



ADUR & WORTHING
COUNCILS

Adur Joint Strategic Sub-Committee
7th November 2023

Key Decision [Yes/No]

Ward(s) Affected:
Widewater

Virement of right to buy receipts to support new emergency accommodation in Lancing

Report by the Director for Place

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Executive Summary

1. Purpose

- 1.1. In June 2022, Members of JSC approved the redevelopment of the South Street car park site, Lancing into seven Council owned houses for people in Emergency and/ or Temporary Accommodation (EA/TA). A budget of £2.336m was approved from the Council's EA/TA budget to facilitate the delivery of the project from Planning stage right through to the completion of construction.
- 1.2. The self-referral by Adur Homes to the Regulator has led to a suspension of the Homes England subsidies which would normally be available for EA/TA projects of this kind (i.e. circa £60k per unit, or £420k for the entire scheme). This has led to a shortfall in the approved budget of approximately £350k. Consequently, officers are recommending the use of Right To Buy Receipts to plug this gap in funding. This would be vired from the budget of £2.250M currently allocated to the Southwick Estate Acquisition Programme.
- 1.3. Delivery of new EATA supports the Council's cost-saving ambitions. The project needs clarity on the budget position to enable the Main Works Contract to be awarded. There are also certain deadlines

associated with the council's recent successful bid for Brownfield Land Release Funding (BLRF) from the OPE of £115,874 which are also dependent on the scheme proceeding as currently programmed.

2. Recommendations

- 2.1. To note this report and the progress which has been made in the delivery of the project.
- 2.2. To approve the virement of £350k of Right to Buy receipts from the Southwick Estate Acquisition Programme budget to the South Street housing project budget.

3. Context

- 3.1 South Street Car Park is located opposite Lancing Parish Hall, approximately 600m to the south of Lancing Town Centre. The car park operates via a one-way system and is accessed via South Street with its exit located on Penhill Road. The car park is owned and managed by Adur District Council and has capacity for approximately 32 vehicles, although none of these bays are marked out.
- 3.2. Two parking surveys were carried out to establish the level of usage of the South Street car park as well as the capacity of the highway in the immediate area to take displaced vehicles. The results of these surveys revealed that the car park is very underutilised and that there is plenty of spare capacity on the highway to take any displaced vehicles once the car park is closed. It is these results which informed the council's decision to take South Street Car Park forward as one of the development sites under its council house building programme.
- 3.3 The scheme, comprising 7 houses (4 x 1 bed and 3 x 2 bed) for emergency and temporary accommodation, was granted planning permission in April 2023 and will deliver much needed affordable housing for the most vulnerable tenants on the council's Housing Register.

- 3.5 Chapter 3 of the council's Housing Strategy identifies a need for 653 additional affordable dwellings (of all tenures) per annum across Adur and Worthing, based on current demographic projections. The need is increasing as a consequence of the affordability gap caused by rising house prices and rents, while wages remain fairly static. Median house prices reached £305,000 in Adur and £295,000 in Worthing. Notably, entry-level house prices are now 13.41 times the average earnings of younger households in Adur and 12.04 times in Worthing, pointing to significant barriers to younger households in being able to buy a home. The trend is similar for rented accommodation, where median rental values in Adur are close to the South East average at £875 PCM whilst values are lower in Worthing at £775 PCM.
- 3.6 In recognition of this affordability gap, Priority 3 of the Housing Strategy establishes a target of 250 council homes to be delivered directly by Adur & Worthing Councils. This commitment is reiterated in 'Delivering Pathways to Affordable Homes' which was adopted in March 2021 and recommended programmes of delivery across accommodation of different tenures, including temporary housing.
- 3.7 Within these Delivery Plans, there was a recognition that 95 units of EA/TA are needed (whether owned or leased) in Adur between 2021 and 2023 to meet demand. Rather than set an unrealistic target, the Delivery Plan aims for 38 EA/ TA units (40% of total demand) to be directly built, owned and managed by the Councils. The seven units of EA/TA accommodation being delivered by the South Street scheme will make a vital contribution to the Councils meeting this target (i.e.18% of the 38 units).
- 3.8 Once built out and occupied, the South Street housing scheme will also save the council a considerable amount of money. Since April 2021, placements in emergency accommodation (EA) and temporary accommodation (TA) has increased from 60 per month to 91 per month in March 2023, while the cost of providing EA and TA accommodation continues to rise. The net average annual cost per placement to the Councils is approximately £9,235. Consequently, the budget savings that will be realised by the South Street scheme of circa £65k per annum, form an important part of the project's Business Case.
- 3.9 As part of this original Business Case, it was assumed that the South Street scheme would receive approximately £60k per unit of subsidy from Homes England, which has been granted to other similar projects

in the recent past. However, Adur District Council has recently been informed by Homes England that the Council is no longer eligible for their affordable housing subsidies due to the regulatory notice issued by the Regulator of Social Housing as a result of the self-referral process.

- 3.10 Adur District Council cannot assume that the Homes England subsidy will be restored during the lifetime of this project. The South Street scheme has therefore reached a critical stage in the procurement process and needs clarity on the budget position to enable the Main Works Contract to be awarded. Without this, the scheme will be unviable to deliver, resulting in the loss of 7 units of EA/TA as well as the subsequent savings to the council's HRA budget.

4. Issues for consideration

- 4.1 The options at this late stage of the project's delivery are fairly limited. Without plugging the gap in funding as a result of the Homes England subsidy being withdrawn, the project will be unviable to deliver. There has already been a considerable amount of expenditure on the Feasibility and Planning stages of the project i.e. circa £200k on professional fees, technical surveys etc. This investment by the Council will be lost if the project does not go ahead. In addition to this, the anticipated annual saving of circa £65k to the Council's HRA budget will not be realised if the Council does nothing. The savings over the 50 year lifetime of the project compared to the cost of Bed & Breakfast accommodation has been estimated at £2,709,540 by the Council's Finance Team. This financial modelling has been undertaken as part of the latest viability assessment of the project and clearly demonstrates that the Business Case for developing the site is robust.
- 4.2 If the Homes England funding cannot be replaced, this will result in the immediate termination of the project part way through the two stage procurement process for the Main Works Package. Whilst this will be carefully managed by officers, there is likely to be a certain amount of reputational damage to the Council in the eyes of those Contractors who have submitted tenders. These Contractors may decide not to submit tenders for future contracts advertised by the Council because the risks and cost of undertaking abortive work, are too high.

- 4.3 Officers have explored alternative funding options to plug the gap in funding caused by the suspension of Homes England affordable housing subsidy. The most effective route would be to vire £350k of Right To Buy (RTB) receipts to the South Street Scheme from the budget approved by JSC on 15 June 2023 for the Southwick Estate Acquisition of Leasehold Properties Programme.
- 4.4 The budget for the Southwick Estate Acquisition Programme is £2.25M; £0.9M funded from the Council's RTB receipts and £1.35M borrowed against the HRA with the properties leased for EA/TA paid for by the general fund. This budget is intended to help facilitate the buyback of 10 properties on the Southwick Estate for Emergency and Temporary Accommodation. The impact of this virement would be to reduce the overall pot to £1.9M which is likely to reduce the number of properties that can be purchased by a proportionate amount i.e. to 8 properties. However, officers are aware that there could be additional RTB receipts generated during the next two years which could replace any funding vired to the South Street housing scheme.
- 4.5 It is also important to recognise that there is far more return on investment derived from expending RTB receipts on newbuild housing schemes like South Street, than there is with buy back schemes. Once the Main Works Contract is procured, all seven units will be constructed in a 12-15 month period. There is no guarantee that this is the case with buy back schemes because this depends entirely on the success of negotiations with leaseholders and whether they accept the council's offer to purchase their properties.
- 4.6 The recommended option has a robust Business Case which has been tested by the Chief Financial Officer and will guarantee the Council a good return on investment. It will also ensure that our most vulnerable tenants will be housed in new, spacious and energy efficient homes for the foreseeable future. In contrast, mothballing the project will expose the council to more risk, reputational damage and jeopardise the achievement of EA/ TA housing targets (and associated general fund savings) in the Housing Strategy and Delivering Pathways to Affordable Homes.

5. Engagement and Communication

- 5.1 The recommended option has been explored and agreed in consultation with the Council's Chief Finance Officer and Procurement officers, following a thorough review of the funding options available to subsidise the scheme in the absence of Homes England funding.
- 5.2 A robust process of consultation with residents and key stakeholders in the vicinity of the development site was undertaken prior to the submission of the South Street Planning Application. Relations with local residents and neighbouring properties are generally positive, as a result of council officers proactive approach in responding to residents who have queries concerning the development of the site. Replacement parking provision for those residents whose properties back onto the site (Seaton Terrace) has been integrated within the design of the planning approved scheme, to ensure that they would not be inconvenienced by the South Street development.
- 5.3 Early Party Wall negotiations are also underway with neighbouring properties to ensure that any disputes are resolved prior to the Start on Site which is planned for late January 2024, if JSC endorses the recommendations of this report.

6. Financial Implications

- 6.1 The capital budget for the scheme is £2.3m. A business appraisal which assumed Homes England funding of £350k indicated estimated revenue savings associated with the additional supply is on average £65k per annum over 50 years when compared to the equivalent cost of bed and breakfast.
- 6.2 Without Homes England funding the scheme would create additional revenue cost pressure for the first 5 years it would not be until year 6 that the scheme would start to deliver real savings. However with the recommended virement of use of right to buy receipts from the Southwick Redevelopment budget towards the funding of this project would enable immediate savings in the first full year of delivery of the units.
- 6.3 Currently there is £900k Right to buy receipts allocated to the Southwick Estate Redevelopment Capital Scheme. The approval of a

virement of £350k of these receipts to fund the delivery of this project will reduce the funding towards the Southwick Estate scheme.

7. Legal Implications

- 7.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 7.2 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.3 s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.
- 7.4 In procuring for a preferred developer, the Council is required to follow a lawful process as required by its Contract Standing Orders and have regard to the Public Contract Regulations 2015 and the Concession Contracts Regulations 2016. All the terms of the proposed arrangement are to be set out in a fair and transparent manner to all potential bidders.

Background Papers

- Acquisition of leasehold properties on the Southwick Estate to support estate improvement - JSC - 15 June 2023
- Delivery of housing for Emergency & Temporary Accommodation - South Street, Lancing - JSC - 7 June 2022
- Adur & Worthing Councils Housing Strategy - 2020-2023
- Delivering Pathways to Affordable Homes (March 2021)
- Pathways to Affordable Homes - Delivery Plans (March 2022)
- Strategic Housing Land Availability Assessment (SHLAA, 2022 Update)

Sustainability & Risk Assessment

1. Economic

The proposed development will entail the use of Right to Buy capital receipts which, if unspent, the Council would have to return to Government. The procurement of a local main contractor, together with their subcontractors, will also have a positive impact on the local economy through the multiplier effect.

2. Social

2.1 Social Value

The proposed development supports the delivery of new affordable housing for people on the council's Housing Register who are currently living in inappropriate accommodation. The provision of good quality, spacious and secure accommodation will have a positive impact on the physical and mental wellbeing of some of our most vulnerable tenants.

All tenders submitted by Contractors will be scored against the Council's Social Value criteria. Only those Contractors who score the highest and are making a positive contribution through their Social Value programmes i.e. supporting community projects, creating employment and training opportunities etc. will be appointed.

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. The council's Allocations policies should ensure that fairness and equality is achieved throughout the allocations process.

2.3 Community Safety Issues (Section 17)

The delivery of purpose-built accommodation in small clusters removes the need for eligible families or individuals to be housed in hostels where the Council has less ability to influence or address criminal or antisocial behaviour.

2.4 Human Rights Issues

Matter considered, no issues identified.

3. Environmental

The homes have been designed to be well insulated and gas-free, thereby allowing present and future consumption of renewable electricity. Their design also minimises the consumption of water, run-off to sewers, addresses overheating risks and promotes sustainable transportation measures.

4. Governance

The proposed development in this report is in conformity with the Councils' Housing Strategy and Platform for Places policy documents.