

REPORT TITLE: LOCAL AUTHORITY HOUSING FUND, PROPERTY AQUISITION

23 MAY 2023

REPORT OF CABINET MEMBER: COUNCILLOR MARTIN TOD, LEADER

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WARD(S): ALL

PURPOSE

In January 2023 the Government announced a £500 million capital fund (Local Authority Housing Fund LAHF) to support the local authorities who are assessed to be facing the greatest challenges in providing move on and settled accommodation for Ukrainian and Afghan families.

The Council was identified as eligible for capital grant funding of £2,400,000. With this funding we are expected to provide a minimum of 16 homes. WCC are expected to match fund to the value of £3,665,000 making the Total Scheme cost £6,065,000.

The Council has also been allocated an additional £329,109 of LAHF funding which it is required to provide a further £ 329,109 of match funding. This funding is to provide a minimum of one larger 4+ bed home to be allocated to an Afghan household currently residing in bridging accommodation.

The Council has entered into the programme and completed a "Memorandum of Understanding" in February 2023. The Council has received the first tranche of the agreed funding. This report seeks authority to procure the required number of homes that the Council has committed to provide under the memorandum of understanding.

Heads of terms have been agreed with a residential landlord to secure 16 homes currently used as Houses in Multiple Occupation (HMOs) and authority is sought to purchase these properties. Authority is also sought to procure the home that will be made available to house an Afghan family from bridging accommodation.

RECOMMENDATIONS:

1. To agree capital expenditure of up to £6,065,000 in 2023/24 to purchase and refurbish 16 properties under Financial Procedural Rule 7.4, using the approved 2024/25 HRA unallocated new build budget, to be funded by £2,400,000 LAHF grant with the balance of £3,665,000 by prudential borrowing.
2. To agree delegation to The Corporate Head – Asset Management to purchase 16 properties (detailed in Exempt Appendix 1).
3. To agree capital expenditure of up to £658,218 to purchase a Bridging accommodation property under Financial Procedural Rule 7.4, using the 2024/25 HRA unallocated new build budget, to be funded by £329,109 of LAHF grant and the balance of £329,109 of prudential borrowing.
4. To agree delegation to the Corporate Head - Asset Management to purchase the additional property to provide accommodation for those leaving the bridging hotels when a suitable property matching the requirements of the fund is identified.

IMPLICATIONS:**1 COUNCIL PLAN OUTCOME**

Tackling the Climate Emergency and Creating a Greener District

- 1.1 The proposed purchase 16 properties are predominately ex council houses with energy ratings varying from D to E. After purchase they will be included in the Housing retro-fit programme to bring them up to a minimum rating of Band C helping to reduce carbon emissions across the district

Homes for all

- 1.2 The properties to be acquired will form part of the 1017 new homes to be provided by the Council over the 10 year programme to meet housing needs in the district.

Vibrant Local Economy

- 1.3 The proposal increases the amount of affordable housing to support local workers in lower paid employment and generates impact in the local economy on the back of the supply chain for works to the homes.

Living Well

- 1.4 The portfolio of properties will be returned to good quality family accommodation with improved energy rating thus reducing potential for the quality of homes to impact on household health.

Your Services, Your Voice

- 1.5 As with all new homes schemes undertaken by the council there will be a 12 month tenant satisfaction survey carried out to address and understand any issues or concerns. TACT have been consulted on the proposal at their recent annual meeting and were supportive.

**2 FINANCIAL IMPLICATIONS**

- 2.1 The Total Scheme Cost for the purchase and acquisition of the 16 identified properties listed in appendix A is £6,065,000. This will be partly funded by prudential borrowing of £3,665,00 (60%) and partly funded from the Grant funding of £2,400,000 (40%).

- 2.2 The budget for the HRA contribution will come from the unallocated new homes budget provision. The underspend from 2022-23 will be brought forward to 2023-24 and the balancing item required to meet the match funding requirement will be brought forward from 2024-25 capital budget for new homes.

- 2.3. It is proposed that the properties that are acquired will be let at affordable rents of 80% market rent or LHA whichever is lower. This delivers the most

viable proposal for the HRA in relation to the competing demands of the HRA business plan to retrofit homes and maintain the council house build programme.

- 2.4. The cost of acquiring the additional property to provide a home to an Afghan family living in bridging accommodation is up to £658,218 of which £329,109 (50%) will be grant funded and the rest funded from prudential borrowing.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The powers under which the Council acquires property assets can be general or specific. General Powers to acquire land and property stem from the Local Government Act 1972. (Section 120). These enable local authorities to acquire property for any of their functions, or for the benefit, improvement or development of their area
- 3.2 16 Freehold properties will be purchased. It is understood the 15 Freehold Properties are former Winchester Right to Buy properties. The price being paid is £5,745,354.00 (VAT will not be charged). The City Council will be obtaining 14 of the properties with vacant possession at the end of July 2023 and the remaining 2 properties with vacant possession in July 2024. The City Council will be registered at HM Land Registry with full absolute title for all of the properties, which is the best form of title. . A written report on the 16 properties will be prepared for the appointed delegated officer to consider before the City Council commits to exchanging contracts.

### 4 WORKFORCE IMPLICATIONS

- 4.1 Negotiation, purchase and management of the properties will be within existing staff resources.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The additional homes will be managed and maintained within the Housing Revenue Account (HRA) and provide a positive long term asset for the council.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Lead Cabinet Members have been briefed on the LAHF and endorsed the approach of acquiring 16 ex HMO's properties and an additional 4 bed "Bridging Property" for an Afghan family currently residing in hotel accommodation.
- 6.2 TACT have been consulted on the proposals to acquire existing properties that are currently let as HMO's on estates to be converted back to family homes and supported the proposals.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The acquired properties are predominately ex council properties which have been converted to HMOs by private landlords. After purchase they will become part of the HRA property portfolio and as part of the refit will then be retro-fitted along with the rest of the Council's stock to ensure they meet current and future energy standards

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 DLUCHC have conducted an Equality Impact Assessment of the programme as required. The Council has undertaken an EIA to assess local impacts. The councils allocation policies have previously been subject to an Equality Impact Assessment.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

## 10 RISK MANAGEMENT

- 10.1 The two main identified risks at this stage are, firstly that the council does not comply with the funding conditions and the government grant is not paid. Secondly that the vendor withdraws from the sale and then a further 16 properties would need to be found and exchange completed by November 2023. The risks identified fit with the existing New Homes risk appetite.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
Value for money	All properties have been valued independently to ensure they are bought at a market value	
Innovation	The government guidance recognises that acquisition of existing stock is one way of meeting the requirements of the LAHF	
Achievement of outcome	Head of terms already agreed with owner of 16 properties	
Property structural surveys	Have not been commissioned however all properties have been inspected and as ex council properties no	

	previous major issues have been identified	
Community Support	We have consulted with TACT who are supportive of the proposed approach	
Timescales	Acquisition meets the funding timetable subject to Cabinet agreement of this report	
Project capacity	Within existing resources	
Other		

## 11 SUPPORTING INFORMATION:

- 11.1 The Government announced a £500 million LAHF capital fund to support the local authorities who are assessed to be facing the greatest challenges in providing move on and settled accommodation for Ukrainian and Afghan families.
- 11.2 Winchester had provisionally been identified as eligible for capital grant funding of £2,400,000. With this funding we are expected to provide a minimum of 16 homes. WCC are expected to match fund to the value of £3,665,000 making the Total Scheme cost £6,065,000. There is an additional £329,109 in funding to provide a 4+ bed home for an Afghan family currently residing in bridging hotels. The Council has entered into a memorandum of understanding to deliver the programme.
- 11.3 Within the objectives of the fund local authorities have been given flexibility as to how the money is spent however due to short timescales for the spend DLUHC has assumed that most delivery will be via stock acquisition. In order to draw down the second tranche of funding the Council will have (as a minimum requirement) to have exchanged contracts on the properties it intends to acquire by November 2023.

### Proposal

- 11.4 A local property company who primarily offer Housing in Multiple Occupation (HMO) student accommodation in ex council housing stock were looking to sell part of their portfolio. After initial discussions 16 properties were identified (Appendix 1 – list of properties) which the company were prepared to sell. Inspections of all the properties have been undertaken and they are in good condition (although full structural surveys were not carried out) and independent valuations have confirmed the offer price on that basis. Draft Heads of Terms have been agreed and are attached as Exempt Appendix 3
- 11.5 The company had valued the properties based on their existing use as HMO's however following negotiations they were prepared to offer them with a discount (details in Exempt Appendix 2). No stamp duty will be payable on the basis that as part of the Spring Budget 2023, the Chancellor announced a

change to the Stamp Duty Land Tax (SDLT) rules to ensure that purchases made by registered providers of social housing using the Local Authority Housing Fund (LAHF) qualify for the exemption from SDLT.

- 11.6 An allowance of up to £20,000 per property has been allowed as part of DLUHC funding conditions to fund repairs and decorations to bring the properties back into family use. For the purposes of the funding criteria the purchase price plus the £20,000 per property allowance makes the notional Total Scheme Cost £6,065,354. The council is able therefore to demonstrate a minimum spend of £6,065,000 allowing it to draw down the full allocation of funding of £2,400,000.
- 11.7 All the properties are either semi-detached or terraced family sized homes, all bar one property on Badger Farm, are ex-council homes. Three are located at Highcliffe, one at Winnall and eleven on Stanmore. There will be additional costs associated with bringing the properties back into family use as they have been adapted as HMO's. It has not been possible to prepare a repair schedule for individual properties but estimates following the initial visits suggest that the cost will on average be below £20,000 per property. The quality of the homes will therefore be improved.
- 11.8 Whilst the council can exchange contracts on all 16 properties in June 2023 only 14 of the properties will be available for occupation in July 2023. This is due to 2 properties being let until June 2024, these will be unavailable until the occupants vacate. This will not affect the draw down of funding as this is dependant on exchange of contracts.
- 11.9 The 16 acquired properties do not have to be let to Ukrainian families if there are no Ukrainian families requiring accommodation when the acquired homes are available for letting. DLUHC recognise that some family sizes will not match the size of the acquired properties. The purpose of the LAHF programme is to increase the overall number of affordable homes available to meet housing need including the need of the Ukrainian families. The Council will need to demonstrate that it has provided homes to 16 Ukrainian families to comply with the grant conditions.
- 11.10 The element of the programme for bridging hotel accommodation commits the council to provide one 4 bedroom house with a grant available of up to £329,109 representing up to 50% of the cost of the property and an allowance of £20,000 for repairs. A property has been viewed which meets the funding criteria however advice is being sought on its suitability for a family with the County Council resettlement team as the purchase will be bespoke to the needs of a family. Unlike the main element of the programme the Bridging property has to be offered to a family in Bridging accommodation. When or if the property is no longer required as Bridging accommodation the council is free to choose what to do with it and will not be required to pay back the grant. This also applies to the main element of the programme of 16 properties.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Consideration was given to substituting existing HRA funding of schemes in the development programme in order to claim the LAHF funding (where the rules of the LAHF were met). Acquiring 17 additional homes will provide the accommodation in a more timely way to meet the present demand and so the development option was not pursued.
- 12.2 The Council was not obliged to accept the offer of funding from the government however there would still be a potential obligation to assist Ukrainian families that became homeless. Therefore, that option was not recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports: - CAB3387 – HRA Budget 23/24, 9<sup>th</sup> Feb 2023

Other Background Documents:- None

APPENDICES:

- Exempt Appendix 1 - List of 16 properties
- Exempt Appendix 2 - Viability Appraisal
- Exempt Appendix 3 – Draft Heads of Terms