

Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 9 May 2023

Capital Funding Opportunities for Council Housing

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Housing, Homelessness and Fair Work Committee is asked to:
 - 1.1.1 Agree to make up to 100 void Council homes available for housing Ukrainian Displaced People, on the basis that Scottish Government Capital Funding is provided for returning them to the letting standard;
 - 1.1.2 Note that officers will continue to work with the Scottish Government and other partners to identify sites where Scottish Government funding could be sought to provide additional long term housing options in the city;
 - 1.1.3 Agree in principle that, where long term strategic housing options identified in this report align with the Council Business Plan and Housing Revenue Account Business Plan, the Council should submit further bids to the Scottish Government for Capital Funding for providing housing to Ukrainian Displaced People;
 - 1.1.4 Note that any acquisition of land or buildings for the long term strategic options will be reported to Finance and Resources Committee for approval; and
 - 1.1.5 Note that regular service updates will be provided to Committee to ensure full awareness of progress on these recommendations.

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Capital Funding Opportunities for Council Housing

2. Executive Summary

- 2.1 This report sets out options available to the Council to access Scottish Government funding to support Ukrainian Displaced People, where doing so would provide a range of short, medium and long term benefits for both Ukrainian Displaced People and the Council's housing stock and rental income.
- 2.2 The report seeks approval to allocate up to 100 currently void Council homes for Ukrainian Displaced People and to submit a funding bid to meet the capital cost of repairing and furnishing these properties to the Scottish Government's Longer Term Ukraine Resettlement Fund.
- 2.3 Approval is sought to develop business cases and, subject to the approval of Finance and Resources Committee, to submit bids to the Scottish Government for capital funding for the long term strategic housing options identified in this report (aligned with the Council Business Plan and Housing Revenue Account Business Plan). Initially any properties acquired or developed would be allocated to Ukrainian Displaced People for the duration of their visa.

3. Background

- 3.1 The humanitarian crisis arising from the Russian invasion of Ukraine has led to an estimated eight million Ukrainians fleeing their homeland to find safety.
- 3.2 The Scottish Government launched the Warm Scottish Welcome scheme in early 2022 to allow Ukrainian Displaced People to enter Scotland with the Scottish Government as visa sponsor. Edinburgh Airport quickly became the main point of arrival in Scotland.
- 3.3 Over 45,000 Visa applications have been made by Ukrainian Displaced Persons to enter Scotland, with over 38,000 visas issued and over 24,000 arrivals. To date almost 10,500 Ukrainian Displaced People have passed through the Welcome Hub at Gogarburn.
- 3.4 Council Officers have been instrumental in the success of the Welcome Hub, and so far around 3,000 Ukrainian Displaced People have settled in Edinburgh, either in hotels, private hosted arrangements, temporary accommodation provided by the Council, accommodation they have sought themselves, or on the MS Victoria.

- 3.5 The MS Victoria is a cruise ship, commissioned by the Scottish Government in August 2022, to house up to 1,700 Ukrainian Displaced. The contract was renewed in December 2022, and the Scottish Government have now confirmed to the Council and all on board that the contract will end on the 11 July 2023. There are currently around 1,150 Ukrainian Displaced People on the MS Victoria, all of whom will require settled accommodation upon disembarkation.
- 3.6 With the disembarkation of the MS Victoria required by 11 July 2023, there is a concern that sufficient accommodation will not be available in Edinburgh. Council officers are meeting regularly with Scottish Government officers, other Local Authorities, Social Housing providers and the private rented sector to resolve these concerns.

Scottish Government Longer Term Ukrainian Resettlement Fund

- 3.7 The Scottish Government undertook a review of the Warm Scottish Welcome scheme in late 2022 and agreed a new scheme of governance to oversee efforts to provide settled accommodation for all Ukrainian Displaced People in Scotland.
- 3.8 On the 30 September 2022 they announced a £50m Longer Term Ukraine Resettlement Fund to provide social housing providers with support to temporarily rehouse Ukrainian Displaced People for a period of up to three years.

Demand for Social Housing

- 3.9 The disembarkation of the MS Victoria comes at a time when there is a high level of demand for social housing in Edinburgh, to which the Council is responding by delivering the largest social housing new build programme in Scotland. Council officers are keen that the Council remains an important part of the solution for providing settled accommodation for Ukrainian Displaced People, and that the Council continues to work with the Scottish Government and other Scottish Local Authorities to achieve an equitable distribution of Ukrainian Displaced People across Scotland.

4. Main report

- 4.1 Through the £50m Longer Term Ukraine Resettlement Fund there is an opportunity to access funding to make accommodation in the city available for Ukrainian Displaced People. As noted above, the support is available to temporarily rehouse Ukrainian Displaced people for up to three years, in line with their visa duration.
- 4.2 Through this fund, the Council could access funds to renovate and or / purchase accommodation that would otherwise not be affordable or prioritised due to the work required to bring them to letting standard. Accessing the Longer Term Ukraine Resettlement Fund would provide key benefits to Ukrainian Displaced People currently on the MS Victoria, and to the Council operating as a landlord.
- 4.3 Many Ukrainian Displaced People who have been living on the MS Victoria have expressed a desire to remain in the city or nearby, and the provision of settled accommodation for the duration of their visa would provide a level of assurance to them that this could be possible. As Ukrainian Displaced People, through their visa,

have the right to work and to benefits, the provision of Council accommodation to them would ensure full rental income for the duration of their tenancy, which would reduce the level of void rent loss experienced.

Housing for Ukrainian Displaced People in Edinburgh

4.4 There are two approaches being proposed to secure funding from the Longer Term Ukrainian Resettlement Fund for Edinburgh:

4.4.1 Prioritising up to 100 properties which are currently void require medium to large scale repairs to return them to the lettable standard, as noted in paragraphs 4.5 - 4.7 below; and

4.4.2 Investment in longer term options for the purchase or development of assets which could be converted to suitable accommodation.

Prioritising existing Council properties

4.5 It is proposed to submit a bid to the Longer Term Ukraine Resettlement Fund to bring forward up to 100 properties that are currently void and require medium to large scale repairs to return them to the lettable standard. This would include up to 30 properties which require more extensive work such as fire and water damaged properties or those requiring structural work and would otherwise not be prioritised in the short to medium term. This would return them to a lettable standard at no cost to the Council.

4.6 A contractor would be procured to deliver this programme of 30 properties, bringing additional capacity to accelerate the return of these properties to lettable standard. It is anticipated that the return of the properties will be phased over a number of months with the first 20 properties becoming available in May 2023. It should be noted however that the properties requiring more extensive work will take longer and may be up to six months before they can be occupied.

4.7 In addition to the Capital investment cost for these properties, once occupied, the Council will benefit from the rental for the duration of the visa held by the occupiers. At the end of the visa period, the properties will be returned to the Council stock for allocation to people bidding for housing in the city.

4.8 It is estimated that the investment cost for up to 100 properties (based on their current condition) is likely to be in the region of £1.3m. In addition, an allocation of up to £0.42m will be applied for to purchase and install furniture, white goods and provide essentials such as crockery and cutlery. The work explained above requires funding of up to £1.72m, and if approved, officers will submit a funding bid for that amount.

4.9 Initial estimates on financial benefits have been developed, and these show that for full year occupation of 100 properties on the current average Council rent, this equates to £0.460m. Assuming the phased handover in 2023/24 and full occupancy in the years 2024/25 and 2025/26, this could provide up to £1.280m rental income, while freeing up the Capital costs for investment in our mainstream void properties. Cumulative financial benefit to the Council over the next three years is therefore

projected at up to £1.280m revenue and £1.72m capital from this potential bid alone, which can be reinvested in landlord services.

- 4.10 Committee is asked to note that it is possible that two of the properties returned to a lettable standard may be used for housing families from Dnipro.

Longer Term Options

- 4.11 Council Officers are also working on a series of other longer term options that could benefit from funding from the £50m Longer Term Ukraine Resettlement Fund (and potentially from HRA or Affordable Housing Supply Programme). This would bring similar benefits through the purchase of assets that could be converted to suitable accommodation and added to the Housing Revenue Account once visas for Ukrainian Displaced People have expired.
- 4.12 A list of other potential sites has been included in Appendix 1 (B agenda) for reference. If these are acquired/developed, they will deliver a mix of properties from one bedroom to five bedrooms.
- 4.13 It is more difficult to quantify financial benefits for the strategic sites we are considering. However, as there are a potential 298 units that could be unlocked through achieving capital funding for these sites at an estimated minimum cost of £60m, at current average rent this would equate to up to £1.78m rental income per financial year, in addition to the properties being transferred to the Housing Revenue Account at no cost to the Council. There is therefore potential for both a significant contribution to the Housing Revenue Account and a significant step towards the Council's target of new homes in the city.

Accommodation on Disembarkation

- 4.14 As noted in the background section of this report, the Scottish Government have confirmed that the contract for the MS Victoria will end on 11 July 2023.
- 4.15 As it will not be possible to have all of the accommodation outlined in this report available for disembarkation, alternative plans are being developed to ensure that suitable accommodation is available to Ukrainian Displaced People in the short term. This accommodation (which is likely to be mostly hotel accommodation) will be paid for by the Scottish Government.

Impact of Advertising Council Homes on Edindex

- 4.16 The Council advertises Council homes on Edindex for bids to be submitted by households seeking a Council home. By contracting specific work related to this bid to outside contractors, it is intended to bring these void properties up to letting standard at a pace which would not otherwise be achieved. The long term benefit of this work is that properties will be returned to letting standard and advertised on Edindex at that new standard once the occupant's visa expires. This will provide a medium term benefit for people seeking social housing.
- 4.17 It is important in this context that officers continue to return void properties for advertising and letting as quickly as possible, and the provision of external support for these specific properties will allow Housing Operations staff to focus on core

work and ensure we keep parity of allocation across Ukrainian Displaced People and other households in housing need.

5. Next Steps

- 5.1 If Committee approve the recommendations in this report, officers will:
 - 5.1.1 Proceed with a bid to the Scottish Government £50m Longer Term Ukraine Resettlement Fund for £1.72m to return up to 100 void council homes to letting standard and to furnish them to temporary accommodation standard; and
 - 5.1.2 Continue to pursue opportunities to acquire land or properties which could become longer term housing for the city which could be suitable for Ukrainian Displaced People and to engage with Scottish Government officials on the potential for the purchase of strategic sites utilising the £50m Longer Term Ukraine Resettlement Fund. Where suitable sites are identified, a business case will be developed. These will be reported to the Council for approval at the appropriate time.
- 5.2 Council Officers will continue to develop delivery programmes as required to ensure that any agreed funding bids have agreed timelines and milestones.
- 5.3 Service updates will be issued to the Committee at appropriate intervals to ensure transparency of process and delivery.

6. Financial impact

- 6.1 The Scottish Government have provided business case templates for bidding for funding from the £50m Longer Term Ukraine Resettlement Fund. If approval is granted through this report these will be developed and submitted as required.
- 6.2 The financial implications of investment in the Council's existing properties is outlined in the main report (paragraphs 4.8 – 4.9).
- 6.3 The financial implications of the longer term housing options cannot be fully quantified at this stage, as the cost of acquisition and/or development are not yet known. However, the estimated cost and anticipated income is outlined in paragraph 4.13 to illustrate the potential economic advantages.
- 6.4 The financial risk of the void property proposal is considered to be low risk as the £50m Longer Term Ukraine Resettlement Fund is proposed to pay for the work required, which would be seen as an investment in Council stock over the long term if required to be used.

7. Stakeholder/Community Impact

- 7.1 No consultation has been undertaken for this proposal. As the void properties are dispersed across the city, there is considered to be a low risk of any adverse community impact.
- 7.2 This is based on the experience of having around 3,000 Ukrainian Dispersed People already in the city, in various types of accommodation and spread across the city, with no significant adverse community impact. The strategic sites being explored will require community and integrated impact assessments to be undertaken if approved.
- 7.3 An Integrated Impact Assessment has been completed and will be shortly uploaded to the Council website (<https://www.edinburgh.gov.uk/directory/10244/integrated-impact-assessments-ia-/category/10496>).
- 7.4 All relevant legislation and guidance will be complied with in developing and implementing these proposals, most notably the guidance on the use of the Housing Revenue Account and the Scottish Housing Regulator Engagement Plan.
- 7.5 It is intended, where possible, to ensure that the properties meet EESH2 standard.

8. Background reading/external references

- 8.1 Response to Motion by Councillor Day - Ukraine Support - Policy and Sustainability Committee, [21 March 2023](#)

9. Appendices

- 9.1 Appendix 1 – Long Term Property Options (B Agenda).