

Report to: Bram Kainth, Executive Director of Place, in consultation with the Executive Director of Finance and Corporate Services

Date: 28/06/2024

Key Decision: Yes

Subject: Decision to purchase six properties under the Refugee Housing Programme

Report author: Joe Coyne, Development Programme Officer

SUMMARY

This report relates to a decision to purchase six leasehold properties within the council's freehold ("the Properties"). The properties are being sold on the open market and the council has agreed to purchase the existing leasehold interests. The full addresses of the Properties are disclosed in exempt appendices 1, 2, 3, 4, 5 & 6.

Under the Greater London Authority's (GLA) *Refugee Housing Programme* (RHP), between 40-50% of the total acquisition costs will be grant funded. As such, the Properties will be available to refugee families for a minimum period of three years, after which it will continue to form part of the borough's affordable housing stock in perpetuity.

The Executive Director of Place, in consultation with the Executive Director of Finance and Corporate Services, is asked to approve the decision to acquire the Properties and the total expenditure outlined in exempt appendices 1, 2, 3, 4, 5 & 6 against the RHP capital budget of £16,800,000 approved via a leader's urgency report agreed on 20th July 2023.

The Refugee Housing Programme 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 commitment to being a borough of sanctuary to refugees, the provision of secure housing is a fundamental element of creating a safe, welcoming environment for refugee communities.

RECOMMENDATIONS

That the Executive Director of Place, in consultation with the Executive Director of Finance and Corporate Services:

1. Notes that appendices 1, 2, 3, 4, 5 & 6 are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that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 1, 2, 3, 4, 5 & 6 against the existing approved RHP capital budget of £16,800,000.
3. To enter into the contract for sale and transfer deed for the purchase of the Properties, subject to the satisfactory conclusion of due diligence.

Wards Affected: Brook Green, Sands End, Fulham Reach, West Kensington, Lillie, Walham Green

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 some former council-owned properties 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	The Properties meet either an EPC rating C or D. There is a contingency within the costs to carry out works that enable the EPC D properties to reach an EPC rating C.

Financial Impact

Exempt appendices 1, 2, 3, 4, 5 & 6 contain the financial appraisals of the proposed purchases, including total acquisition budget and funding resources required.

The decision to proceed with the acquisition is subject to legal and financial due diligence checks and mitigation measures must be in place prior to exchange of contracts to prevent any financial risks, as detailed in appendices 1, 2, 3, 4, 5 & 6.

Ariana Murdock, Finance Manager, 11 June 2024

Verified by James Newman 27 June 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 also 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 07887651197 on 11 June 2024

Verified by: Grant Deg, Director of Legal Services on 17 June 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

1. This report requests that the Executive Director of Place approve the decision to purchase six properties in Brook Green, Sands End, Fulham Reach, West Kensington, Lillie and Walham Green wards. Details of the addresses can be found within exempt appendices 1, 2, 3, 4, 5 & 6. The purchases would be carried out as part of the Refugee Housing Programme (RHP), for which a £16,800,000 capital budget was approved via a leader's urgency decision in July 2023.
2. The council has agreed purchase prices which one of the council's valuation team confirmed to be reasonable and fair purchase prices for the Properties. The total project cost for each property, accounting for on costs such as legal fees and an allowance refurbishment costs, is detailed within exempt appendices 1, 2, 3, 4, 5 & 6. The GLA will fund 40% of total project costs under the RHP.
3. The decision to acquire the Properties supports many of the council's key strategic priorities. Firstly, under the terms of the funding agreement with the

GLA the Properties must be available to eligible refugee communities for a minimum period of three years. This period of resettlement support is vital to the borough's ambition to be a borough of sanctuary to refugees.

4. Moreover, the decision enables the council to bring former council-owned homes back into the general needs affordable housing stock, which is important in view of the council's need to address housing demand across the borough.
5. The acquisitions meet the council's agreed financial hurdles as they are self-financing and generate a positive Net Present Value (NPV). In line with the conditions of the funding agreement, all properties will be let at affordable rents in perpetuity.
6. The council undertakes technical due diligence by way of either independent condition surveys or pre-acquisition inspections to provide assurance on the quality of the property and to ensure that the contingency budget for refurbishment works is reflective of the scale of any works required.
7. A short description of each property is provided below:

Property A

8. Property A is a 3-bed flat located in Brook Green. The flat is in good condition and is currently within the council's freehold, which assists with more practical management and ongoing maintenance. The purchase of the property also supports the council's ambition to provide a greater quantum of family-sized housing.

Property B

9. Property B is a large 2-bed flat in Fulham. The flat is in the council's freehold which assists with practical management and maintenance and is in good condition with low relet costs.

Property C

10. Property C is a 3-bed flat in West Kensington. It is in the council's freehold and is, as with the other properties, in good condition and provides important family-sized accommodation.

Property D

11. Property D is a large 2-bed flat in West Kensington. The property is also in the council's freehold and has been surveyed to ensure that all relet costs are included within the financial appraisal.

Property E

12. Property E is a 3-bed split level flat in Sands End. The council is the freeholder of the building and it has been found to be in good condition. It enables the council to deliver against its ambition to provide more family-sized homes.

Property F

13. Property F is a large 2-bed flat in Walham Green. The property is within the council's freehold and is practical in regard to ongoing management and maintenance.

Reasons for Decision

14. This decision requests authority to purchase the Properties 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 Executive Director of Place in consultation with the Executive Director of Finance and Corporate Services.

Equality Implications

15. A completed Equalities Impact Assessment (EIA) for the programme (EIA) is appended at appendix 7.

Risk Management Implications

16. The acquisition of these Properties is low risk. As the Properties are already within the council's freehold, the council is already responsible for many of the theoretical major works that may be required in future to the Properties. The purchases are subject to condition surveys that identify no major concerns with the Properties.
17. The financial viability of these Properties acquisition has been modelled using conservative financial assumptions and has assumed that the Properties will be let at a Local Housing Allowance rate over the appraisal period. As there is significant demand for properties of this nature among residents of the borough, there is a low risk that the council will fail to service this debt.
18. There is a risk that based on current property prices that the value of the Properties may fall due to changes to the property market, the condition of the Properties or regulatory changes. This can only reasonably be mitigated by accepting the risk, coupled with no intention to sell.
19. There is a risk that maintenance costs (due to neglect or other physical changes) will outweigh any reasonable investment. This can be mitigated through regular maintenance reviews and corrective actions.

Verified by Jules Binney, Risk and Assurance Manager, 30th May 2024

Climate and Ecological Emergency Implications

20. As part of the relet works, a contingency budget has been included which allows for any properties that do not meet EPC C on completion to be brought up to this standard, as per the leader's urgency decision.

Verified by Mark Thomlinson, Climate Engagement Lead, 4th June 2024

Section 106 Implications

21. This report requests approval to purchase six properties. Three acquisitions are partly funded using section 106 monies allocated to affordable housing delivery. There are sufficient section 106 monies for the spend outlined within the exempt financial appendices and the use of section 106 monies towards acquisitions of this nature is permitted and accords with the purpose for which the section 106 funds were secured.

Verified by Matt Patterson, Head of Spatial Planning, 26th June 2024

LIST OF APPENDICES

Exempt Appendix 1 – Finance Comments and Property Details – Property A

Exempt Appendix 2 – Finance Comments and Property Details – Property B

Exempt Appendix 3 – Finance Comments and Property Details – Property C

Exempt Appendix 4 – Finance Comments and Property Details – Property D

Exempt Appendix 5 – Finance Comments and Property Details – Property E

Exempt Appendix 6 – Finance Comments and Property Details – Property F

Appendix 7 – Equalities Impact Assessment (EIA)