

Report to: Cabinet



Date of Meeting 6 September 2023

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Review date for release N/A

Application for Local Authority Housing Fund for Afghan Refugee resettlement

Report summary:

The Department for Levelling up, Homes and Communities (DLUHC) have issued grant funding primarily to assist Local Authorities in providing temporary accommodation for Afghan Refugees currently housed in bridging hotels across the country. It also provides limited funding for the provision of housing for general temporary accommodation.

This document provides details of how we intend to utilise this funding and the level of match funding that may be required to support our application. It also sets out the longer term plans for the accommodation supplied through the fund to be utilised to meet the needs of the local community.

We are seeking member approval of our application.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That Cabinet:

- 1 Delegate authority to the Assistant Director of Housing in consultation with the S151 officer, Monitoring officer and Portfolio Holder for Sustainable Homes and Communities to purchase four units of accommodation for refugees and one unit for general temporary accommodation.

Recommend to Council:

- 2 Approval of £750K from the Local Authority Housing Fund to enable the provision of temporary accommodation for Afghan Refugees and others in need of temporary accommodation
- 3 Approval of a Housing Revenue Account capital budget of £975,000 as match funding for the project – if required

Reason for recommendation:

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The LAHF round 2 has been specifically designed to help those Afghani citizens who assisted us during the conflict in their country. All local authorities have been encouraged to participate in this national effort to ensure that we provide accommodation and support to those individuals.

We do not have sufficient appropriate accommodation for large families. Whilst this funding will initially only provide one property for general needs temporary accommodation, the properties originally allocated to assist with Afghan resettlement can revert to general needs housing once the need for refugee resettlement has been satisfied. This fund will therefore enable us to either bring back into use or purchase family-sized accommodation that will assist local families in need both in the short and long term.

Officer: Amy Gilbert-Jeans, Assistant Director for Housing, agilbert-jeans@eastdevon.gov.uk

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy
- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities
- Culture, Leisure, Sport and Tourism

Equalities impact Medium Impact

[EIA](#)

Climate change Medium Impact

Risk: Medium Risk; Housing for residents of East Devon is currently at a premium, and we have a large number of families on our Housing Register, Devon HomeChoice. Using funding to initially provide homes for Afghan Refugees may cause some concerns for local families who have been waiting for accommodation for a long time. It should be noted however, that once the accommodation provided through this fund is no longer required for our Refugee population, these can revert to general temporary accommodation for all those in need.

Links to background information [Local Authority Housing Fund: Round 2 prospectus and guidance - GOV.UK \(www.gov.uk\)](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

Report in full

1. Background

- 1.1 DLUHC have opened a second round of Local Authority Housing Fund (LAHF) grant monies for Local Authorities to support the resettlement of Afghan refugees currently housed in Bridging hotels across the country.

- 1.2 The main focus of round two of the LAHF is for the initial resettlement of Afghan refugees. Eligibility for the bulk of the funding is for those refugees arriving under the Afghan Relocations and Assurances Policy (ARAP) and the Afghan Citizens Resettlement Scheme (ACRS) in the first instance. Once this accommodation is no longer required for providing temporary accommodation for this cohort, properties utilised for this element of the funding can be re-purposed to meet local housing needs.
- 1.3 DLUHC have set aside the rest of the funding to provide temporary accommodation for all those owed a homelessness duty by local authorities. The funding available is split between the two cohorts.

2. Funding details

- 2.1 EDDC have been allocated an indicative grant amount of £750,000 by DLUHC. They have stipulated that this funding should provide:
 - Four units of accommodation for refugees initially
 - One unit for general temporary accommodation.
- 2.2 As the fund is split between Refugee resettlement and general temporary accommodation, we cannot mix our indicative allocation (e.g. offer to provide 3 units for refugees and 2 for general temp). If we did seek to increase the numbers in either cohort this would only be granted if there was sufficient funds available within the national allocation for that cohort.
- 2.3 EDDC are required to provide match funding based on a ratio of 40:60 with us providing the larger proportion of the total cost. Under our preferred approach set out later in this report, we would seek to use the void properties themselves as our match-funding contribution, meaning there would be no additional funding required to fulfil the requirements of the grant.
- 2.4 It should also be noted that the £750,000 includes £20,000 per property for additional costs (such as refurbishment, legal costs etc.) which does not require match funding.
- 2.5 As the level of grant awarded is based on us providing 5 properties, the funding provided will be reduced should we seek to deliver less than the minimum suggested number of properties.
- 2.6 We can use the funding in a number of ways, including but not limited to:
 - the purchase of new properties
 - bringing empty or dilapidated properties back into use
 - expanding existing delivery programmes (either ours or Housing association partners)
 - modular housing development
- 2.7 DLUHC are prioritising properties for larger families to reflect the difficulty of rehousing this cohort.
- 2.8 Under the terms of the fund, we need to have exchanged contracts/acquired any properties by the end of March 2024.
- 2.9 The funding will also be released in two tranches, with 30% provided immediately, and the remaining 70% will be released only when we have evidenced that the majority (60%) of the first payment has been committed.

2.10 Although the purpose of this fund is to provide temporary accommodation for Afghan Refugees, once this purpose has been fulfilled the properties can be used as general purpose temporary accommodation or be transferred to our general needs housing portfolio.

3. Identified Need

- 3.1 As previously stated, the primary purpose of the LAHF is to provide initial accommodation for Afghan refugees. Any properties delivered through this programme must therefore first be offered as support for the resettlement effort.
- 3.2 It is very difficult to identify the current need for this accommodation in relation to the Afghan refugee cohort. Our Housing options team have been working very hard with colleagues from Devon County Council and other agencies to ensure that all current refugees in the bridging hotel in Exmouth have been provided with suitable accommodation ahead of the hotel closure on 1st August. Therefore there is currently no local refugee need for the new properties.
- 3.3 DLUHC have indicated that more Afghan refugees, currently residing in other countries, will be arriving in the next few months and into the new year. They would have priority for the allocation of the four properties set aside for refugee resettlement.
- 3.4 It is not possible to say with certainty for how long the accommodation will be needed for its primary purpose. Afghan Refugees arriving under the two eligible schemes do have a right to remain in the UK.
- 3.5 However, based on our experience of the bridging hotel, most families have looked to move to other areas (usually larger cities such as London or Birmingham). This would suggest that the length of time for any placement would likely be more temporary (perhaps less than 1 year).
- 3.6 In relation to the general temporary accommodation, the biggest challenge is housing larger households. We currently have 7 families with a 3+ bed need, including 4 families with 4+ bedroom need and anticipate that there will continue to be a need for family sized temporary accommodation for the foreseeable future.
- 3.7 In addition, on our housing register we have 990 households with a 3+ bedroom need currently waiting for social housing. This indicates that once the primary purpose of the LAHF has been fulfilled, all five of the properties will be easily re-purposed to meet local need.

4. Our proposals

- 4.1 We have considered the potential approaches we could take to deliver the number of properties needed by the end of March 2024. We have concluded that bringing long term void properties within our housing stock back into use would be the preferred way of achieving this.
- 4.2 We have a number of void properties within our housing stock that are in an unlettable condition. We will use the LAHF funding to fund the currently prohibitive cost of renovation work required which has so far prevented us from bringing these homes back into our rental stock, with the option to include an extension to increase the size of the accommodation if needed.

- 4.3 Once renovated, these properties would initially be made available as temporary accommodation for Afghan refugees arriving under the ARAP and ACRS schemes.
- 4.4 Whilst in these homes, wraparound support will be provided through existing support mechanisms, with funding from the Home Office, until more permanent accommodation is found in the area of the country where they wish to reside in the longer term.
- 4.5 Once our commitment to the refugee cohort has been fulfilled, the properties can then be brought back into our housing stock to be used as temporary or longer term accommodation for people on our housing waiting list.
- 4.6 We would intend to utilise the £20,000 per property highlighted in paragraph 2.3 above to recruit a project manager to deliver the programme of remedial works.
- 4.7 Should it not be possible to deliver the programme of works required to bring our long term voids back into use within the timescales of the LAHF, we would seek to purchase homes on the open market or through a developer.
- 4.8 This approach would require a financial contribution from EDDC. Table 1 below sets out the potential costs per property.

Table 1: Spending commitments

No. Properties	LAHF fund (40%)	Addition cost funding from LAHF	TOTAL LAHF	EDDC Match (60%)	Total Budget
5	£650,000.00	£100,000.00	£750,000.00	£975,000.00	£1,725,000.00
4	£520,000.00	£80,000.00	£600,000.00	£780,000.00	£1,380,000.00
3	£390,000.00	£60,000.00	£450,000.00	£585,000.00	£1,035,000.00
2	£260,000.00	£40,000.00	£300,000.00	£390,000.00	£690,000.00
1	£130,000.00	£20,000.00	£150,000.00	£195,000.00	£345,000.00

- 4.9 The £345,000 per property budget would need to include any repair works required to bring any homes bought up to a lettable standard, as well as all other costs associated with purchasing properties.
- 4.10 In order to match fund any grant received we would look to use PWLB loans against the Housing Revenue Account. The current borrowing rate is 5.01% (August 2023). When using this funding approach, we look for the loan to be repaid through rent received.
- 4.11 It should be noted that the following calculations are based on our preferred approach of purchasing properties either through a developer or off the open market.
- 4.12 Based on the level of match funding required, our affordability modelling indicates that we would have a shortfall of up to £140,000, based on purchasing five 4 bedroom properties utilising the full indicative grant allocation. It should be noted that this shortfall may be higher if we purchase a smaller property as the rental income would reduce.

4.13 Based on purchasing **one** 4 bed property for the indicative amount of £345k, the LAHF would fund £150,000 with EDDC using PWLB to provide the remaining £195,000. We estimate an affordable rent rate of £220 per week. Table 2 below sets out net annual rent we could use to service the debt.

Table 2: Annual net rental income estimation

Gross annual rent income	£11,424
LESS:	
management & maintenance costs	£1,200
4 week rent loss	£879
void loss 2%	£228
Net annual rent income to service debt	£9,117

4.14 The net rental income could enable us to borrow c. £167,298 at current interest rates, a shortfall of £27,701.

4.15 This shortfall should be balanced against:

- the cost of providing alternative temporary accommodation for this cohort
- The limitations of the modelling tool - the modelling does not take into account annual increases in rent over the term of the loan.
- new build properties would come with a 10 year warranty that would minimise maintenance costs over that period. It has not been possible to calculate to what extent these factors would offset the shortfall in costs.

5. Risks

Risk	Likelihood	Mitigation
Need to repay LAHF funding due to failure to deliver	medium	Keep funding separately to ensure ability to pay back. Acquisition proposal means money will only be spent if purchase goes through
Lack of resources to deliver programme	Low	Support and resource from Social Housing Task Force team.
No need for accommodation once bought	Medium	Awaiting confirmation from DLUHC that properties can be reassigned for temporary accommodation or addition to HRA stock Potential use of RTB receipts if grant needs to be returned

Public disharmony through perceived prioritisation of refugees over local population for housing	High	Carefully designed communications strategy, highlighting on the national focus of this fund, and the opportunity and duty to assist Afghans who supported our forces in the conflict and the longer term benefits of additional affordable accommodation for local needs.
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6. Other authority approaches

- 6.1 Our partner authorities have been contacted to provide us with a summary of their approach to the LAHF. A verbal update will be provided at the meeting.

7. Next Steps

- 7.1 Our validation form has been submitted and confirmation that our application has been successful has been received.
- 7.2 A Memorandum of Understanding has been sent to us for signing. The original deadline for signing was 14th August 2023. However we have been granted an extension to allow for our proposal to be considered by Cabinet. This will be signed when/if Members have approved our application
- 7.3 The first tranche of funding will sent to us in September.

Financial implications:

Financial details are contained in the report.

Legal implications:

The Housing Act 1985 gives the Council to acquire houses. The council will be purchasing affordable homes that will be rented to council tenants. Section 79 of the Housing Act 1985 provides that the tenant of a council property will be a secure tenant provided that in accordance with Section 81 of the Housing Act 1985 the dwelling is the tenant's main or principal home. Accordingly the provisions of the Housing Act 1985 will entitle the tenant to purchase their home under the right to buy scheme. However, the cost floor rules in S131 Housing Act 1985 operate to ensure that for the next 15 years any discount is limited to ensure that the purchase price of the property does not fall below that spent on acquiring and maintaining the property.