



ADUR DISTRICT COUNCIL

Adur Joint Strategic Sub Committee
15 June 2023

Key Decision Yes

Ward(s) Affected: Southwick Green

Acquisition of leasehold properties on the Southwick Estate to support estate improvement

Report by the Director for Place

Officer Contact Details

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Summary

1. Purpose

- 1.1. The report follows the extensive consultation work being undertaken with residents examining options for the future of the Southwick Estate, the increasing demand for emergency and temporary accommodation (EA/TA) in Adur, and the Council's commitment to owning and managing its own stock of EA/TA.
- 1.2. The report outlines the advantages of purchasing leasehold properties on the Southwick Estate to help meet the increasing demand for EA/TA whilst also supporting longer term estate improvement, and the proposed process for doing so.
- 1.3. The report seeks agreement of Members to the process of identifying and acquiring leasehold properties by the Council on the Southwick Estate for temporary use as Emergency and Temporary Accommodation as well as approval of a budget released from £2.25m to enable swift purchase of eligible properties.

2. Recommendations

- 2.1. To approve the principle of acquisition of leasehold properties on the Southwick Estate to enable the council to fulfil its statutory housing duties under S188 and S193 of the Housing Act 1996, using the methodology and approach set out in the body of this paper.
- 2.2. To recommend to Adur District Council to approve a budget of £2,250,000 to enable the acquisition of up to 10 homes on the Southwick Estate to facilitate the redevelopment of the estate and to provide temporary accommodation in the interim. This is to be funded from £0.9m retained right to buy receipts and £1.35m from borrowing.
- 2.3. To delegate authority to the Head of Housing to approve the purchase of specific properties identified under this initiative and to enter into all contracts to acquire the properties and deliver any improvements required.

3. Context

- 3.1. Southwick is a harbour town located in West Sussex, five miles from Brighton. The Southwick Estate was built in the 1960s and well located between Southwick train station and Shoreham Harbour. There are 242 Homes in 10 blocks, including 74 leasehold properties, in various states of disrepair. The stock condition survey in 2022 identified substantial expenditure to refurbish the estate - around £130,000 per property. An urgent Interim works programme is required to start this summer with estimated costs of £3.3m to tackle external repairs including eroded brickworks and wall ties, windows that have reached the end of life and repairs to balconies that are no-longer accessible.
- 3.2. In addition to updating existing Adur Homes stock to meet standards of decent homes and compliance, there is a growing local need to provide additional affordable housing, in the context of increasing prices and rents, recognised in Chapter 3 of Adur and Worthing's Housing Strategy. Based on demographic projections, there is a need for 653 additional affordable dwellings (of all tenures) per annum across the region.

- 3.3. As a result of these dual pressures on local housing, in May 2021, the council decided to take steps to substantially improve the Southwick Estate and held a series of consultation events. The feedback indicated that residents were supportive of an options appraisal process.
- 3.4. A further two consultation events took place between May 2022 and February 2023 with residents giving feedback on 4 options:
- Refurbishment of existing homes
 - New homes and improvements to existing homes
 - Partial redevelopment of the estate
 - Full redevelopment of the estate
- All options other than refurbishment would enable the Council to increase the number of affordable dwellings provided and help meet identified and projected demand.
- 3.5. Adur & Worthing's Temporary Accommodation Placement and Procurement Policy was adopted in 2017. The policy at the time conceded that the Council did not own units of Temporary Accommodation and was dependent on the supply of privately owned properties to meet its obligations, and that factors outside the Council's control have made it difficult to obtain properties for use as TA within the area.
- 3.6. Since then, the Council has developed 6 homes for temporary accommodation purposes and have put in place the arrangements required to manage them. However demand for emergency accommodation is increasing and the council is required under a statutory duty to provide this.
- 3.7. In March 2022, Delivery Plans for Pathways to Affordable Homes were put together to describe how Adur and Worthing intend to meet the housing need and act on commitments set out in Delivering Pathways to Affordable Homes. The proposals recommended programmes of delivery across accommodation of different tenures, including Temporary Housing.
- 3.8. It was estimated within the Delivery Plans that 95 units of EA/TA were needed (whether owned or leased) in Adur between 2021 and 2023 to meet demand. This projection ended up accurate. Between April 2021 and January 2023, the number of units required increased by 50% in Adur, from 60 to 94.

- 3.9. Currently the Council has 26 rooms secured on a long lease, with 73 placements spot-booked (the most expensive type of accommodation). Most recent projections have put the number of units needed by March 2025 at 136. Without securing our own stock of EA/TA, the additional requirement will need to be accommodated through spot-booked accommodation, potentially outside the area.
- 3.10. In addition, the cost of providing EA and TA accommodation continues to rise. Net average annual cost per placement is £9,141, a rise of 13% year on year. Considerable savings are possible with the Council owning its own stock of EA/TA; as a result, the Delivery Plans outline an aim of 38 units (40% of total demand) to be directly owned and managed by the Council. Updated figures suggest we'll require 54 units owned by the Council by 2025.
- 3.11. Adur Homes Leaseholders are legally required to give the Council the opportunity to buy back their property if it was bought under the Right to Buy scheme less than 10 years ago. The Council is under no obligation to buy the property. At present, the Council receives about a dozen offers a year. Purchase by the Council in this way is eligible for Homes England funding on a case-by-case basis but cannot be secured prior to the acquisition.
- 3.12. The options for improvement of the Southwick Estate are in the public domain, and it will take some time to identify the preferred option and then begin to enact it. In the meantime, leaseholders who want to sell their property may find themselves unable to do so due to the lack of clarity around the future of the estate. By purchasing available properties for EATA, this would give the Council the opportunity to secure property to support potential regeneration aims whilst increasing our supply of EATA, save the Council money and allow residents the opportunity to move from the estate.

4. Buying back leasehold properties

- 4.1. Following the fourth round of resident consultation in February 2023, the majority of residents of the Southwick Estate indicated support for full redevelopment with the exception of residents in the Watling Court block who indicated a preference for refurbishment. The team is preparing a recommendation to progress the redevelopment option subject to a residents' ballot in the summer.

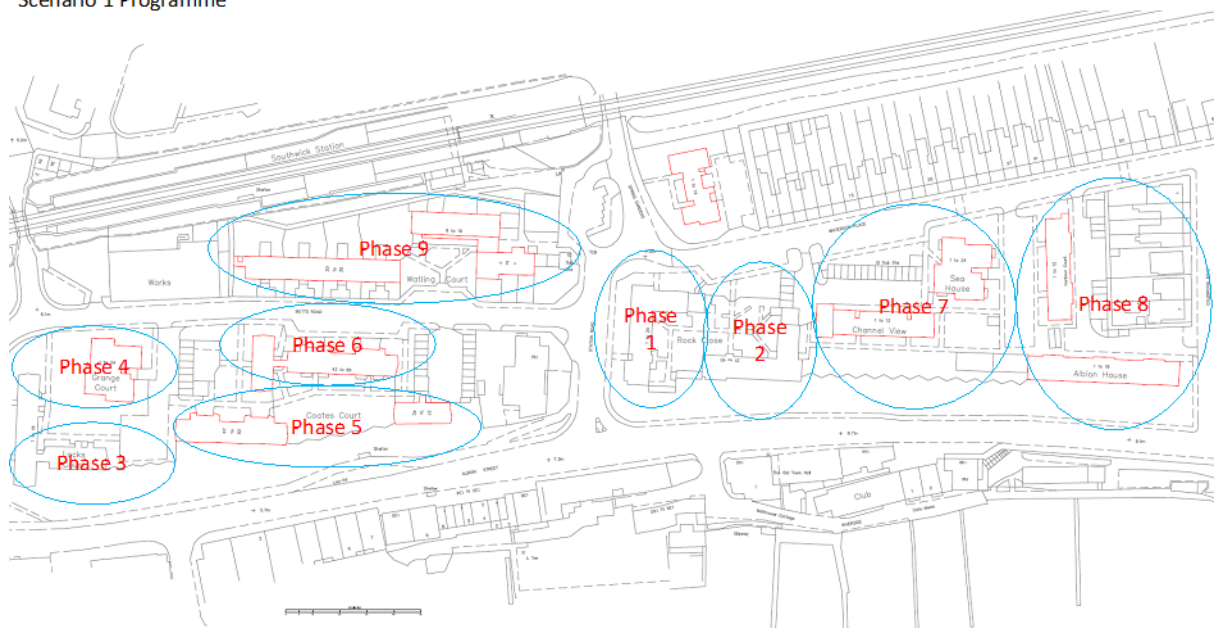
- 4.2. The council has established a leaseholder subgroup which meets periodically. The majority of leaseholders are supportive of the full redevelopment option and a number have asked the council to consider offering an early buy-back programme to give leaseholders the opportunity to sell their properties back to the council at the earliest opportunity.
- 4.3. As part of the consultation process, the team prepared a council commitment which outlines the compensation package for leaseholders and the right for resident leaseholders to return to the estate to purchase a shared equity home in the redevelopment.
- 4.4. Leaseholders appear to be balanced between those that wish to sell to the council and leave the estate and those that are interested in buying a shared equity home.
- 4.5. We have advised leaseholders that the council is exploring early buy back options. However, the current assumption is that no leasehold properties will be purchased within the next 3 years until sufficient funding can be identified within the HRA. As part of the redevelopment proposals, leasehold properties would be purchased in line with the redevelopment phasing assumptions.
- 4.6. At present, pressures on the Housing Revenue Account means that it is unable to fund the purchase of homes on the Southwick Estate for general needs accommodation. However, with the increasing need to provide Temporary Accommodation for eligible households in Adur, and the medium-term benefit of securing properties to enable consideration of redevelopment options on the Southwick Estate, there is a business case to support the strategic acquisition of homes on the estate for EA/TA purposes.
- 4.7. The following outlines the proposed process for acquiring property for use as EA/TA on the Southwick Estate.

4.7.1. Targeted Blocks

- 4.7.1.1. It is not suggested that the Council should respond positively to every buy-back offer we receive from leaseholders on the estate. Instead we propose targeting leasehold properties within blocks which are most likely to come forward under potential regeneration plans.

4.7.1.2. Current proposals suggest that, if estate regeneration is the preferred option by residents of the Southwick Estate, redevelopment would begin in the West of the estate which would require the initial decanting and buy-back of properties in Locks Court, Grange Court and Coates Court. The development team is working on an alternative option to consider Rock Close as a possible early kickstart site. This approach will be brought to committee at a later date but this should not inhibit early purchase.

Scenario 1 Programme



4.7.1.3. Within Rock Close there are four resident leaseholders and three non-resident leaseholders. Within Locks and Grange Court there are five resident leaseholders and six non-resident leaseholders.

4.7.1.4. The Council will publicise the buy-back offer through the regular Residents Liaison meetings and will initially be open to residents who are looking to move from the estate rather than resident leaseholders who may wish to stay and qualify for shared equity in future new homes.

4.7.1.5. The offer will be open to all residents on the estate however priority will be given to leaseholders in the blocks most likely to come forward in a first phase of redevelopment (Rock, Lock, Grange and Coates), with

offers of others on the estate considered on a case-by-case basis as per the Council's current appraisal process for buy-back opportunities.

- 4.7.1.6. We also recommend the development of a vulnerable leaseholder strategy where buy-backs can be prioritised under special circumstances. More work is needed around what this initiative may constitute and will be discussed with the Head of Housing and Head of Property. This should not hold up implementation of the wider buy-back initiative.

4.7.2. Property Valuation and costs

- 4.7.2.1. When a leaseholder is interested in selling their property back to the Council, they are required to provide information on their property (including number of bedrooms, type of heating system, etc) as well as a market valuation of the property.
- 4.7.2.2. When an eligible buyback request is submitted, the Council's development team will initially view the property themselves before instructing an independent survey and valuation of the property and estimation of the total costs of bringing the property to a lettable standard. The cost of bringing the property to a compliant standard in order to enable the Council to let the property as EA/TA will be factored into our offer, which will be set by the following formula:

$$\text{Offer Price} = \text{Market value of property when compliant} \text{ MINUS } \text{Costs of bringing property to compliance}$$

- 4.7.2.3. The leaseholder may also have to repay all or part of the discount they enjoyed when purchasing the property through the Right to Buy scheme, depending on when the property was purchased.
- 4.7.2.4. If the value of the property is disputed by the seller and the Council, the purchase price will be set by the district valuer as per current guidelines for buy-backs.

4.7.3. Funding & Budget

- 4.7.3.1. Work has been undertaken to estimate the acquisition costs associated with this initiative. Financial consultants Quod estimate the average property value within Rock Close to be £215,000. A further £10,000 should be budgeted for legal fees and surveys putting the estimated average gross cost of acquiring a property at £225,000.
- 4.7.3.2. Homes England have confirmed that funding is available for strategic purchase of properties by Local Authorities that will be owned and let as affordable housing (defined as rent set at no more than 80% of market rent). Grant applications will be considered on a property by property basis rather than approved for a programme of acquisition and will not be approved until the purchase has been agreed. Therefore this funding should be considered a windfall and the viability of purchasing property should be demonstrated without assuming this funding.
- 4.7.3.3. It is proposed to limit the number of acquisitions in the initial round to 10. Once we have acquired this number, the initiative can be reviewed and if operating successfully in terms of finance, administration, process, and speed in getting the properties occupied, a further round of acquisitions could be considered.
- 4.7.3.4. Therefore the budget requested to fund these proposals is £2,250,000; £0.9m will be funded from the Council's Right to Buy receipts and £1.35m borrowed against the HRA with the properties leased for EATA paid by the general fund. More information on the proposed financial arrangements is set out in Section 6.

4.7.4. Refurbishment of properties

- 4.7.4.1. It is likely that the properties will need significant investment to make them compliant in terms of electricity and power and bring them up to the standard expected of rental properties in terms of decoration and function.

4.7.4.2. As mentioned above, the cost of undertaking the improvement work will be built into the offer the Council will make on a property. Once a small group of properties has been acquired, the Council will either invite tenders for the project management and contract administration of the improvement work from the market or use existing contracts in available, with the works costed into the budget requested within this paper.

4.7.5. Exit strategy

4.7.5.1. The properties will continue to provide Emergency and Temporary accommodation for eligible families in need until the programme of estate improvement works has commenced.

4.7.5.2. If refurbishment of the estate is the preferred option, the properties can continue to be used as Emergency and Temporary Accommodation indefinitely.

4.7.5.3. If redevelopment of the estate is preferred, then the homes can be bought back into the Housing Revenue Account, with the same number of new homes provided for general needs accommodation once the scheme is finished

4.7.5.4. Any redevelopment work is not expected to commence for at least 3 years. In the meantime, the Housing Needs team will continue their work through Opening Doors to secure a pipeline of move-on accommodation for households in EATA.

5. Engagement and Communication

5.1. These proposals have been developed following multiple rounds of consultation with residents of the Southwick Estate since summer 2021. As a result of these discussions, and the specific concerns leaseholders held regarding the consultation and the subsequent outcome, a leaseholder subgroup was established which meets periodically and it is this body which has requested the council to consider offering an early buy-back programme to give leaseholders the opportunity to sell their properties back to the council.

- 5.2. This feasibility of this request was discussed by the Interim Head of Housing, Section 151 Officer and representatives of the Major Projects Team where it was thought that buying back leasehold properties on the Estate would offer multiple benefits in securing cost-effective EATA quickly, securing property to support potential future regeneration of the estate and offering residents the opportunity to sell their property who otherwise would find it difficult.
- 5.3. Communications with the public regarding this initiative must build on the current good feeling between the consultation team and residents and adhere to the commitments made to resident and non-resident leaseholders as agreed with the Resident Liaison Group.
- 5.4. We must be clear that this is a strategic exercise to ensure the funding approved is used to acquire property which best meets the Council's aims around supporting estate improvement and securing property appropriate for EATA. We will reiterate that every leaseholder is already provided the opportunity to offer their property to the Council for sale, and there is an established process that Council officers follow to evaluate the opportunities provided.
- 5.5. The Head of Housing, Head of Property, Leasehold Manager, Senior Development Manager and Southwick Estate Project Manager will draft a clear process for leaseholders on the Southwick Estate to offer their property to the Council (outside of the general one already in place) and how we will prioritise the opportunities we receive, agree the approach with the Executive Member for Adur Homes and present the process and approach to the Leaseholder Sub-group at the earliest available opportunity.

6. Financial Implications

- 6.1. Currently there is no budget within the HRA for the buyback of leases within the Southwick Estate. Members will be aware that the financial position on the HRA is challenging at the moment, consequently the decision to approve this budget is dependent on the financial consequences of the proposal.

- 6.2. The Council currently holds approximately £1.4m Right to Buy receipts which are held for the purpose of supporting the acquisition or development of new properties. Under the current rules:
- The Council can use the receipts to finance up to 40% of any scheme to provide new social housing provided that Homes England grant is not being used to finance the scheme;
 - The receipts must be utilised within 5 years;
 - The Council can use the receipts to finance buy back acquisitions, however there is a cap on the maximum number of acquisitions that the Council can buy in any given year. The Council can buy up to 20 homes without the cap applying. Thereafter the maximum proportion of any new dwellings that can be bought as opposed to develop will be 40% in 2023/24 and 30% in 2024/25.
 - If authorities wish to buy back properties in order to clear an area for regeneration purposes then there is discretion on how these purchases are classified. If an authority buys back a dwelling for the purposes of re-letting it out at social or affordable rent, then it may decide it would be more advantageous for it to include it in the “amount spent on the provision of social housing”, rather than in the buy back allowance
- 6.3. Due to the Council's success at attracting grant funding from Homes England, the Council has only limited opportunity to use these receipts. Currently, one block in Albion Street is being financed through our available 1-4-1 capital receipts but the remaining balance remains available to support the acquisition of the leasehold properties.
- 6.4. Overall the budget requested to support 10 buybacks is £2,250,000 of which £1,350,000 would need to be financed through borrowing with the remainder being provided from retained RTB receipts.
- 6.5. It is proposed to use the flats as temporary accommodation until such time as the estate is regenerated. This will avoid any costs such as homeless payments (£7,800 per household) when the estate is regenerated or any issues around entitlement to Right to Buy.
- 6.6. There is an overall financial benefit to the Council in this proposal as the General Fund will save on expensive alternatives, however the

rental yields will not be sufficient to recoup the costs associated with the purchase of the property. This is shown below:

	HRA Buyback of leasehold £	General Fund Bed and Breakfast £
Annual costs		
Debt charges		
Interest	67,500	
Principal repayment	10,750	
Total borrowing cost	<hr/> 78,250	0
Maintenance	20,400	
Annual buildings insurance	5,100	
Bed and Breakfast charges		183,920
Total costs	<hr/> 103,750	183,920
Less: Potential rental income	-66,100	-66,100
Allowance for rental voids	3,310	
Council Tax Void Allowance	730	
Net annual income	<hr/> 41,690	<hr/> 117,820
Operational revenue saving	76,130	
Estimated saving per dwelling	7,610	

- 6.7. Consequently, whilst there would be a saving to the General Fund in the region of £118,000, there is a cost to the HRA of £41,690. To avoid the situation where the HRA is subsidising the General Fund's provision of temporary accommodation, it is proposed that the properties be 'leased' to the General Fund whilst they are being utilised at a cost equivalent to the net cost of providing the accommodation.

Finance Officer: Sarah Gobey

Date: 30th May 2023

7. Legal Implications

- 7.1 The Homelessness Reduction Act 2017 came into force on 3 April 2018. It places new legal duties on housing authorities, with a focus on preventing homelessness. The most significant change is that anyone

who is homeless or at risk of homelessness is able to access support, regardless of their priority need status.

- 7.2 Section 8 of the Housing Act 1985 continues to place a duty on every local housing authority to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation.
- 7.3 Section 9 of The Housing Act 1985 confers power on the Local Authority to provide, repair and maintain houses for rent.
- 7.4 Section 74 of the Local Government & Housing Act 1989 places a duty on the Authority to keep a Housing Revenue Account of sums falling to be credited or debited in respect of 74(1)(c)

Legal Officer: Joanne Lee

Date: 6th June 2023

Background Papers

- Retained Right To Buy guidance
<https://www.gov.uk/government/publications/retained-right-to-buy-receipts-and-their-use-for-replacement-supply-guidance/retained-right-to-buy-receipts-and-their-use-for-replacement-supply-guidance>

Sustainability & Risk Assessment

1. Economic

Early buy-back in this manner reduces the need for elevated spending as a result of property price increases and/or Compulsory Purchase. It offers leaseholders a fair value for their homes which otherwise they'd find difficult to achieve.

2. Social

2.1 Social Value

The proposals will provide compliant, local, temporary housing for households in need - reducing the need to put households into substandard accommodation, or rehouse them outside the area.

2.2 Equality Issues

Adur District Council has a responsibility under the Homelessness Reduction Act 2017 to provide interim accommodation to eligible households with the criteria for eligibility set and agreed by the Council.

All leaseholders already have the opportunity to offer their home to the Council to purchase - these proposals will put in place a priority buy-back criteria which will be developed and agreed with the Leaseholder subgroup.

2.3 Community Safety Issues (Section 17)

The Council will be better able to manage EATA on an estate which is already managed by the Council than across disparate sites in the area.

2.4 Human Rights Issues

No issues identified.

3. Environmental

Reusing existing property to provide EATA avoids construction of new and therefore benefits in terms of embodied carbon.

4. Governance

Leaseholders are able (and in some situations required) to offer their property to the Council when they are looking to sell. This initiative sets our parameters to support the acquisition and improves upon what is already in place.