

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Jon Pickstone, Strategic Director for Economy

**Date:** 15/04/2024

**Subject:** Purchasing affordable homes – acquisition of two properties under the Refugee Housing Programme

**Report author:** Joe Coyne, Development Programme and Governance Officer

**Key Decision:** Yes

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### SUMMARY

This report relates to the decision to purchase two properties through the *Refugee Housing Programme* (RHP). Under the RHP, the Greater London Authority (GLA) has made grant funding available to acquire homes in order to support refugee resettlement. Between 40% - 50% of total acquisition costs can be funded via this programme, subject to the size of the home. The full addresses of the Properties are disclosed in exempt appendices one and two.

The RHP is a scheme which promotes effective refugee resettlement, recognising the importance of secure housing to overall health and wellbeing. In view of the council's ongoing commitment to being a borough of sanctuary to refugee communities, the provision of secure housing is fundamental to the creation of a safe and welcoming environment for refugees.

The Strategic Director for Economy, in consultation with the Strategic Director of Finance, is asked to approve the individual recommendations within this report that will enable the acquisition of two family-sized homes under this programme.

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### RECOMMENDATIONS

That the Strategic Director for Economy, in consultation with the Strategic Director of Finance:

1. Notes that appendices one and two are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. Approves the decision to acquire the Properties and the associated expenditure outlined in exempt appendices one and two against the existing approved RHP capital budget of £16,800,000 and transfer deed for the purchase of the Properties

3. Approves the decision to enter into the contract for sale and transfer deed for the purchase of the Properties.

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**Wards Affected:** College Park and Old Oak, Fulham Reach

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Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Properties acquired under the Refugee Housing Programme will be brought back into the council's general needs affordable housing stock and after a period of three years will be available for residents on the housing register. Growing the supply of affordable housing is vital to fostering inclusive growth.
Creating a compassionate council	The funding stream from which the properties are being acquired is targeted at assisting the resettlement of refugee communities. In line with the borough's commitment to becoming a borough of sanctuary, it will make these properties available to refugees for a minimum period of three years.
Being ruthlessly financially efficient	Between 40% - 50% of the total project costs are funded via the GLA's Refugee Housing Programme grant. This presents a great opportunity for the council to purchase back a former council-owned property at a reduced net cost to the council. All property acquisitions meet the council's agreed viability hurdles.
Rising to the challenge of the climate and ecological emergency	All properties will meet, either on acquisition or following identified works, an EPC rating of C.

## Financial Impact

Exempt appendices one and two contain the financial appraisals of the proposed purchases, including the total acquisition budgets and the funding resources required.

The decision to proceed with the acquisitions are subject to legal and financial due diligence checks. Mitigation measures must also be in place prior to the exchange of contracts in order to prevent any financial risks, as detailed in the individual appendices.

*Harun Guleid, Principal Accountant (Development), 18/03/2024*

*Verified by Sukvinder Kalsi, Director of finance, 19/03/2024*

## Legal Implications

The purchase of the Properties is to facilitate the Council's commitments to deliver much needed affordable housing, and to be a borough of sanctuary for refugees fleeing war and persecution.

Section 1(1) of the Localism Act 2011 confers a general power of competence on the Council and provides that a local authority may do anything that individuals generally may do, even though they are in nature, extent or otherwise;

- a) unlike anything the authority may do apart from subsection (1); or
- b) unlike anything that other public bodies may do.

Section 1(4) of the Localism Act 2011 provides, subject to certain restrictions that do not apply in this instance, where subsection (1) confers power on the authority to do something, it confers power to do it in any way whatever, including:

- a) power to do it anywhere in the United Kingdom or elsewhere,
- b) power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- c) power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

Section 111 of the Local Government Act 1972 provides that a local authority shall have the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

Further, section 9(1)(b) allows a local authority to acquire houses in order to provide housing accommodation.

The council has a duty under part 7 of the Housing Act 1996 to prevent homelessness and provide assistance to people threatened with or actually homeless. Accordingly, the purchase of the property will enable the Council to fulfil its duty under part 7 of the Housing Act 1996.

Article 12 of the Constitution sets out the decision making principles of the Council and defines Key Decisions and the requirements in respect of Key Decisions. A Key Decision includes a decision that is likely to result in significant expenditure for the Council. The Cabinet Member for Housing and Homelessness has the portfolio for acquisitions and improvements to the Council's housing stock and is tasked with making recommendations to the Cabinet on Key Decisions relating to matters within their portfolio. The Council's Financial Regulation provide that decisions on acquisitions above £300,000 must be made by the Cabinet

Rule 16 of Part 4 of the Constitution sets out the procedure for Key Decisions to be taken if the matter is classified as urgent.

*Implications completed by Afshan Ali-Syed, Senior Property Solicitor, Property and Planning Team on 19/03/2024*

*Implications verified by Grant Deg, Assistant Director of Legal Services on 25/03/2024*

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## **Background Papers Used in Preparing This Report**

Refugee Housing Programme Leader's Urgency Decision. Available at:

<https://democracy.lbhf.gov.uk/documents/s125077/Report%20to%20the%20Leader%20of%20the%20Council%20-%20Refugee%20Housing%20Funding%2011.07.2023.pdf>

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## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

#### **Background**

1. This report requests that the Strategic Director for Economy approve a decision that will enable the council to purchase two properties under the Refugee Housing Programme, for which a £16,800 capital budget was approved in July 2023 via a leader's urgency decision.
2. Purchasing homes to support refugee resettlement is important to the borough's commitment to become a borough of sanctuary for refugees. Housing is a vital element of effective resettlement and a foundation for job opportunities and wellbeing. Under the grant funding conditions, all homes must be available to eligible refugee communities for a minimum period of three years, following which the homes can become part of the council's general needs affordable housing stock.
3. The decision to purchase these homes also aligns with the council's ambition to maximise the provision of family-sized housing across the borough. The homes are all 3 bedroom or more.

#### **Due diligence**

4. Each individual property has been subject to extensive financial, legal and technical due diligence, as described within the overarching legal implications section and within each individual appendix relating to financial implications.
5. All acquisitions must meet the council's agreed financial hurdles, that is to say that they are self-financing and generate a positive Net Present Value over a defined longer-term period. In line with the conditions of the funding agreement, all properties will be let at affordable rents in perpetuity.
6. Each property has also been subject to a full condition survey. These surveys have enabled the council to both identify and cost any works that may be needed to bring homes up to the decent homes standard. The costs of these ongoing works have been factored into the wider financial appraisal of each property.

7. All new homes can be managed within existing arrangements for property and tenancy management across the council.
8. A description of each property is provided below:

### **Property A**

9. Property A is a 4-bed house in College Park and Old Oak ward. The council has agreed a fair purchase price with the seller in consultation with a valuer and carried out a condition survey to identify any necessary up-front costs. The GLA will fund 50% of the total acquisition costs for this property. The property is spacious and benefits from a large front garden and simple access to East Acton station.

### **Property B**

10. Property B is a 3-bed flat in Fulham Reach ward. The council has agreed a fair purchase price with the seller in consultation with a valuer and carried out a condition survey to identify any necessary up-front costs. The GLA will fund 40% of the total acquisition costs for this property. The property is within close proximity of Barons Court tube station and is well maintained throughout.

### **Reasons for Decision**

11. This decision requests authority to purchase the properties described above under the RHP. The leader's urgency decision approved in July 2023 established a capital budget for this programme, and confirmed that individual acquisitions would be subject to distinct decision reports to be approved by the Strategic Director for Economy in consultation with the Strategic Director of Finance.

### **Equality Implications**

12. A completed Equality Impact Assessment is appended at appendix three.

### **Risk Management Implications**

13. Property acquisitions bring some risks, as the council is acquiring both freehold and leasehold interests which present varying levels of risk. In order to mitigate against these risks, each purchase is subject to a full condition survey and recommendations are made on the basis that no major concerns are identified during this process.
14. Each acquisition has been modelled using conservative financial assumptions regarding long term interest rates, so as to ensure robustness within the financial appraisals. The appraisal assumes that the properties will be let at a Local Housing Allowance rate in perpetuity. As there is significant demand for affordable properties like this across the borough, there is a very low risk that the council will be unable to use rental income to service the associated debt.

15. There is a risk that the value of one or more properties may fall owing to market conditions or regulatory changes. The council will need to accept this risk as it largely falls beyond its control. It should be noted, however, that at this time owing to the ongoing demand for affordable housing the council has no intention to dispose of affordable homes.
16. There is a risk that maintenance costs may outweigh the reasonable level of investment, though regular planned maintenance and review processes should serve to mitigate this risk.
17. There is a risk that funding from the GLA RHP is reduced or curtailed and that the council is expected to make up the shortfall. The council must mitigate this by either finding alternative external sources for the purchase or cease the purchase.

*Jules Binney, Risk and Assurance Manager, 16<sup>th</sup> January 2024*

### **Climate and Ecological Emergency Implications**

18. All properties acquired under the RHP will meet, either at the point of acquisition or following improvement works, an EPC C rating. Where properties do not meet EPC C, contingency budgets have been included to enable corrective works to be carried out, including measures such as thicker loft insulation and cavity wall insulation.

*Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 17<sup>th</sup> January 2024*

### **LIST OF APPENDICES**

Appendix One (Exempt) – Finance Comments Property A

Appendix Two (Exempt) – Finance Comments Property B

Appendix Three – RHP Equality Impact Assessment