

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Bram Kainth, Strategic Director for Environment (*as specified in the delegation report dated 17 April 2024*)

Date: 23/05/2024

Subject: Decision to acquire five properties under the Refugee Housing Programme

Report author: Joe Coyne, Development Programme and Governance Officer

Key Decision: Yes

SUMMARY

This report requests approval from the Strategic Director of Environment to purchase five properties through the *Refugee Housing Programme* (RHP), under which the Greater London Authority (GLA) has made grant funding available to acquire homes in order to support refugee resettlement. 40% of the total costs of each individual acquisition will be funded using this grant. Each property has an exempt appendix which contains details of the financial appraisal for the acquisition as well as the full address details for reference.

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 of Environment, in consultation with the Strategic Director of Finance, is asked to approve the individual recommendations within this report that will enable the acquisition of five properties.

RECOMMENDATIONS

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

1. Note that appendices one, two, three, four and five are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that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. Approve the decision to acquire the properties and the associated expenditure outlined in exempt appendices one, two, three, four and five against the existing approved RHP capital budget of £16,800,000 and transfer deed for the purchase of the properties.

3. Approve the decision to enter into the contracts for sale and transfer deeds for the purchase of the properties.

Wards Affected: Lillie, White City, West Kensington

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	40% 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 appendix one to five contains the financial appraisal of the proposed purchases, including the total acquisition budget and the funding resources required.

The decision to proceed with the acquisition is 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 exempt appendix.

*Comments completed by Harun Guleid, Principal Accountant (Development)
25/04/2024*

Verified by James Newman, AD Finance, 26/04/2024

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 09/05/2024

Verified by Grant Deg. Director of Legal Services on 16/05/2024

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>

DETAILED ANALYSIS

Proposals and Analysis of Options

Background

1. This report requests that the Strategic Director of Environment approve a series of recommendations that will enable the council to purchase five properties under the Refugee Housing Programme, for which a £16,800,000 capital budget was approved in July 2023 via a leader's urgency decision.
2. Acquiring properties 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 as two of the homes are 2-bed homes and three homes are 3-bed.

Due diligence

4. The properties have 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 and the appraisal.
5. The proposed purchases meet the council's agreed financial hurdles, that is to say that, over a defined long-term period, they generate a positive Net Present Value and are self-financing. The Properties will be let at affordable rents in perpetuity.

6. External surveyors have carried out full condition surveys of each property. The surveys have enabled the council to both identify and cost any works that may be needed to bring the home up to a lettable standard. The costs of these ongoing works have been factored into the wider financial appraisal of the properties.
7. The homes can be managed within existing arrangements for property and tenancy management across the council as they are all located within existing estate blocks.
8. Provided below is a short description of the location and condition of each property, as well as a short commentary on the acquisition process. Full details of the purchase price, works costs, and address for each property is provided within the relevant exempt appendix.

Property A

9. The property is a 3-bed flat in Lillie 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 an existing estate block where there is good access to wrap-around support services. As the property has been well-maintained, relet costs are low and the works are straightforward meaning that the property can be relet quickly upon completion.
10. Details of the address and the financial appraisal of the acquisition can be found in exempt appendix one.

Property B

11. This property is a 3-bed flat in the White City Estate. In consultation with a valuer, the council has agreed a fair purchase price with the seller and commissioned an external surveyor to carry out a condition survey to identify a schedule of works required to relet the property. The GLA will fund 40% of the total acquisition costs for this property. The property has good access to local schools, amenities, and public transport.
12. Details of the address and the financial appraisal of the acquisition can be found in exempt appendix two.

Property C

13. This property is a 2-bed flat in West Kensington, within one of the council's existing blocks. The property is located near to West Kensington station and a range of local schools and amenities. The council has consulted with a valuer and agreed a fair purchase price. 40% of the total acquisition costs will be funded by the GLA and the acquisition meets the council's financial hurdles. Included within this appraisal are the identified relet costs from an external surveyor's report.

14. Details of the address and the financial appraisal of the acquisition can be found in exempt appendix three.

Property D

15. This property is also a 2-bed flat within one of the council's existing blocks in West Kensington. The GLA will fund 40% of the total acquisition costs for this property including the relet costs which have been identified from a survey carried out by an external surveyor. The purchase price has been agreed with the seller in consultation with a valuer.
16. Details of the address and the financial appraisal of the acquisition can be found in exempt appendix four.

Property E

17. This property is a 3-bed flat within the Clem Attlee Estate in Lillie ward. The purchase price has been agreed directly with the seller in consultation with an external valuer and the financial appraisal has been informed by a full condition survey that identifies a full range of relet costs.
18. Details of the address and the financial appraisal of the acquisition can be found in exempt appendix five.

Reasons for Decision

19. This decision requests authority to purchase the property 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 of Environment in consultation with the Strategic Director of Finance.

Equality Implications

20. A completed Equality Impact Assessment is appended at appendix six.

Risk Management Implications

21. 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.
22. 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.

23. 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.
24. 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.
25. 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, 2nd May 2024

Climate and Ecological Emergency Implications

26. 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.

Approved by Hinesh Mehta, Assistant Director Climate Change, 16/04/2024

LIST OF APPENDICES

Exempt Appendix One – Property A Finance Comments and Property Details

Exempt Appendix Two – Property B Finance Comments and Property Details

Exempt Appendix Three – Property C Finance Comments and Property Details

Exempt Appendix Four – Property D Finance Comments and Property Details

Exempt Appendix Five – Property E Finance Comments and Property Details

Appendix Six - RHP Equality Impact Assessment