



Adur Joint Strategic Sub-Committee
7 December 2023

ADUR DISTRICT COUNCIL

Key Decision [Yes/No]

Ward(s) Affected:

Local Authority Housing Fund grant funding allocation for Adur District 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 allocated to Adur District Council for the provision of homes for refugees under the Local Authority Housing Fund (LAHF) programme. Approval is needed to allow the councils to deliver this programme.
- 1.2. The grant can be spent on purchasing new homes or refurbishing existing properties. In Adur both options are being explored, and it is currently considered that the best use of the grant funding is to purchase new properties.
- 1.3. This report will set out the need for the homes, the funding which the council can benefit from to deliver the homes, and the options we have considered to deliver this programme.

2. Recommendations

- 2.1. To accept the Local Authority Housing Fund grant of £559,066 from the government and to commit to delivering the accommodation required under the fund.
- 2.2. To adopt the preferred delivery option - to purchase new property - and approve a budget of £549,948 by way of a loan (49% of the total project budget).
- 2.3. To approve a total budget of £1,109,024, comprising the grant of £559,066, and loan of £549,958, to deliver this programme.
- 2.4. Should members prefer a second model of delivery - of refurbishing council homes that are currently unviable to improve - then a budget of £427,000 by way of a loan (44% of the total project budget) would require approval, to enable the refurbishment of existing properties. This would require approval of a total budget of £986,066.
- 2.5. To delegate authority to the Assistant Director for Housing and Homelessness Prevention to approve the selection of properties which this funding is allocated to, for either purchase or refurbishment.

3. Context

- 3.1. The Local Authority Housing Fund (LAHF) is a £500m capital grant fund, launched in December 2022, to support local authorities in England to provide housing for those displaced by war and conflict, 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. This funding enables delivery of additional housing to assist mitigate local pressures arising from those generously welcomed refugees under the sponsorship scheme.
- 3.2. 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).
- 3.3. Refugees were identified as one of five priority groups in Adur District Council's (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.

- 3.4. 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 some of the housing pressures on local authorities arising from this migration.
- 3.5. 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 99 Ukrainian and Afghan refugees in need of a home in the Adur District. We are seeking to discuss and understand the identified need further with the South East Strategic Partnership for Migration, including understanding the number of families in need. If these arrangements break down, then the families are eligible to make homeless applications, placing additional pressures on temporary accommodation.
- 3.6. The LAHF funding is available to the council until 31st March 2024. By this time, we must have either purchased or refurbished properties in the Adur District 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. If purchasing properties, at least one property must be a 4-bed home (or 2 No. two-bed properties located next to one another).
- 3.7. Adur District Council has been allocated £559,066 from the LAHF. This funding allocation is generally in excess of what we would receive from Homes England for our new developments. This money would either be spent on purchasing 3 homes (to include 1 x 4 bed homes), or it would be spent refurbishing existing housing stock.
- 3.8. The Housing Team would work with West Sussex County colleagues to allocate the properties to those who are eligible, homeless or at risk of homelessness and who currently live in unsuitable temporary arrangements. WSCC also 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. The scheme enables housing solutions to support effective resettlement and economic integration of the eligible cohort and once the current need for this type of accommodation declines, we will have the benefit of additional assets that we will use to meet our wider housing needs and in accordance with our housing policies.

4. Issues for consideration

4.1 Existing context

- 4.1.1 Adur's allocation under the LAHF is £559,066, of which the first tranche of £167,720 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 the Adur district three properties could be purchased using the LAHF. One of these must be a four-bed property (or 2 No. two-bed properties located next to one another), and the other two properties must have at least two bedrooms.
- 4.2.2 Rightmove has been consulted to identify potential properties. Due to the need to complete purchases by the 31st March 2024, it is considered that only new build properties should be considered for purchase. This is because new build properties would not be involved in a selling chain.
- 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 Properties have been identified which it is understood are either available immediately or will be available for completion before 31st March 2024. The four-bedroom property is located on the New Monks Park development, and 2 No. two-bedroom properties are located in Sompting.

4.3 Refurbishing properties

- 4.3.1 Adur Homes benefits from owning existing housing stock. Whilst some properties could be refurbished using the grant funding, it is currently considered that the refurbishment works are likely to be extensive, such as remediating asbestos before the grant funding deadline of the 31st March 2024. There is also the possible alternative option of disposing of the properties, as this would provide revenue to the Council.

4.4 Identification of preferred option

- 4.4.1 The preferred option is to purchase new build properties in Adur District. This is because the sale of the properties will not be subject to a selling chain, which could see the sales extend beyond 31st March 2024, at which point we can no longer purchase the properties with the benefit of the funding. Buying new properties also avoids the additional expense of survey work to establish the condition of the properties, and the greater refurbishment works likely to be required on older properties.
- 4.4.2 The refurbishment of existing stock has been considered, however Adur Homes have already identified that extensive refurbishment works are required, and they are considering disposal of some properties to generate revenue for the Council.

5. Project Financing

- 5.1 The LAHF allows funds to be spent on both the purchase and refurbishment of properties. For the purchase of properties, the funding is different between 2-bed/3-bed properties, and 4+ bed properties.
- 5.2 For 2-bed properties (which we would be seeking to purchase to 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 An appraisal has been prepared using the Optimix model showing likely project costs of purchasing properties as follows:

Project Cost	3 homes - £
Acquisitions	1,075,000
Legal fees	6,050
Surveyors	3,474
Works/fit out	4,500
Development management	10,000

Contingency	10,000
Total	1,109,024

5.5 This would be funded as follows:

Funding	£
Grant	559,066
Loan	549,958
Total	1,109,024

5.6 The appraisal work suggests that the loan costs would be covered from 2024/2025, assuming LHA rent levels (which is compliant with the terms of the funding). The loan required would cover 49% of the project budget, meaning the grant funds 51% of the project.

6. Engagement and Communication

6.1 It is understood that we need to be sensitive to community dynamics, and avoid a concentration of refugee homes in communities. This would be achievable due to the comparatively low numbers of properties which would form part of this project (only 3 properties).

6.2 Advice is being sought from the council's communications team as to how best to sensitively and proactively communicate the project to residents. We will also be consulting with the Safer Communities Team. 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 £1,109,024 is recommended for approval to purchase 3 properties. This will be funded by the Adur allocation of the Local Authority Housing Fund (LAHF) £559,066, and £549,958 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.

5 Year period of assumed allocation to Refugees

	<u>Year 1</u>	<u>Years 1-5</u>
Cost of Borrowing	£30,125	£150,626
Maintenance costs	£1,705	£9,215
Service Charges	£2,709	£14,368
Income (based on LHA)	(£34,106)	(£177,490)
Net cost/(income)	£433	(£3,281)

The income is marginally less than the costs in year 1, however the appraisal include a contingency allowance which it is expected will mitigate this risk.

Years 6 to 25 - Properties available for use as Emergency and Temporary Accommodation

<u>Years 6 to 25</u> <u>(cumulative figures)</u>	Purchased properties utilised as EA/TA	Alternative B&B
Net cost	£392,682	£872,141
Net saving to General Fund		£479,459

- 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.

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.
- Previous Reports - particularly where related decisions were made.
- 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.