

Subject:	PROVISION OF INTERIM HOUSING FOR UKRAINIAN AND AFGHAN REFUGEES UTILISING THE GOVERNMENT'S LOCAL AUTHORITY HOUSING FUND
Meeting and Date:	Cabinet – 6 March 2023
Report of:	Helen Lamb, Head of Finance and Investment
Portfolio Holder:	Councillor Derek Murphy, Portfolio Holder for Social Housing, Port Health, Skills and Education
Decision Type:	Executive Key Decision
Classification:	Unrestricted
Purpose of the report:	To acquire 10 properties for affordable rent, initially as interim housing for refugees, and later for general needs housing, utilising the Government's Local Authority Housing Fund.

- Recommendation:**
1. That Cabinet approves a project to acquire, and where necessary refurbish, 10 properties for affordable rent, under the terms of the Local Authority Housing Fund programme.
 2. That Cabinet authorises the Head of Finance and Investment, in consultation with the Portfolio Holder for Social Housing, Port Health, Skills and Education, to take the necessary decisions and actions to progress the project and purchase the properties including (but not limited to) accepting grant funding from the Local Authority Housing Fund, agreeing the purchase price, approving the sale purchase agreements, appointing any necessary professional advisors, and agreeing works to bring the properties up to lettable standards.

1. Summary

- 1.1 On 14th December 2022, the Government launched a £500m Local Authority Housing Fund to help local authorities (LAs) to house people fleeing conflict – predominantly from Ukraine and Afghanistan.
- 1.2 Dover has provisionally been identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with an offer of funding of £1,189,866 to provide funding towards the purchase of 10 properties for the scheme.

2. Introduction and Background

- 2.1 A number of initiatives have been launched by Central Government in order to support refugees arriving from Ukraine and Afghanistan through recognised government assistance programmes. The proposed acquisition of the 10 properties will be via the Local Authority Housing Fund programme.
- 2.2 The Local Authority Housing Fund is designed to help local authorities to house people fleeing conflict – predominantly from Ukraine and Afghanistan. The fund aims to assist LAs to provide 4,000 homes by 2024.
- 2.3 The intention of the fund is to reduce the impact of new arrivals on existing housing pressures and eventually providing a new and permanent supply of accommodation for local communities.

2.4 On 21st December 2022, The Council received notification from Department for Levelling Up, Housing and Communities (DLUHC) that Dover had provisionally been identified as eligible for capital grant funding (under section 31 of the Local Government Act 2003), with the following indicative allocation:

- **Main element:** £963,000 in funding. With this funding we expect you to provide a minimum of 9 homes.
- **Bridging element:** £226,866 in additional funding. With this funding we expect you to provide a minimum of 1 larger 4+ bed home(s) to be allocated to households currently residing in bridging accommodation.
- As with other affordable housing provision, we expect you to part fund or finance some of the required capital. For 'main element' housing, government funding equates to 40% of total capital costs (Average £87,000 grant per property) plus £20,000 per property. For 'bridging element' housing, government funding equates to 50% of total capital costs (Average £206,866 grant per property) plus £20,000 per property.
- 30% of the funding provided by DLUHC will be paid in Q4 2022/23 and 70% in 2023/24 (the 2023/24 funding is paid once the LA has spent 60% of their 2022/23 funding – further details are provided in the prospectus). For example, if you agree to deliver the number of units outlined above, the funding split would be as follows:

	Main element	Bridging accommodation	Total
Year 1	£288,900	£68,060	£356,960
Year 2	£674,100	£158,806	£832,906
Total	£963,000	£226,866	£1,189,866

2.5 The Council will be required to finance the balance of the property purchases through its own resources. It is estimated that the total scheme will cost c.£2.7m, requiring c.£1.5m to be funded through borrowing, to be serviced from the rental income stream from the properties.

2.6 The Council have provisionally accepted the offer, subject to Cabinet approval.

2.7 The prospectus for the Fund is attached at Appendix 1.

2.8 Properties provided can be new build, refurbishing existing properties, or the Council can use other organisations to provide the properties. Viability appraisals have been carried out and demonstrate that the delivery route at least risk to the Council is via purchase and repair (P+R) – where existing properties are purchased and refurbished to meet lettable standards.

2.9 Properties may be let at Affordable Rents, and a Local Lettings Policy may be put in place to match eligible households and also meet local needs.

3. Identification of Options

3.1 Option 1 accept LAHF offer – Accept funding from DLUHC to construct or acquire 10 new homes. DDC to finance the remaining purchase costs, allocate and manage the properties and provide support.

3.2 Option 2 Refuse LAHF offer.

4. **Evaluation of Options**

- 4.1 **Option 1 accept offer** – This gives the Council the opportunity to receive funding to deliver new homes at a higher funding level than usual. The homes will be interim homes in the short term, and then, when no longer required for the schemes for Ukrainian and Afghan refugees, will be transferred into general needs stock, or remain as interim housing for groups outside the parameters of the schemes.

The amount of capital funding offered is sufficient to acquire the properties in line with the usual DDC financial parameters. The shortfall in development costs could be adequately covered by borrowing over 40 years, serviced by the rental income.

There is no revenue funding offered as part of the programme, but this will be applied for separately via the usual routes for funding support for refugees.

This is the recommended option.

- 4.2 **Option 2 refuse offer** – The opportunity to receive funding to add to the housing stock would be lost.

This option is not recommended.

5. **Resource Implications**

- 5.1 The overall funding offered is £1,189,866, on the basis of 40% (+£20k) of the total cost of the 9 properties acquired via the main element, and 50% (+£20k) of the total cost of the 1 property acquired via the bridging element. The funding is capital funding only, and it cannot be combined with Affordable Housing Programme funding or Retained Right to Buy receipts.

- 5.2 The capital funding offered is at higher rates than would be allowable when spending Right to Buy receipts, and also at higher rates that would usually be received from Homes England.

- 5.3 A viability appraisal has been completed, using standard Council assumptions in relation to project costs, and taking into consideration the current availability and cost of suitable properties on the open market. This appraisal will be updated in real time, based on actual costs over the life of the project to ensure the project remains within acceptable viability parameters.

- 5.4 The initial appraisal assumes the properties will be provided via purchase and repair, with a total scheme cost in the region of £2.7m. The appraisal allows for acquisition costs of c£2.5m and works costs of c£150,000, plus fees and development interest.

- 5.5 The amount of capital funding offered via the LAHF programme is sufficient to acquire 10 properties via purchase and repair, in line with the usual DDC financial parameters. The shortfall in development costs could be adequately covered by borrowing over 40 years, serviced by the rental income.

6. **Climate Change and Environmental Implications**

- 6.1 The properties purchased will be existing properties, and where necessary works will be carried out to improve the energy performance and thermal efficiency of the buildings.

7. **Corporate Implications**

- 7.1 Comment from the Director of Finance (linked to the MTFP): Accountancy have been included in the writing of this report and have no further comment to add. Members are

reminded that the Council's revenue and capital resources are under pressure and so they will wish to assure themselves that all proposals progress the Council's priorities, are the best option available and will deliver value for money. AC

- 7.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make. HR
- 7.3 Comment from the Equalities Officer: This report regarding a project to acquire, and where necessary refurbish, 10 properties for affordable rent, under the terms of the Local Authority Housing Fund programme does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>. KMc
- 7.4 Other Officers: The Principal Climate Change and Sustainability Officer has been consulted in the preparation of this report and has no further comments to make. AM

8. **Appendices**

- 8.1 Appendix 1 – Local Authority Housing Fund Prospectus

9. **Background Papers**

- 9.1 None.

Contact Officer: Rachel Collins – Strategic Housing Manager