



WORTHING BOROUGH
COUNCIL

Worthing Joint Strategic Sub-Committee
5 December 2023

Key Decision [Yes/No]

Ward(s) Affected:

Local Authority Housing Fund grant funding allocation for Worthing Borough Council

Report by the Director for Housing and Communities

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Executive Summary

1. Purpose

- 1.1. The report seeks approval of the use of grant funding provided to Worthing Borough Council for the acquisition of homes for refugees under the Local Authority Housing Fund (LAHF) programme, administered by DLUHC. Approval is needed to allow the councils to deliver this programme.
- 1.2. This report sets out the need for these homes, the funding which the council can benefit from to deliver the homes, the borrowing necessary and viability of the programme and the options we have considered to deliver it.

2. Recommendations

- 2.1. To accept the Local Authority Housing Fund grant of £809,083 from the government and to commit to delivering the accommodation required under the fund.
- 2.2. To approve a budget of £914,213 by way of a loan to enable the purchase of properties in Worthing. The loan accounts for 53% of the project budget, with the grant covering the remaining costs and the cost of borrowing to be covered from rental income in the first year of occupation.

- 2.3. To approve a total budget of £1,723,296, comprising £809,083 of grant funding, and £914,213 by way of a loan.
- 2.4. To note that when the homes are no longer needed by refugees they will be used to provide Emergency and Temporary Accommodation (EATA) for eligible local households in need.
- 2.5. To delegate authority to the Assistant Director for Housing and Homelessness Prevention to approve the selection of properties which we will acquire through the fund.

3. Context

- 1.1. The Local Authority Housing Fund (LAHF) is a £500m capital grant fund, launched in December 2022. This funding enables delivery of additional housing to assist with the additional local pressures arising from those housed in the area in insecure arrangements. Specifically this fund provides support to local authorities in England for housing for refugees, in particular in response to the Afghan and Ukraine humanitarian schemes which offered a safe and legal entry route to those fleeing conflict. Further details can be found in the prospectus linked at the foot of this paper.
- 3.1. This funding pot sits outside the mainstream Affordable Housing Programme (AHP) managed by Homes England and is directly administered by the Department for Levelling Up, Housing and Communities (DLUHC).
- 3.2. Refugees were identified as one of five priority groups in Worthing's most recent (draft) Housing Needs Assessment (September 2023). The report stated that stakeholders reported many people seeking asylum and granted refugee status who have previously been accommodated in Adur and Worthing are no longer offered housing support. The funding currently available via the LAHF would assist in rectifying some of this.
- 3.3. Over 170,000 refugees have been welcomed to the United Kingdom following the government's response to the conflicts in Afghanistan and Ukraine. The LAHF aims to alleviate housing pressures on local authorities arising from this migration.
- 3.4. The South East Strategic Partnership for Migration retains statistics on the need for homes for refugees across the South East. The current data indicates that there are 159 Ukrainian and Afghan refugees in need of a home in Worthing. If these arrangements break down, then the families are eligible

to make homeless applications to our Council, placing additional pressures on temporary accommodation.

- 3.5. The LAHF funding is available to the Council until 31st March 2024. By this time, we must have purchased properties in Worthing, in order to benefit from the grant. The fund aims to provide local authorities with as much flexibility as possible to shape local delivery according to circumstances in each area.
- 3.6. Worthing Borough Council has been allocated £809,083 from the LAHF. This funding allocation is generally in excess of what we would receive from Homes England for our new developments. As set out in the Memorandum of Understanding which Worthing Borough Council has entered into with DLUHC, this would fund the purchase of 6 homes. One of these must be a 4-bed property, and the remaining five must be either 2-bed or 3-bed properties. We propose that the remaining five would be 2-bed properties, to make the most efficient use of the funding.
- 3.7. Initially the properties would be allocated to refugees. However after this time the dwellings can be used in accordance with Worthing's housing policies.
- 3.8. The Housing Team would work with West Sussex County colleagues to allocate the properties and ensure any issues around cohesion and safety are considered. It is also important to note that WSCC has funding to meet costs associated with move in and set up of a home as well as assist with rent and rent in advance if needed and there would be no additional financial burden to the council.
- 3.9. Importantly, once the properties are no longer in use by the scheme, their use would be retained by the council, delivering additional stock for future needs.

4. Issues for consideration

4.1 Current position

- 4.1.1 The LAHF is a £500m capital grant fund to support local authorities in England to provide housing for refugees, in particular in response to the Afghan and Ukraine humanitarian schemes. Worthing has an allocation of £809,083, of which the first tranche of £242,725 has been received and is being held in reserve.
- 4.1.2 To avoid handing back the grant, we must either have purchased or refurbished properties, ready for occupation, by 31st March 2024. The balance of the funding can be claimed on a per property basis as homes are delivered. If we request payment of spending by the 15th of each month we would receive the grant money that month.

4.2 Option for purchasing properties

- 4.2.1 In Worthing 6 properties could be purchased using the LAHF. One of these must be a four-bed property (or 2 No. 2-bed properties located next to one another). The other 5 properties must be at least 2-bed properties.
- 4.2.2 Rightmove has been consulted to identify potential properties. A number of suitable properties have been identified. New build properties in the north and west of the borough have been considered most suitable, because they would be ready to purchase immediately without being part of a selling chain. A selling chain could delay the purchase of properties past 31st March 2024, at which point we would have to hand back the grant funding.
- 4.2.3 Purchasing properties which are not new builds, within our budget, would also likely incur further unknown costs such as detailed surveys to ascertain the condition of the properties, and repairs to the properties to ensure they are of a suitable standard for new occupants.
- 4.2.4 Whilst there is provision in the fund for refurbishing existing council-owned properties, Worthing does not own any housing stock. Therefore acquisition, which is the overall aim of the fund, is the only option for spending the fund.
- 4.2.5 For these reasons, we recommend seeking to purchase properties in Worthing, and they should be new build properties where possible.

5. Project Financing

- 5.1 The LAHF allows funds to be spent on the purchase of properties. The funding proportion is different between the purchase of 2-bed/3-bed properties and the purchase of 4+ bed properties.
- 5.2 For 2-bed properties (which we would be seeking to purchase five of, to use the grant most efficiently and minimise the additional cost to the council), the amount of grant per property is calculated as 40% of the average lower quartile property price in the council area. A further £20k per property is then added to account for other costs, including refurbishment.
- 5.3 For 4+ bed properties, the amount of grant per property is calculated as 50% of the estimated lower quartile property price for a 4+ bedroom property in the council area. A further £20k per property is then added to account for other costs, including refurbishment.

5.4 Based on market research, we are confident we could purchase properties at a value which would make the programme viable - i.e. 2-bed properties within a budget of £240k-£265k, and a 4-bed property for £415k - and have a shortlist of new properties, some of which we have viewed and believe would be good contenders for use of this fund.

5.4 A financial appraisal has been prepared using the Optimix model showing likely project costs of purchasing properties as follows:

Project Cost	6 homes - £
Acquisitions	1,665,000
Legal fees	12,350
Surveyors	6,946
Works/fit out	9,000
Development management	10,000
Contingency	20,000
Total	1,723,296

5.5 This would be funded as follows:

Fund	£
Grant	809,083
Loan	914,213
Total	1,723,296

5.6 Appraisal work shows that the loan plus its costs would be covered through income from year one, assuming the properties are let at LHA levels (which is compliant with the terms of the funding). The loan accounts for 53% of the project budget, with the grant covering the remaining 47% of the project costs.

6. Engagement and Communication

- 6.1 It is understood that we need to be sensitive to community dynamics. It is considered that this is highly achievable due to the comparatively low numbers of properties which would form part of this project, compared to the overall demographic of the borough.
- 6.2 Officers would ensure that any communications and engagement are carried out sensitively and proactively within local communities. We will also be consulting with the Safer Communities Team and Sussex Police to ensure the safety of refugees. Additional advice will be sought from the South East Strategic Partnership for Migration, and West Sussex County Council, as appropriate.

5. Financial Implications

- 5.1 A budget of £1,723,296 is recommended for approval to purchase 6 properties. This will be funded by the Worthing allocation of the Local Authority Housing Fund (LAHF) £809,083, and £914,213 from borrowing. The scheme is proposed as an invest to save scheme.
- 5.2 A full appraisal has been completed on the assumption that the properties would be allocated to refugees for the first 5 years and thereafter available for use as supply for emergency and temporary accommodation. On this basis the cost of borrowing will be met through income for the first 5 years and thereafter through revenue savings from use as EA/TA compared to the alternative cost of bed and breakfast.

Period of assumed allocated to Refugees

	<u>Year 1</u>	<u>Years 1-5</u>
Cost of Borrowing	£50,078	£250,388
Maintenance costs	£3,141	£16,946
Service Charges	£5,671	£30,101
Income (based on LHA)	(£62,827)	(£326,956)
Net income	(£3,937)	(£29,521)

<u>Years 6 to 25</u>	Purchased properties utilised as EA/TA	Alternative B&B
Cumulative Net cost	£628,777	£1,732,581
Cumulative Net saving to General Fund		£1,103,804

- 5.3 Whilst the properties are allocated to refugees the income from the Local Housing Allowance covers all costs, therefore in a scenario where the properties are allocated to refugees for longer than 5 years the scheme still meets the invest to save principle.

Finance Officer: Emma Thomas

Date: 22/11/23

6. Legal Implications

- 6.1. 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.
- 6.2. 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
- 6.3. 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
- 6.4. The Grant Funding must also be spent by the Council in a way that does not breach the funding terms and conditions or create any unlawful state aid to any commercial undertaking

Background Papers

- [LAHF Prospectus:](https://drive.google.com/open?id=1kGdne2ZljWfzE3FaGaqTi1AiqnHplQbp&usp=drive_fs)
https://drive.google.com/open?id=1kGdne2ZljWfzE3FaGaqTi1AiqnHplQbp&usp=drive_fs.
- [Strategy / Policy Documents](#)
- [Guidance Documents](#)

Sustainability & Risk Assessment

1. Economic

The proposal permanently brings additional homes into the Council's control to support refugees, then once the refugees have moved on the Council would be able to permanently retain the properties and use in line with our housing policies.

2. Social

2.1 Social Value

The proposals will provide good quality modern homes which will provide permanent accommodation, ultimately providing homes for residents and which will avoid the need to put households into substandard, small or cramped accommodation. In the immediate term they will provide homes for refugees who have been identified as a prosperity group in the recent housing needs assessment.

2.2 Equality Issues

Funding is provided by the DLUHC to provide homes for refugees in response to the global climate and the government's humanitarian response. Once this use has ceased the dwellings can be used in accordance with the Council's housing policies. The 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.

2.3 Community Safety Issues (Section 17)

Not all dwellings will be provided in the same location in order to avoid a concentration of the proposed use.

2.4 Human Rights Issues

Matter considered and no issue identified.

3. Environmental

All dwellings have already been constructed, and it is understood they have been delivered in accordance with current legislation.

4. Governance

The proposals in this report are in line with the Local Authority Housing Fund prospectus.