. The clusters will be separated via a key entry system but managed as a whole unit, the cluster breakdown is noted below:

- 2 x five-bedrooms including en-suites and one shared kitchen.
- 1 x four-bedrooms including en-suites and one shared kitchen.

Action Homeless' intention for the remaining part of Mayfield House is for the area to be used as emergency accommodation, tenant support services and staff offices.

The proposed scheme will meet the specific homeless needs identified in LCC's Strategic Gap Analysis and LCC will be able to make referrals to these units. Furthermore, within the proposal each single bedroom within a shared cluster will have an en-suite bathroom and access to shared kitchen facilities. This will prepare individuals for independent living and enable residents to choose and have control over their own lives. Due to the poor condition of the current building and lack of funding, Action Homeless had decided that if this SHAP bid had not been successful then they would have had to close their existing 20-unit hostel, used to house single rough sleepers and vulnerable people.

Action Homeless has their scheme designed and costed and the Planning Team has confirmed that they do not require planning permission for this remodelling work, based on the plans submitted at the SHAP bid application stage. Action Homeless has advised that the projected total capital scheme costs for this project is approximately £1.478m. Whilst this includes a contingency, costs may rise due construction cost inflation and Action Homeless having to complete a DLUHC compliant procurement exercise. Action Homeless have advised that they will use their reserves to fund the residual capital cost of £813 k. In addition, the grant bid included the funding of 100% of the scheme's revenue costs totalling £860k, over 3 years, including £11.7k to cover LCC administration costs. Officers are working with Action Homeless to develop an exit strategy for when the revenue funding ends; it is clear that these costs will not fall to the Council.

With reference to the SHAP prospectus (section 25), it is expected that the buildings will have a life expectancy of 30 years. DLUHC have confirmed verbally that when the revenue funding ends it is possible to amend the scheme and to provide support for rough sleepers and people at risk but at a lower level of support than provided through the SHAP, potentially funded by intensive housing management payments under Housing Benefit.

LCC will receive the grant funding as per the table below. Capital grant payments to Action Homeless will be made in stages and when evidenced costs have been incurred.

Year	Capital or revenue	Amount
2023/24	Revenue	£3,583
2024/25	Revenue	£127,722
2024/25	Capital	£665,068
2025/26	Revenue	£278,990
2026/27	Revenue	£284,833
2027/28	Revenue	£165,048

The MOU (section 4.3) states, that upon payment DLUHC will send LCC a Grant Determination letter which sets out the terms and conditions applicable to SHAP grants made pursuant to section 31 Local Government Act 2003.

Action Homeless has confirmed to LCC that they will be able to deliver their proposal to the standards required in the SHAP prospectus, meet the required SHAP timescale and submit the required monitoring reports. The SHAP requirement to achieve a lettable standard for all funded units by 31.3.25 is a risk to the scheme and to LCC (as Accountable Body) given the need for Action Homeless to procure work, appoint contractors, complete works to Building Control standards, furnish and supply white goods. This risk is mitigated within the proposed contract between LCC and Action Homeless.

To support in the effective delivery of the scheme, LCC will recommend that Action Homeless will be required to employ a qualified and experienced Project Manager and that Action Homeless should appoint a legal firm to advise on compliant PCR 2015, if they are not familiar, to deliver the capital scheme.

5. Risks and Issues:

Whilst Action Homeless' proposal has been designed and costed, they will need to complete a Public Contracts Regulations (PCR) 2015 compliant process, which may result in an increase in cost. Furthermore, the capital cost may rise due to construction cost inflation during the procurement stage. The contract will set out that any cost increases must be met by Action Homeless. As the full procurement process would have been completed prior to any grant payment being made to Action Homeless and therefore the scheme costs known, this risk is adequately mitigated.

LCC is in receipt of the MOU for the grant funding and it is expected that the contract between LCC and Action Homeless will transfer any risk to Action Homeless.

The MOU highlights the following risks/issues:

- LCC is required to ensure that all legal and other statutory obligations and consents applicable to the Scheme will be adhered to, which may include, but not solely, subsidy control, equalities duties, procurement, health and safety and fraud. In particular, the Council should:
 - (a) Ensure that SHAP accommodation meets the Decent Homes Standard and minimum design and technical standards, and, where applicable, the nationally described space standard (NDSS), and National Statement of Expectations;
 - (b) Ensure that prior to occupation of SHAP accommodation, any certifications required under any building safety legislation arising out of the Building Safety Act 2022 are obtained (including certification that the accommodation has passed “Gateway 3” or any similar or comparable stage in construction identified in any applicable regulations); and
 - (c) Where any SHAP accommodation forms part of a higher-risk building (as defined in section 31 of the Building Safety Act 2022, as may be amended from time to time), procure that the relevant parties register as signatories to the Building a Safer Future Charter.

LCC is expected to have all the necessary governance and assurance arrangements in place to meet the above point and LCC is expected to ensure that these legal duties and all other relevant duties are considered, and that delivery of the scheme is carried out with propriety, regularity and value for money. LCC will be responsible to ensure that Action Homeless’ scheme is compliant with the above noted governance and assurance arrangements.

- LCC will be responsible to mitigate any risks that arise throughout the delivery of the scheme.
- LCC is required to undertake corrective action if the quality of work does not meet expected standards or delivery timeline.
- LCC is responsible to ensure that any third-party partnership arrangements or procurement activities related to delivery of the fund comply with Procurement Law and their own procurement procedures. Therefore, prior to starting the procurement process, LCC will seek assurance from Action Homeless that they understand the PCR 2015 and that they have the resources to undertake the procurement exercise on that basis.
- LCC will be responsible for undertaking due diligence checks on all third-party organisations, including community groups, suppliers and subcontractors, receiving funding and/or involved in delivery of the Fund. Evidence may be required of due diligence on community groups chosen to work with. A copy of the MOU and draft contract has been sent to Action Homeless and officers are awaiting any comments.

To conclude, as Action Homeless is not a RP, regulated by the Regulator of Social Housing, DLUHC require LCC to act as the accountable body for its approved funding towards this proposed scheme. LCC intends to manage and mitigate any and all of the risks that come with this by:

- i) Mirroring all of DLUHC’s requirements within the council’s proposed funding contract with Action Homeless;
- ii) Enabling LCC procurement officers to have oversight of AH’s procurement exercise(s);
- iii) Ensuring that AH appoint a qualified and experienced Project Manager to deliver the proposed scheme;
- iv) Ensuring that LCC’s Clerk of Works has access to check the quality and progress of the build;

- v) Ensuring that the proposed funding contract between LCC and AH confirms that if DLUHC require any of the funds to be repaid by the council then the council will require such funds to be repaid to it by AH.

This represents a comprehensive approach to managing the risk to LCC in acting as Accountable Body. There is still a risk that if LCC is required to pay back any/all of the grant to DLUHC and therefore seeks such repayment from AH, that AH might not be able to repay any/all of the fund because of the size/funds of its organisation.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

This report proposes that the Council acts as accountable body for the receipt of £665k of capital grant and £860k of revenue grant funding. Under the proposals, these grants would be received by the Council from DLUHC with grant conditions attached and then paid over to Action Homeless with a mirror grant agreement. If the grant conditions are not met then DLUHC may seek repayment from the Council, with the Council needing to invoke the mirror grant agreement to recover funds from Action Homeless.

The main situations which may lead to the grant conditions not being met include (a) cost escalation to a scale which Action Homeless are unable to afford, and (b) failure to complete within the required timescales. Since the grant is fixed, Action Homeless will be ultimately responsible for funding any cost increases. A procurement exercise will be undertaken, enabling Action Homeless to re-assess the affordability of the scheme prior to the Council paying over any grant. Based on current estimates of the scheme costs, Action Homeless have sufficient funds for the project; LCC may seek further assurance on this, subject to the outcome of the procurement. If the scheme is not completed on time, then the proportion of the grant relating to the retention payment is at risk; again, Action Homeless will be bound to cover this loss of grant. The financial standing of Action Homeless has been, and will continue to be assessed, and the risk of them being unable to cover this is very low.

Stuart McAvoy - Head of Finance

5.2 Legal implications

As previously indicated, ultimately LCC will be responsible for the funding and for the delivery of the remodelling work, etc., directly with DLUHC, even though it is Action Homeless who will, in practice, be spending the grant.

In order to mitigate this risk, legal have been working with the team to produce a robust grant agreement between the Council and Action Homeless. This will both cascade the obligations on LCC (under the MoU and Grant Determination Letter) down to Action Homeless and also includes provisions for a charge on the premises, ensures referral rights will be available in perpetuity and gives the Council step in rights in relation to the capital aspect of the Project.

A Subsidy Control Act assessment is in the process of completion. The grant will amount to a subsidy but is likely to fall into one of the registered streamlined routes set up by BEIS. Alternatively the subsidy meets the Subsidy Control Principles.

On the basis that the grant agreement is entered into, whilst not completely eliminated, the risk to the Council will be appropriately reduced and is acceptable from a legal perspective.

Emma Young, Qualified Lawyer
21 February 2024

From a planning perspective, the building has an existing use as a hostel which falls into sui generis classification, which is the general use class provision. By converting the property into 3 clusters and 14 ensuite rooms this would potentially require a change of use planning application from a Sui Generis into a C3 Dwellinghouse or another use class. AH have sought pre-application advice and a planning application is not required. This removes the requirement for a planning application and the payment of any associated planning obligations required.

Aqeel Adnan, Qualified Lawyer
13 March 2024

5.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The report recommends the council act as the Accountable Body to enable Action Homeless to deliver its proposed scheme to remodel part of their existing 30 bed hostel (let at a 20-bed capacity since the Covid-19 pandemic) building for single people, which they own. The proposal will provide 14 en-suite rooms for single people within three clusters, with each cluster sharing a kitchen. The scheme should lead to positive outcomes for people from across a range of protected characteristics as it will help homeless people to prepare for independence. It will lead to an increase in the supply of good quality, specialist supported accommodation to help tackle homelessness and rough sleeping in the city, as well as meeting the specific homeless needs identified in our Strategic Gap Analysis. It is important that inclusive design principles are adhered to in relation to the changes to the buildings.

Equalities Officer, Surinder Singh, Ext 37 4148

5.4 Climate Emergency implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of the city's emissions. Following the city council's declaration of a Climate Emergency, and its ambition to achieve carbon neutrality, addressing the emissions from housing is vital in meeting this aim. This is particularly important through projects with council involvement, where it has the greatest level of influence.

Within this project Action Homeless should therefore be required to consider opportunities to make the property as energy efficient and low carbon as possible from the earliest stages of the project process. Measures should include fitting high levels of insulation, low carbon heating, low energy lighting and renewable energy sources such as solar PVs. Not only would this minimise carbon emissions from the property, it would also significantly reduce energy costs and could increase comfort levels for residents. Any development will

nonetheless be required to follow policy CS2 of the Adopted Leicester Core Strategy and relevant building regulations.

Aidan Davis, Sustainability Officer, Ext 37 2284

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Procurement implications:

From a procurement perspective, the Council needs assurances from Action Homeless that they can meet the funding conditions and procure the principal contractor adhering to the Public Contracts Regulations 2015.

The council can then monitor throughout the process, to have assurance of compliance.

The cost certainty of any works project in the current climate is difficult to predict, so an understanding will be required of Action Homeless to both run this project and cover any potential shortfalls between grant and refurbishment costs will also need to be tested. Unless the DLUHC funding conditions give different advice, I would recommend that Action Homeless be mandated to follow procurement procedures aligned to the councils PCR's 2015, to demonstrate best practice, compliance, value for money and consideration of social value within the procurement.

The MOU between LCC and Action homelessness, would need to mirror the conditions of the MOU between LCC and DLUHC.

We will need to consider the risk to the council, and how to mitigate this within the MOU with action Homelessness, to ensure if they breach the agreement that we don't end up responsible for any funding claw back from DLUHC.

Transfer of funds to AH should be more granular, such as RiBA stages, rather than mirror our arrangement with DLUC to protect the authority.

The council will also require AH and any appointed PM, QS to complete a conflict of interest declaration.

Andrew Button – Head of Procurement

6. Background information and other papers:

None

7. Summary of appendices:

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

No

10. If a key decision, please explain reason

Not applicable.