

TITLE	Delivering the Ukrainian/Afghan Refugee Resettlement Government Grant Allocation
FOR CONSIDERATION BY	The Executive on Tuesday, 21 March 2023
WARD	(All Wards);
LEAD OFFICER	Director, Place and Growth - Simon Dale
LEAD MEMBER	Deputy Leader of the Council and Executive Member for Housing - Stephen Conway

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

To mitigate against housing pressures on local authorities, the Government has provisionally allocated grant to those most affected by the Ukrainian refugee and Afghan resettlement programmes. This grant allocation has been allocated to Wokingham Borough Council based on part funding of 17 properties to help mitigate against the additional housing pressures. This report seeks approval to ensure that the funding allocation can be delivered effectively in Wokingham Borough within the restricted timescales and ensure that ownership of the properties are retained for housing other priority cohorts in the longer term, as per the Government’s guidance on this funding stream.

RECOMMENDATION

That Executive notes the Government grant allocation to Wokingham Borough Council and proposal to deliver 17 homes as part of the Ukrainian and Afghan resettlement scheme and approves:

- (1) The release of up to £2m commuted sums (developer contributions for affordable housing) to be used in conjunction with the £3.1m grant allocation for the purchase of the 17 properties;
- (2) That the properties go into either the Housing Revenue Account (“HRA”) and £3.7m of borrowing is undertaken within the HRA, or into Loddon Homes Limited (“LHL”) with a loan of £3.7m; with authority to be delegated to the Deputy Chief Executive in consultation with the Deputy Leader for the Council to determine and approve the end landlord and the borrowing terms;
- (3) The delegation of authority to the Deputy Chief Executive in consultation with the Deputy Leader for the Council and Executive Member for Housing to approve the transfer of commuted sums up to the value of £2m to support the purchase of each property.

EXECUTIVE SUMMARY

The UK has welcomed 150,000 Ukrainians and 23,000 Afghans. To mitigate housing pressures on already stretched local authority stock and homelessness services, the Government has released a £500 million fund designated to the 189 local authorities who have been identified as most affected. The Council has been provisionally allocated £3.1m grant from the Government as part of this funding.

The grant allocation is intended to support the acquisition of 17 properties for the two cohorts of Ukrainian refugees and Afghan resettlement schemes. This grant allocation is expected to pay for up to 40% of the capital costs, with local authorities meeting the remaining costs. With the grant allocation, this leaves the Council with a funding gap of approximately £5.7m, which would be covered by a mix of borrowing (either through the Housing Revenue Account or the Council's Housing Companies) and through the use of s106 commuted sums for affordable housing.

Dependent on where the properties sit (either the Housing Revenue Account or the Council's Housing Companies), the Council would be looking to release up to £2m in developer contributions for affordable housing. The Council currently has in excess of £2.2m of developer contributions available for affordable housing which can be used for this scheme. Executive is asked to approve the delegation of authority to the Deputy Chief Executive in consultation with the Deputy Leader for the Council and Executive Member for Housing to determine and approve the end landlord and the borrowing terms.

Given each property is likely to be purchased individually as open market purchases, the Executive is asked to approve the delegation of authority to the Deputy Chief Executive in consultation with the Deputy Leader for the Council and Executive Member for Housing to approve the transfer of commuted sums to either the Council's HRA or the Council's Housing Company, LHL, to support the purchase of the properties as part of the scheme, subject to the relevant agreement from the Board of the Council's housing companies.

BACKGROUND

The UK has welcomed 150,000 Ukrainian and 23,000 Afghan refugees. To mitigate housing pressures on already stretched local authority stock and homelessness services, the Government has released a £500 million fund designated to 189 local authorities who have been identified as most affected. The Council has been provisionally allocated £3.1m grant from the Government as part of this funding.

Currently within Wokingham Borough, there are 4 Ukrainian households in temporary accommodation and a further 212 households who will require accommodation once their host placements come to an end. Some of these households may move out of Borough or into the private rental sector, however in the future there will be increased pressure on the Council's housing stock and on temporary accommodation. The grant allocation from Government is intended to support the acquisition of 17 properties for the two cohorts of Ukrainian refugees and Afghan resettlement schemes. This grant allocation is expected to pay for up to 40% of the capital costs, with local authorities meeting the remaining costs. The grant allocation includes £20k per property for refurbishment costs. The Government has made it clear that they expect local authorities to utilise their borrowing capacity to pay the remaining purchasing costs. Right to Buy receipts can't be used in conjunction with the grant allocation, nor can Homes England grant, but developer contributions for affordable housing can be used.

There is no requirement for the Council to pay back this grant and the properties can be used for other families in the future once the identified cohort have moved on. The properties would be let on assured shorthold tenancies for a maximum period up to 3 years (which is when the current Ukrainian Visa scheme expires). The Ukraine households will be offered 3 months of support from a Ukraine Case Worker to help transition into living in the UK. If the properties sit within Loddon Homes Limited they would be exempt from Right to Buy. The Council is currently seeking legal advice as to whether the properties could be exempt from Right to Buy if they did go into the HRA. The Government expects property acquisition to be the quickest route and conditions of funding require the properties to have exchanged contracts by November 2023. The Council is looking to acquire the 17 properties on the open market within the required timescales.

BUSINESS CASE

The grant allocation has been calculated based on around 40% of the cost of a property, with the Council being allocated £2,400,000 (£160k per unit) to deliver at least 15 x 2-4-bed family units + £705,774 (£352,887 per unit) to deliver 2 x 4+bed units for Afghan families in bridging accommodation. Delivering the 2 x 4 bed units for the Afghan families is a conditional element of the grant. The total funding allocated equates to £3,105,774 of capital funding.

Payment of the grant will be in two phases in line with the grant conditions. Tranche 1 (30% of the grant) will be paid in March 2023 once a Memorandum of Agreement is signed by the Council's 151 Officer. Tranche 2 will be paid once the Council has spent 60% of the tranche 1 payment. This equates to £931,732 of the grant being received in tranche 1 and then, once the Council has spent £559,039.32 of this payment, the Council will then be paid the remaining 70% in Tranche 2 of £2,174,042.

Profiling the current Ukrainian refugees in the Borough and with the 2 x 4 bed units being a conditional element of the grant allocation, the mix of properties the Council would be looking to purchase would include:

- 6 x 2 beds (up to OMV £310k each)
- 7 x 3 beds (up to OMV £470k each)
- 4 x 4 beds (up to OMV £540k each)

All properties would be let on an affordable rent (equivalent to Local Housing Allowance inclusive of service charges). This is on the basis that most will be working households or claiming local housing allowance which will cover the cost of an affordable rent.

With the grant allocation, this leaves the Council with a funding gap of around £5.7m, which would be covered by a mix of borrowing (either through the Housing Revenue Account or the Council's Housing Companies) and through the use of s106 commuted sums for affordable housing. The business model covers all the costs of purchasing the properties and making them habitable. We have assumed that the properties will pay stamp duty but are taking legal advice as to whether an exemption will apply given the public subsidy going into this scheme.

Financially, having the 17 properties in either LHL or HRA is viable with both options showing a profit from year 1. The business case outlining the comparators between Loddon Homes Limited and HRA are attached in **Part 2**, as the information on Loddon Homes is commercially sensitive, especially around borrowing rates.

Dependent on where the properties sit (either the HRA or LHL), the Council would be looking to release up to £2m in developer contributions for affordable housing. The Council currently has in excess of £2.2m of developer contributions available for affordable housing which can be used for this scheme.

As each property is likely to be purchased individually as open market purchases, the Executive is asked to approve the delegation of authority to the Deputy Chief Executive in consultation with the Deputy Leader for the Council and Executive Member for Housing to approve the transfer of commuted sums to either the Council's HRA or the Council's Housing Company, LHL to support the purchase of the properties as part of the scheme.

Whilst the Government expects the properties to have gone into contract by November 2023, they have indicated that there will be some leeway within this timescale. However, there is a risk that should we not be able to get into contract on all 17 properties a proportion of the grant allocation will need to be repaid.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	N/A	N/A
Next Financial Year (Year 2)	£5.7m	Yes, through borrowing and use of s106 commuted sums for affordable housing	Capital
Following Financial Year (Year 3)	£0	N/A	N/A

Other Financial Information

With the grant allocation from Government, this leaves the Council with a funding gap of around £5.7m, which would be covered by a mix of borrowing (either through the HRA or LHL) and through the use of s106 commuted sums for affordable housing. The Council currently has in excess of £2.2m of developer contributions available for affordable housing which can be used for this scheme.

There is ongoing work with the finance team to look at the full financial impact including revenue/maintenance costs should the properties go into the HRA. This information will be taken into account as part of the delegated decision determining the end landlord.

Stakeholder Considerations and Consultation

No stakeholder consultation is required in this instance.

Public Sector Equality Duty

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*

Any property purchases will be dependent on the properties being classified at an EPC rating C or above.

Reasons for considering the report in Part 2

Appendix 1 contains exempt information and as a result is not for publication by virtue of paragraph 3 of Schedule 12A (PART 1) to the Local Government Act 1972 (as amended).

List of Background Papers

None

Contact Frances Haywood

Telephone Tel: 0118 974 6859

Service Place Commissioning

Email

frances.haywood@wokingham.gov.uk

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