



## Housing and Growth Committee

25<sup>th</sup> October 2022

<b>Title</b>	<b>Opendoor Homes Acquisitions programme – 200 Home Review</b>
<b>Report of</b>	Chair of Housing and Growth Committee
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	Yes
<b>Enclosures</b>	Appendix 1– Progress Report (200 homes)
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### Summary

Against a backdrop of increasing housing demand and rising costs associated with providing temporary accommodation, a programme of up to 500 purchases by Opendoor Homes, funded by a loan facility with the Council was approved by the Asset Regeneration and Growth Committee (now the Housing and Growth Committee in September 2019).

The terms of the loan facility require Opendoor Homes to provide a progress report following each tranche of 100 purchases and for the Council to formally approve a continuation of the programme. This report seeks Committee approval for the continuation of the programme for a further 100 purchases.

### Officers Recommendations

- That the Committee approve the continuation of the Opendoor Homes purchasing programme for up to 230 units, as per the terms of the loan facility.
- That the Committee note the update on delivery of placements for care leavers (1.3)
- That the Committee delegate authority to the Deputy Chief Executive, in consultation with the Chair of the Committee, to agree terms for loan draw downs to complete the purchase of the next tranche of 70 homes

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 To help tackle increasing demand for housing, rising housing costs, and growing numbers of households in temporary accommodation, Housing and Growth Committee approved a loan facility with Opendoor Homes for the purchase of up to 500 homes to meet housing demand.
- 1.2 The terms of the loan facility require that the Council formally review each tranche of 100 purchases in the form of a progress report and provide authority for the programme to continue. This report is produced to meet the requirement of the loan facility following completion of the second tranche of 100 purchases.
- 1.3 On 25 January 2020 the Committee approved a report recommending the Council engage with the Barnet Group on the delivery of placements for care leavers through the Opendoor Homes acquisition programme. A proposal to deliver 30 placements through a mixture of 1-bedroom flats and 3-bedroom flat shares has since been developed by the Barnet Group and Family Services that was approved by Opendoor Homes board on 20 September 2021. The first placements are expected to be made available in Q3 2022/23.
- 1.4 A series of external events have led to borrowing rates increasing significantly over recent months. Analysis of the Opendoor Homes business plan identified that a maximum borrowing rate of 4.25% was sustainable. Any funds borrowed above this rate would render the business plan unviable. The Opendoor Homes board approved a loan draw down from the Council sufficient to enable the programme to complete 230 purchases. With Public Works Loan Board (PWLB) rates now exceeding 4% and therefore Opendoor Homes borrowing rates exceeding 5.25%, this means that the programme cannot continue beyond c230 homes without intervention from the Council.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The programme has to date provided demonstrable benefits to the Council in the form of on-lending revenue and temporary accommodation cost avoidance. A continuation of the programme will mean that benefits continue to accrue and deliver the expected outputs approved at Housing and Growth Committee in September 2019.
- 2.2 The continuation of the programme will ensure that a supply of affordable homes continues to be acquired to meet the needs of Barnet residents.
- 2.3 The continuation of the programme will also continue to contribute to the Council's savings plan for the Housing General Fund.

- 2.4 The continuation of the programme will also help ensure that the strategic aims of the programme are met, and that the long-term growth of Opendoor Homes is supported.
- 2.5 A decision to continue with the programme will ensure Opendoor Homes will continue to be able to assist the Council in meeting the needs of different customers groups such as rough sleepers and care leavers and give the Council flexibility to respond to the needs of different client groups where future need arises.

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

- 3.1 Suspension of the programme will mean that the Council will not fully realise the expected benefits of the programme and witness no further on-lending revenue coupled with increasing temporary accommodation costs. For these reasons this option is not recommended.

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

- 4.1 Opendoor Homes will acquire a further 30 properties on the open market under the terms of the approved business case to meet housing demand.
- 4.2 Rising interest rates have increased the loan agreement borrowing rate to in-excess-of the Opendoor Homes maximum rate of 4.25%. Council officers are working with Opendoor Homes to ensure the loan agreement is affordable, securing a further draw down of loan funds, to complete the remaining 70 homes in the third tranche of purchases.
- 4.3 A further progress report will be provided after completion of the third tranche of 100 homes (300) should the programme continue.
- 4.4 The Council would continue to 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 A new Corporate Plan is in development, with an approach being built around a council that cares for people, our places, and the planet. It aims to work towards residents seeing the Council as their ally, an advocate, and an asset, and to tackle inequality and ensure that residents have access to the right support, at the right time, to thrive. It aims to ensure sustainable growth, and quality homes, and it aims to become one of London's most sustainable

boroughs. The acquisitions programme aligns with these emerging priorities.

5.1.2 It also aligns with the Council's Housing Strategy 2019-2024 that aims to:

- Deliver more homes that people can afford
- Deliver safe and secure homes
- Tackle homelessness and rough sleeping in Barnet.

The Housing Strategy is presently being updated, and the programme will support the emerging themes to prevent homelessness and support rough sleepers off the streets, and deliver the right homes in the right places.

5.1.3 The programme also aligns with the council's Homelessness and Rough Sleeping Strategy 2019-24 that aims to

- Secure suitable accommodation for those who are, or may become homeless
- Support rough sleepers to address their housing and other needs

The Homelessness and Rough Sleeping Strategy is presently being updated, and the programme will support the emerging theme to ensure a sufficient supply of accommodation.

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

5.2.1 After purchasing 186 homes, Opendoor Homes had drawn down £67.5m which is approximately 40% of the total capital budget for the programme.

5.2.2 At the end of September, a total of 186 properties had been acquired and 167 properties had been let, delivering a total of 59,047 days of temporary accommodation cost avoidance and saving the Council approximately £0.45m.

5.2.3 The Council has received an on-lending fee for all capital borrowed. By the end of September this had provided the Council with an additional £0.9m revenue.

5.2.4 Following the completion of the 186 purchases, the cumulative benefit of the programme had reached £3.7k per day, equating to £1.35m a year. Where the programme succeeds in delivering all 500 homes this will increase to approximately £3.49m per year.

5.2.5 Further information is provided in the Progress Report in Appendix 1.

## **5.3 Legal and Constitutional References**

5.3.1 The acquisition of properties utilising private investment falls within the remit of the Housing and Growth Committee - Council Constitution, Article 7 – Committees, Forums, Working Groups and Partnerships “Responsibility for regeneration strategy and overseeing major regeneration schemes, asset management” and other matters.

5.3.2 The original programme was approved at Housing and Growth Committee in September 2019.

## **5.4 Insight**

5.4.1 A reduction in the supply of affordable housing, coupled with sustained levels of increased demand provided the rationale for this programme. Since the introduction of this programme and other affordable supply initiatives, we have witnessed continued progress in meeting homelessness demand. For example, the number of properties let on secure or flexible tenancies has increased, from 230 in 2018/19 to 435 in 2021/22.

5.4.2 The number of households in temporary accommodation has also continued to decline. Since March 2017 we have seen a 25% reduction from 2,763 to its currently level of 2,076 at the end of August 2022.

	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>
Households in TA	2,757	2,579	2,545	2,467	2,399	2,115	2,076

## **5.5 Social Value**

5.5.1 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.

## **5.6 Risk Management**

5.6.1 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 that meet business plan requirements. To mitigate against this risk Opendoor Homes will continue to source properties in affordable locations. 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. This risk will be monitored closely to track financial

benefits.

## **5.7 Equalities and Diversity**

5.7.1 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 persons who share a relevant protected characteristic and those who do not, and foster good relations between persons who share a relevant protected characteristic and those who do not.

5.7.2 A full equalities impact assessment was completed for The Housing Strategy 2019-2024 which identified that the Strategy would have a positive impact on all sections of Barnet's Community.

5.7.3 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.

5.7.4 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.

5.7.5 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.

## **5.8 Corporate Parenting**

5.8.1 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.

## **5.9 Consultation and Engagement**

5.9.1 There has not been any specific consultation on the issues arising in this report. Historically, a range of stakeholder consultation and engagement took place during the development of the Housing Strategy 2019-24 and the Homelessness and Rough Sleeping Strategy 2019-24, which have informed the ongoing acquisitions programme. Both strategies are currently under review, and public consultation will take place as part of their development timetable.

## **5.10 Environmental Impact**

5.10.1 All properties acquired under the programme are assessed for their energy performance and improvements required to improve their energy efficiency. These improvements are taken into account when undertaking refurbishment.

5.10.2 All property purchases will be expected to meet the government target of achieving an EPC B rating by 2030.

## **6.0 BACKGROUND PAPERS**

6.1 Minutes and approval for the original programme. [Agenda for Housing and Growth Committee on Monday 16th September, 2019, 7.00 pm \(modern.gov.co.uk\)](#)

6.2 Minutes and approval for the purchase of a further 100 properties. [Agenda for Housing and Growth Committee on Tuesday 16th November, 2021, 7.00 pm \(modern.gov.co.uk\)](#)