

	<p style="text-align: center;"><b>Assets, Regeneration and Growth Committee</b></p> <p style="text-align: center;"><b>25 March 2019</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Housing Revenue Account (HRA) Acquisitions</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Chairman of Assets, Regeneration and Growth Committee</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>Yes</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix 1– HRA Acquisitions (Phase 2) Outline Business Case</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Shahid Navapurwala, Growth &amp; Development, Barnet Homes.  <a href="mailto:shahid.navapurwala@barnethomes.org">shahid.navapurwala@barnethomes.org</a>, 020 8359 2491</p>

## Summary

Against a backdrop of increasing housing demand and rising costs associated with providing temporary accommodation, this report sets out the business case for purchasing up to or in the region of a further 82 residential properties in borough for use as affordable accommodation, to be let on flexible tenancies, or other types of tenancy, and managed by Barnet Homes.

Due to the lack of affordable housing supply in the borough acquiring additional properties will provide the opportunity to further increase affordable housing supply relatively quickly at a lower cost than other temporary accommodation alternatives, as well as providing security of tenure to help satisfy Barnet's long-term housing needs.

## Officers Recommendations

1. That the Committee approve the business case for the acquisition of on the acquisition of up to or in the region of a further 82 properties purchased from Q1 2019/20 onwards funded through HRA borrowing as outlined in Appendix A, subject to approval of the capital budget of £31 million at Policy and Resources Committee.

<p><b>2. That the authorisation of purchases of individual properties for HRA Acquisitions Programme (Phase 2) is delegated to the Deputy Chief Executive</b></p>
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**1. WHY THIS REPORT IS NEEDED**

- 1.1 Due to continuing high demand for housing and rising housing costs, the number of households in temporary accommodation has had increased by 17% since 2012.
- 1.2 Due to the lack of affordable housing supply in the borough acquiring additional properties will provide the opportunity to further increase affordable housing supply relatively quickly at a lower cost than other temporary accommodation alternatives, as well as providing security of tenure to help satisfy Barnet's long-term housing needs.
- 1.3 Building upon the successes of the initial tranche of acquisitions, Barnet Homes have carried out an assessment of the viability of purchasing additional homes directly on the private market, to be owned by the Council and let and managed by Barnet Homes, and have developed a business case for proceeding with this as set out at Appendix 1.

**2. REASONS FOR RECOMMENDATIONS**

- 2.1 Acquisition of additional properties will provide the opportunity to increase affordable housing supply relatively quickly at a lower long-term cost than other forms of temporary accommodation.
- 2.2 The on-going cost of the accommodation will be more predictable than that procured through third party providers and will serve to better control temporary accommodation cost inflation.
- 2.3 The programme will be utilised to deliver an additional supply of larger family homes to meet the housing needs of the borough's housing applicants.
- 2.4 The Council would need to provide capital investment of an average of £378,007 for each property acquired, but the business model shows that this could be recouped over a 50 year period, during which time the value of the property would be expected to increase.
- 2.5 The initial proposal is for approximately 82 properties to be acquired in borough which would require capital investment of approximately £31m. This has the potential to deliver total revenue savings of approximately £34.5m over 50 years when compared to the cost of temporary accommodation.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

Do nothing - this would mean that the Council does not utilise the opportunity to acquire additional affordable housing supply delivered through additional HRA borrowing capacity.

### **4. POST DECISION IMPLEMENTATION**

- 4.1 The accommodation will be used as affordable housing, let on flexible tenancies or other types of tenancy.
- 4.2 Barnet Homes would seek to acquire approximately 82 one, two, three and four bedroom homes that could be demonstrated to fit within the parameters of the business case. These units would be expected to be acquired from Q1 2019/20.
- 4.3 Barnet Homes would provide a full management service for properties purchased and units would be used to provide affordable accommodation, let at 65% of market rents.
- 4.4 The Council would monitor progress and expenditure of the project through Contract Performance monitoring, which is sponsored by the Deputy Chief Executive.

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Corporate Priorities and Performance**

5.1.1 By reducing the cost of temporary accommodation, the acquisition of homes outside of London aligns with the Council's Corporate Plan 2015-2020 objective:

- Where services are delivered efficiently to get value for money for the taxpayer

5.1.2 And with the London Borough of Barnet's Housing Strategy 2015-2025 that aims to:

- Increase the supply of affordable housing available to homeless households.
- Explore the possibility of purchasing homes directly in more affordable areas which could be let to households who can no longer afford to remain in the borough.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The Council would need to provide capital investment of approximately £378k for each property acquired, but the business model shows that this could be recouped over a 50-year period, during which time the value of the property would be expected to increase.
- 5.2.2 The proposal is for approximately 82 properties to be acquired from Q1 2019/20 onwards, which would require a capital investment of approximately £31m, and has the potential to deliver total revenue savings of approximately £34.5m over 50 years.
- 5.2.3 The project would be funded through Housing Revenue Account borrowing, and supported through the use of Right to Buy receipts. Approval will be sought from Policy and Resources Committee on 11 April 2019 for this expenditure.
- 5.2.4 The table below indicates the potential overall financial position delivered by the scheme using average purchase prices and rents expected to be delivered through the scheme.

Table 1 – Revenue position vs. existing TA options

<b>Activity /</b>	<b>Year 1</b>	<b>Year 10</b>	<b>Year 20</b>	<b>Year 30</b>	<b>Year 40</b>	<b>Year 50</b>
<b>Existing TA</b>	2,857	38,381	92,534	168,080	273,566	420,985
<b>HRA</b>	7,261	57,811	87,234	83,779	40,247	52,140
<b>Saving</b>	(4,404)	(19,430)	5,300	84,301	233,319	368,845

Table 2 – Capital position

	<b>HRA purchasing</b>
<b>Average property price</b>	340,610
<b>Average delivery costs</b>	49,592
<b>Subsidy</b>	12,195
<b>Total borrowing per unit</b>	378,007
<b>Peak cash deficit</b>	90,169 (Year 25)
<b>NPV (50 years)</b>	254,521

- 5.2.5 The proposal to acquire properties for use as affordable housing included in the Housing Revenue Account Business Plan agreed by the Housing Committee on 14 January 2019.

- 5.2.6 The figures included in the business case attached at Appendix 1 have been modelled in the HRA Business Plan, and show that the acquisitions proposed will provide a net benefit to the HRA. The net General Fund cost of Temporary Accommodation is also expected to be reduced following implementation of recommendation of this report.

### **5.3 Social Value**

- 5.3.1 The Public Services (Social Value) Act 2012 requires the authority to consider how in conducting the procurement of a service, it may act so as to secure the improvement of the economic, social and environmental wellbeing of the area. Procurement of a service is not under consideration in this decision.

### **5.4 Legal and Constitutional References**

- 5.4.1 The acquisition of properties utilising private investment falls within the remit of the Assets Regeneration and Growth Committee - Council Constitution, Article 7 – Committees, Forums, Working Groups and Partnerships “Responsibility for regeneration strategy and oversee major regeneration schemes, asset management” and other matters.
- 5.4.2 Section 120 of the Local Government Act 1972 gives the Council the power to acquire property whether situated inside or outside of their area for the purposes of:
- (a) any of their functions under the 1972 or any other enactment, or
  - (b) the benefit, improvement or development of their area.
- 5.4.3 Where the Council uses right to buy receipts pursuant to the retention agreement with the Department for [Communities](#) and Local Government completed in 2012 to purchase property, it must comply with the conditions of that agreement. These include a requirement to use the funds for the provision of social housing, which is defined in the agreement as low cost rental accommodation as per section 69 of the Housing & Regeneration Act 2008 namely:

“Accommodation is low cost rental accommodation if–

- (a) it is made available for rent,
- (b) the rent is below the market rate, and
- (c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.”

## 5.5 Risk Management

5.5.1 There are a number of key risks associated with the delivery of this programme:

- There is a risk that there will be an insufficient volume of units available for purchase at the projected average purchase price of £340k. To mitigate against this risk, inflationary increases throughout the year have been factored in to the proposed average purchase price. Where there are no properties available for purchase that meet the modelled conditions, no additional units will be acquired.
- There is a risk that the assumptions made are not realised and that the programme would fail to deliver the projected revenue savings over the life of the scheme. To mitigate against this risk there are a number of options the Council has, including stock disposal.
- There is a risk that there will be an insufficient volume of units available for purchase that deliver the required revenue benefits. To mitigate against this, where there are no properties available for purchase that meet the modelled average revenue outcome across the whole scheme, no additional units will be acquired.

## 5.6 Equalities and Diversity

5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people from different groups and foster good relations between people from different groups.

5.6.2 A full equalities impact assessment was completed for The Housing Strategy 2015-2025 which identified that the Strategy would have a positive impact on all sections of Barnet's Community.

5.6.3 Analysis of data has shown that women and members of Barnet's black and minority ethnic communities are over represented among those living in temporary accommodation. Over 70% of households in temporary accommodation are from non-white households, compared to around 40% of the Borough's population as a whole. Of those in temporary accommodation the main applicant is female in 65% of households.

- 5.6.4 It is not expected that these groups will be adversely affected by implementing the policies set out in this report, however the impact will be monitored to ensure that these groups are not adversely affected.
- 5.6.5 All units of accommodation that are procured will meet minimum standards and in placing households into accommodation the Council will consider the needs of protected groups.

## **5.7 Corporate Parenting**

- 5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. It is not anticipated that this report has any implications for the council's corporate parenting duties.

## **5.8 Consultation and Engagement**

- 5.8.1 A range of stakeholder consultation and engagement has occurred as part of the public engagement programme developed for the London Borough of Barnet's Housing Strategy.

A summary of these activities includes:

- The Housing Strategy consultation ran for three months, from 5th November 2018 to 11th February 2019, alongside the Homelessness and Rough Sleeping Strategy consultation. It primarily consisted of an online survey on Engage Barnet. Supporting documents were also available on Engage Barnet, allowing residents to view the draft strategy on there.
  - In addition, presentations were made to the Barnet Homes Performance and Advisory Group, the Children's Partnership Board, the Youth Board and Health and Well Being Board.
- 5.8.2 A roadshow was also held in November 2018 for residents to meet the chair of the Housing Committee, and give their views on the strategy. This event had a particular focus around private renters, inviting attendees to share their experiences of residing in that sector.

## **5.9 Insight**

- 5.9.1 A reduction in the supply of affordable housing, coupled with sustained levels of increased demand provide the rationale for this programme:
- There has been a 39% increase in new part VII homelessness applications between 2011/12 and 2017/18.
  - There was an overall 26% decrease in letting within Council stock from 2011/12 to 2017/18 and Barnet has below levels of social housing on average compared to other London boroughs.

- There has been a significant increase (17%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 2,534 at the end of January 2019).

## **6.0 BACKGROUND PAPERS**

- 6.1 Appendix 1 – HRA Acquisitions Business Case
- 6.2 Housing Revenue Account Business Plan agreed by the Housing Committee on 14 January 2019.
- 6.3 The Housing Strategy 2015-2025