

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Leader of the Council; Councillor Stephen Cowan

Date: 20/07/2023

Subject: New homes for refugee communities

Report of: Councillor Andrew Jones; Cabinet Member for Economy
And Councillor Frances Umeh; Cabinet Member for Housing
and Homelessness

Report author: Matt Rumble; Strategic Head of Regeneration and
Development

Responsible Director: Jon Pickstone; Strategic Director of Economy

SUMMARY

Two of the council's most important commitments are to deliver much needed affordable housing, and to be a borough of sanctuary for refugees fleeing war and persecution. To this end, the council has been successful in securing a total indicative allocation of £9,462,000 grant funding from two funding streams aimed at supporting effective refugee resettlement through the provision of affordable housing.

It is estimated that up to thirty homes could be purchased which will, in the first instance, provide much needed affordable homes to the borough's refugee communities and support the council's ongoing commitment to being a borough of sanctuary for refugees. The exact number of homes acquired will depend on various factors, not least the council's ability to identify the most financially viable and best value acquisition opportunities, such as homes in which it retains a historical equity share.

Subject to the level of ongoing demand among refugee communities, the homes will eventually become part of the borough's wider affordable housing stock and provide family sized homes to groups such as key workers.

The first funding source, from which the council has secured an indicative allocation of £8,400,000, is the Greater London Authority (GLA)'s *Refugee Housing Programme (RHP)*. The overarching objectives of the programme are to provide sufficient longer-term homes to those who are receiving ongoing support through recent Ukrainian and Afghan resettlement schemes and to promote effective resettlement and economic integration among refugee communities across London.

The second indicative allocation of £1,062,000 is from the Department for Levelling Up, Housing and Communities' (DLUHC) *Local Authority Housing Fund – Round 2 (LAHF2)*. This programme closely resembles the RHP in its strategic aims, though it focuses particularly on supporting those assisted via recent Afghan resettlement schemes.

In order to benefit from grant funding opportunities through the RHP and LAHF2, there is a total match funding requirement of up to £9,993,000 (£8,400,000 and £1,593,000 for the respective programmes). This report requests the Leader's approval to establish a capital budget to provide this match funding. Decisions regarding expenditure against this budget as well as appropriate available sources of match funding will be considered via delegated officer reports, and will only proceed where the viability assessment shows an acquisition to be self-financing.

Furthermore, the report also requests that expenditure decisions against this budget be delegated to the Strategic Director of Economy, in consultation with the Director of Finance. It should be noted that although this report requests approval of the full capital budget, the council will only come under any financial expenditure obligation at the point it takes a decision to purchase a property. All property acquisition decisions will be subject to the council's agreed financial hurdles and a separate governance process.

REASON FOR URGENCY

An urgent decision is required due to the short timeframes within which the grant must be spent. This is because completion on acquisitions under the RHP funding must have taken place by the end of November 2023 while LAHF2 funding requires completion to take place within this financial year; the council first received notice of its funding allocations in May 2023 and therefore has not been able to follow standard governance arrangements. Approval of this Leader's Urgency Decision will enable the council to complete property acquisitions within the time limits of each funding source.

RECOMMENDATIONS

That the Leader of the Council:

1. Notes the Director of Finance's approval to accept grant funding from the Refugee Housing Programme and the Local Authority Housing Fund Round 2
2. Approves the creation of a capital budget of £16,800,000 for the Refugee Housing Programme, to be partly funded by £8,400,000 capital grant from the GLA;
3. Approves the creation of a further capital budget of £2,655,000, of which £1,062,000 will be partly funded by capital grant from DLUHC's Local Authority Housing Fund Round 2;
4. Approves the acquisitions under these budgets and delegate authority to the Strategic Director of Economy, in consultation with the Director of Finance, to select and complete acquisitions of properties under each capital acquisition budget and approve associated expenditure;

5. Notes that each individual acquisition will require a delegated authority report seeking approval from the Strategic Director of Economy, in consultation with the Director of Finance.
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Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Access to safe, affordable housing is vital to promoting economic integration among the borough’s refugee communities
Creating a compassionate council	The borough is committed to its role as a borough of sanctuary for refugees. Part of the substantial wrap-around support offered to refugee families is assistance in accessing different housing solutions. At least twenty refugee families will be able to benefit from this programme.
Being ruthlessly financially efficient	Capitalising on grant funding opportunities of this nature is important in enabling the council to operate financially efficiently in meeting its strategic priorities
Rising to the challenge of the climate and ecological emergency	Any homes acquired through this programme will need to meet minimum prescribed energy efficiency standards in line with the funding requirements

Financial Impact

This report recommends the acceptance of two grants, one from GLA (up to £8.4m) and the other from DLUHC (up to £1.062m), and the setting up of corresponding budget for these elements plus LBHF match funding, for the purpose of acquiring affordable housing for effective refugee resettlement.

The council will only come under any financial expenditure obligation at the point it takes a decision to purchase a property. All property acquisition decisions, including use of available and most appropriate funding resources to finance match funding budget, will be subject to the council’s agreed financial hurdles with sign-off delegated to the Strategic Director of Economy, in consultation with the Director of Finance.

Should the GLA grants not be fully utilised by the deadlines stated in their terms and conditions, the remaining approved match funding budget will no longer be available to fund any further acquisitions. Under the Refugee Housing Programme (RHP), the GLA will fund 50% of the total costs in purchasing family sized homes for refugee households up to £420,000 per home. Should the total property acquisition costs including legal and valuation exceed £840,000 per property, the Council’s

contribution required towards the match funding will be in excess of the current proposed 50%. Impact of any increase in required match funding will need to be further assessed at the point of decision to purchase individual properties.

Under the terms of the LAHF2 funding, up to 40% of the costs associated with acquiring a portfolio of properties can be grant funded, with minimum of three homes being delivered as a part of the scheme, making the average grant contribution per home of £354,000. Should the total property acquisition costs including legal, valuation and stamp duty exceed £885,000 per property, the Council's contribution required towards the match funding will be in excess of the current proposed 60%. Impact of any increase in required match funding will need to be further assessed at the point of decision to purchase individual properties.

Under the current funding proposals, with an exception of £20,000 per property allowance refurbishment and decoration costs under LAHF2 funding, there is no other funding available for any further capital works required. Should the newly acquired properties require any further capital works in order to bring them to a certain standard, additional contributions from the Council's resources would be needed. The properties' condition and any additional capital investment requirements would need to be assessed at the point of decision to purchase individual properties.

Ariana Murdock, Finance Manager, 23 June 2023

Verified by James Newman, Assistant Director of Finance, 23 June 2023

Legal Implications

This report seeks approval for the Council to set up a capital budget of £19,455,000 to provide housing for refugees with contributions totalling £9,462,000 from the GLA.

The Council has a duty under the Local Government Act 1999 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-the best value duty.

Section 1 of the Localism Act provides the Council with the general power of competence “to do anything that individuals generally may do”, provided it is not prohibited by other legislation.

The Council has a duty under section 8 of the Housing Act 1985 to consider housing needs in respect of its borough. Section 9 of the Housing Act 1985 provides the Council with the power to provide housing accommodation. Section 111 of the Local Government Act 1972 enables the Council to do anything incidental to the exercising of any of its functions.

Section 15(9) of the Local Government Act 2000 provides that the Leader of a Council may exercise any executive function which has been delegated to the Cabinet or to an individual Cabinet Member or to an Officer.

The Constitution confirms at Part 3 that the leader has authority to discharge any executive function or to decide to delegate any executive function to Officers. The Council will incur a financial expenditure at the time it acquires the properties. While the acquisitions are to be funded in part with funding provided by the GLA the Council will have to match the funding. The decision to acquire the properties is to be delegated to the Strategic Director of Economy. All property acquisition decisions will be subject to the council’s financial regulations and a delegated report by the Strategic Director for Economy.

Occupation of these premises will be by way of a license under the Refugee Housing Programme.

Mrinalini Rajaratnam, Chief Solicitor (Property and Planning) 21 June 2023

Contracts and Procurement

The use of the grants identified in this report must comply with the terms and conditions of the two individual grants.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 21 June 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

PROPOSALS

Refugee Housing Programme

1. In May 2023, the council secured an indicative allocation of £8,400,000 grant funding from the Greater London Authority (GLA) as part of the Refugee Housing Programme (RHP). The aims of the RHP are to increase the supply of affordable homes for refugees supported through recent Ukrainian and Afghan resettlement schemes, thereby promoting economic integration and reducing the costs of temporary bridging accommodation.
2. Under the RHP, the GLA will fund 50% of the total costs in purchasing family sized homes for refugee households up to £420,000 per home. In order to benefit from the funding, the council will need to match fund half of the acquisition programme costs which, based on a programme of acquiring twenty family sized homes at the maximum grant rate, is £8,400,000. As such, the total programme budget will be £16,800,000.
3. Although this report requests the creation of a capital budget of £8,400,000 along with delegated authority to approve expenditure against the total programme budget, the council is under no financial obligation until the moment it takes a decision to acquire a home. All potential future home acquisitions will be subject to robust due diligence, adherence to the council's established financial hurdles, and proper governance.
4. Opting to participate in the RHP and beginning work towards the acquisition of twenty family sized homes by November 2023 presents a range of benefits to the organisation. Housing support forms an integral part of the borough's commitment to welcoming and integrating refugees into the local community; there is a demand for large, affordable homes among the refugees that the borough has welcomed from recent Afghan and Ukrainian resettlement schemes.
5. The council's housing allocations service will ensure that homes are occupied as quickly as possible upon acquisition according to robust housing needs assessments to be carried out with refugees across the borough. These assessments will ensure that those with the most significant needs are prioritised for appropriate homes that come into the council's housing stock through this programme. Properties will be allocated to families through a distinct pathway beyond the council's housing waiting list, given that homes are required to be offered to eligible refugee families as a condition of the grant funding agreement (see appendix 1).
6. Moreover, after a period of three years and subject to the levels of demand from the eligible refugee cohorts, the homes acquired under the programme are to be subsumed into the council's general needs housing stock. As such, the

programme will not only make a substantial contribution to meeting the housing demand among the borough's existing refugee families, but also to the borough's wider housing demand which is particularly acute in the case of family sized homes.

7. In line with the requirements of the programme, all homes will be let at affordable levels. Subject to the availability of other forms of internal subsidy, it may be possible to reduce rents to more affordable levels whilst retaining viability. Rents will be modelled as part of the due diligence on acquisition opportunities. Moreover, acquisitions will only proceed in cases where the council's financial hurdles are met and as such, the programme will operate on a self-financing basis.

Local Authority Housing Fund – Round 2

8. In June 2023 the council also secured £1,062,000 grant funding from the LAHF2. This funding stream is an extension of the first round of the Local Authority Housing Fund, from which the GLA has funded the RHP.
9. Under the terms of the LAHF2, up to 40% of the costs associated with acquiring a portfolio of properties can be grant funded. There is a separate £20,000 per property allowance for other costs including refurbishment and decoration costs, furnishings and legal fees. As such, an indicative total programme budget of £2,655,000 would enable the council to maximise the grant funding opportunity.
10. According to the conditions of the grant funding, the council must agree to deliver a minimum of three homes, two of which must support resettlement opportunities for Afghan refugees. The other home is required to provide property for temporary accommodation purposes. The homes must be delivered by the end of March 2024.
11. The terms of the agreement do not specify a maximum rent level for properties acquired under the programme, nor do they require the council to hold the properties as refugee resettlement homes or temporary accommodation in perpetuity. The council's intention, however, is to ensure that the homes remain affordable in perpetuity and open to refugee families for as long as there is demand. Officers estimate that the properties can pass the council's viability threshold, thereby essentially repaying the external borrowing debt, whilst being let at affordable levels. Should internal subsidy become available officers could potentially further increase the affordability of these properties.

ANALYSIS OF OPTIONS

12. For complete clarity, this section will provide an options analysis in respect of the RHP and LAHF2 respectively as, whilst similar in strategic aims and outputs, the recommendations and decisions relate to two different funding sources.

Refugee Housing Programme – Options

RHP Option 1: Do nothing

13. In this case, doing nothing would constitute a refusal to provide match funding. As a result, the indicative allocation assigned to the council would either be offered to other boroughs or returned to central government.
14. It isn't recommended that the Leader opts to do nothing as officers believe this would constitute a wasted opportunity to capitalise on generous grant funding rates to deliver against two of the administration's most important priorities: supporting refugees and delivering affordable homes.

RHP Option 2: Approve the creation of a match funding budget only

15. The Leader could opt only to approve the first of this report's four recommendations. This option would result in the approval of a capital budget to fund the programme but would likely, subject to the total value, require officers to bring individual acquisition decisions to Cabinet for approval.
16. It isn't recommended that the Leader opts to approve only the first recommendation as it is unlikely that the organisation would be able to complete up to twenty home acquisitions by the end of November 2023 if individual Cabinet decisions were required.

RHP Option 3: Approve the creation of a match funding budget and associated delegations (recommended option)

17. Should the Leader opt to approve both recommendation 1 and 3 within this report, a capital budget of £8,400,000 will be created which, in addition to £8,400,000 GLA grant, will provide a total programme budget of £16,800,000. The Strategic Director of Finance, in consultation with the Cabinet Member for Finance and Reform, will be authorised to approve expenditure against this budget, so as to enable the completion of individual acquisitions.
18. This is the option that officers recommend as it will provide the budget for the programme to proceed and deliver the benefits set out within this report. This option also enables the council to react quickly and flexibly where necessary to acquisition opportunities that may arise at short notice, and as such puts the council in the best position to deliver against its twenty home target in full whilst securing good value, high-quality homes.

Local Authority Housing Fund Round 2 – Options

LAHF2 Option 1: Do nothing

19. In this case, doing nothing would constitute a refusal to provide match funding. As a result, the council's indicative allocation would be returned to central government and distributed among other boroughs.

20. It isn't recommended that the Leader opts to do nothing as officers believe this would constitute a wasted opportunity to capitalise on generous grant funding rates to deliver against two of the administration's most important priorities: supporting refugees and delivering affordable homes.

LAHF2 Option 2: Approve the creation of a match funding budget only

21. The Leader could opt only to approve the second of this report's four recommendations. This option would result in the approval of a capital budget to fund the programme but would likely, subject to the total value, require officers to bring individual acquisition decisions to Cabinet for approval.
22. It isn't recommended that the Leader opts to approve only the second recommendation as it would hinder the organisation's ability to respond flexibly to good value acquisition opportunities that may arise in the market.

LAHF2 Option 3: Approve the creation of a match funding budget and associated delegations (recommended option)

23. Should the Leader opt to approve both recommendations 2 and 4 within this report, a capital budget of £1,593,000 will be created which, in addition to £1,062,000 LAHF2 grant, will provide a total programme budget of £2,655,000. The Strategic Director of Finance, in consultation with the Cabinet Member for Finance and Commercial Services, will be authorised to approve expenditure against this budget, so as to enable the completion of individual acquisitions.
24. This is the option that officers recommend as it will provide the budget for the programme to proceed and deliver the benefits set out within this report. This option also enables the council to react quickly and flexibly where necessary to acquisition opportunities that may arise at short notice, and as such puts the council in the best position to deliver against its target in full whilst securing good value, high-quality homes.

Reasons for Decision

25. This decision is required in order to comply with the council's Financial Regulations 2021, according to which increases in borrowing of above £300,000 require Cabinet approval. The decision is also required to establish a series of delegations that will enable the council to both respond flexibly to opportunities that may arise within the market, and to deliver within the timeframes of grant funding conditions.

Equality Implications

26. The council has an obligation under the Equality Act 2010 to ensure that any decision it takes does not have a negative impact on those with protected characteristics. This decision is anticipated to have a wide range of positive equalities implications for those with one or more protected characteristics. Accepting this funding, which has been provided for Afghan and Ukrainian

refugees, will assist the council in meeting its wider housing obligations. There are no negative equalities implications envisaged as a result of this decision.

Risk Management Implications

27. Although the council will not come under any financial obligation until such a point that a delegated decision to acquire a property is taken, there are some risks management implications that need to be considered at this early stage.
28. The first key risk in relation to this programme relates to the quality of the homes that the council acquires. As is the case with any property acquisition, it is impossible to be aware of all potential issues, such as structural faults, at the point of completion. As part of the council's standard due diligence, it will carry out a range of comprehensive surveys in order to identify any current and potential future issues.
29. Moreover, there is a risk that the council will be required to return funding to the GLA and/or DLUHC should it fail to use its allocation in full. While the proposed acquisition programme is ambitious in its target, the council is confident, based on early market analysis and intelligence, that there is a sufficient number of appropriate homes on the market. Equally, the council can explore the opportunity of purchasing former Right to Buy properties on which it has a pre-emption clause. The council will also carry out land searches at the earliest opportunity so as to ensure that protracted conveyancing processes do not threaten the council's ability to meet the funding deadlines.

Verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 16 June 2023

Climate and Ecological Emergency Implications

30. Homes acquired under the Refugee Housing Programme will need to, as a minimum, meet an EPC rating of D. The council will, however, only acquire properties that meet EPC C, or will acquire and improve to EPC C any properties that fall below this at the point of acquisition.
31. The EPC rating of a property will be a key consideration for officers when deciding whether to pursue opportunities for acquisition within the scope of this programme.

Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 19 June 2023

APPENDICES

Appendix 1 – Draft Refugee Housing Programme (RHP) – Capital Grant Agreement