

MEETING

URGENCY COMMITTEE

DATE AND TIME

MONDAY 17TH OCTOBER, 2016

AT 6.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

TO: MEMBERS OF URGENCY COMMITTEE (Quorum 3)

Chairman: Councillor Richard Cornelius
Vice Chairman: Councillor Daniel Thomas BA (Hons)

Barry Rawlings

Substitute Members

Anthony Finn Joan Scannell Ross Houston

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Wednesday 12 October at 10AM. Requests must be submitted to Maria Lugangira maria.lugangira@barnet.gov.uk 020 8359 2761

You are requested to attend the above meeting for which an agenda is attached.

Andrew Charlwood – Head of Governance

Governance Service contact: Maria Lugangira Maria Lugangira
maria.lugangira@barnet.gov.uk 020 8359 2761

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	
2.	Absence of Members	
3.	Report of the Monitoring Officer (if any)	
4.	Declaration of Members' Disclosable Pecuniary Interests and Non-pecuniary interests (if any)	
5.	Public Questions and Comments (if any)	
6.	Barnet House Freehold Purchase and Early Release from the Occupational Lease at Barnet House	5 - 12
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9.	Update on adult social care enablement service	To Follow
10.	Any other item(s) that the Chairman decides are urgent	
	Motion to exclude the press and public	
11.	Barnet House Freehold Purchase and Early Release from the Occupational Lease at Barnet House (exempt)	47 - 102
12.	Update on adult social care enablement service (exempt)	To Follow
13.	Any other exempt item(s) that the Chairman decides are urgent	

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text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

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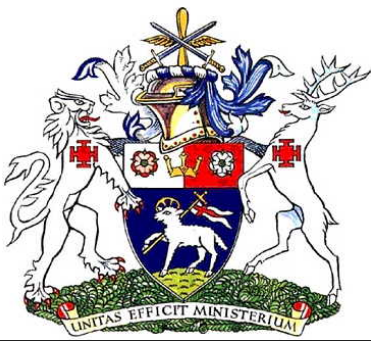
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Urgency Committee

17 October 2016

Title	Barnet House Freehold Purchase and Early Release from the Occupational Lease at Barnet House
Report of	Director of Resources
Wards	Totteridge
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Public (with separate exempt report)
Officer Contact Details	Chris Smith, Head of Estates. Chris.smith@barnet.gov.uk 020 8359 2987

Summary

Barnet House is in need of significant repair and refurbishment, should the Council remain in the building until the end of its lease which expires in 2032. Consequently, the Colindale business case identified the preferred option to divest of Barnet House by early surrender of the lease and relocate staff to the new Council Offices, with a target date of Dec 2018.

In order to achieve this, this report seeks committee approval for officers to exercise the option to purchase the Barnet House freehold and to contract with the parties in accordance with the commercial approach presented in the exempt paper.

Achieving a negotiated settlement for an early exit from Barnet House reduce the Council's exposure to significant future costs and liabilities.

Assuming the recommendations in this paper are approved, the option to purchase the freehold will be exercised enabling a commercial transaction that meets with the Council's statutory obligations and provides significant benefits to the Council in the longer term.

Recommendations

- 1. That the Committee approve the exercise of the option to purchase the Barnet House freehold by exercising the option notice by the 24th October 2016, on the terms set out in the associated exempt report.**
- 2. That the Committee approve the disposal of the underlease of Barnet House by way of a surrender subject to agreement of terms.**
- 3. That the Committee delegate authority to the Director of Resources in consultation with the Chairman of ARG, to conclude negotiations and purchase the freehold on behalf of the London Borough of Barnet and to authorise its subsequent disposal on the terms set out in the associated exempt report and to include considering the Council's tax position upon the exercise of the Option**
- 4. That the Committee delegate authority to Director of Resources in consultation with the Chairman of ARG, to negotiate a settlement for early surrender of the Barnet House underlease on behalf of the London Borough of Barnet.**
- 5. That the Committee delegates authority to the Director of Resources in consultation with the Chairman of ARG, to exercise the option to purchase the freehold of the Barnet House and subsequently dispose of the freehold on the terms set out in the associated exempt report and conclude the final early surrender settlement agreement.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Barnet House is a leased-in office building for Barnet Council housing council staff and staff from other partner organisations. The building comprises circa 76,000 sq.ft. of office accommodation spread over 11 floors in total, with two additional floors on an adjacent annex. The building has surface level and under-croft car parking which can accommodate around 280 cars mainly for staff parking during the week days and members of the public at weekends. Members of the public regularly use the building to interact with Council services including planning, housing and adult services.
- 1.2 Barnet House is a 1960's reinforced concrete building providing very basic and sub-standard office accommodation. The building is in need of significant refurbishment to modernise and update, should the Council wish to remain in the building until the end of its lease which expires in 2032. If the Council were to retain the lease to Barnet House significant refurbishment costs would be incurred as a result of needing to comply with the requirement to bring the Energy Performance Certificate rating for the building up from Grade F to a minimum of Grade E to enable the Council to Sub Let or Assign our interest. This could include replacing all the windows with double glazing, upgrading all heating systems & controls, and installing comfort cooling. Furthermore, it is likely that electrical wiring of the whole building would be necessary.

- 1.3 This report seeks Council approval to exercise an Option Agreement to purchase the freehold of Barnet House. It also seeks authorisation of delegated powers to the Chief Operating Officer to negotiate the final the lease within defined financial commercial details of the purchase and settlement to allow early surrender of parameters set out in the exempt committee paper.
- 1.4 The recommendations in this report will address the need to mitigate, the requirement of incurring significant costs in bringing the property back into a state of repair; and mitigate the ongoing rental and associated cost resulting in a surrender value of the lease which are substantial.
- 1.5 The reason for the urgency of this report is due to the time taken to bring forward a commercial settlement between the parties and the expiry of the Option Agreement on 24th October 2016.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Achieving a negotiated settlement for an early exit from Barnet House would significantly reduce the Council's exposure to future costs and liabilities.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Four options were considered with the three discarded options presented below.
- 3.2 **Option 1** - Retain Barnet House to lease expiry with 100% of space paid by Council (or Partners). This option was discounted because of the deteriorating state of the building together with the refurbishment costs required to off-set that deterioration for low levels of staff occupation.
- 3.3 **Option 2** - Retain Barnet House to lease expiry with 50% of space occupied by Council (or Partners) and the remaining 50% commercially sub-let. Not recommended because of the increased refurbishment costs and additional capital investment required to make the building fit for new external tenants.
- 3.4 **Option 3** - Retain Barnet House to lease expiry with 0% (Nil) space occupied by Council (or Partners) and the remaining 100% commercially sub-let. Discounted as an option because of the extremely high investment required to bring the whole building to a lettable standard fit for new external tenants.

4. POST DECISION IMPLEMENTATION

- 4.1 The Chief Operating Officer will negotiate the final settlement considerations for an early exit from the lease with the Council's Landlord and will exercise the option to purchase the Barnet House freehold once legal agreements are secured and in place. It is at this point that the Director of Resources in consultation with the Chairman of ARG will conclude the disposal of the Barnet House freehold and the early surrender settlement. The intention is to complete all agreements to implement the transaction outlined simultaneously.
- 4.2 For clarity, the Council will only exercise the option providing there is legal agreement to ensure the Council can surrender the lease and vacate Barnet House by a target date of 24th December 2018 but with a long-stop date of 1 March 2019.

5. IMPLICATIONS OF DECISION

- 5.1 **Corporate Priorities and Performance.** This programme supports the council's priorities to:
- 5.1.1 Promote responsible growth, development and success across the Borough.
- 5.1.2 Improve the satisfaction of residents and businesses within the London Borough of Barnet as a place to live, work and study.
- 5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**
- 5.2.1 All the value for money considerations are detailed in the exempt reports.
- 5.3 **Legal and Constitutional References**

- 5.3.1 Council Constitution, Responsibility for Functions, Annex A, Terms of Reference of Committees, Sub-Committees and Partnership Boards – the terms of reference of the Assets, Regeneration & Growth Committee include responsibility for “Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council. The Management of Assets, Property and Land Rules require decisions to make acquisitions over £100,001 to be taken by the Assets, Regeneration & Growth Committee. By virtue of the urgent nature of this matter, the decision is proposed to be taken by the Urgency Committee. Members of the Assets Regeneration & Growth Committee will be notified of the decision.
- 5.3.2 Council Constitution, Responsibility for Functions, Section 7 – Urgency Provisions – section 7.1 states “If a decision on an issue is required as a matter of urgency, and if time allows under the provisions of the Access to Information Rules, then a Committee comprising of the Leader, the Deputy Leader, and the Leader of the Opposition will be called. The decision may be within the terms of reference of another committee, but this will not invalidate the decision as the arrangements to discharge the function in cases of urgency is through a committee comprising the three specified members. The Committee must consult with the Chairman of the relevant Committee.”
- 5.3.3 Local authorities are given powers under Section 123(1) of the Local Government Act 1972 (as amended) to dispose of land held by them in any manner they wish but the disposition must be for not less than best consideration that can be reasonably obtained assessed by a valuer. Any disposal less than best consideration that can be reasonably obtained requires the express consent of the Secretary of State. In determining best consideration the Local Authority must have regard to commercial and/or monetary value to the Local Authority.
- 5.3.4 The Council Constitution, The Management of Asset, Property and Land Rules, Appendix 1, Table A sets out the authorisation thresholds which provides authority for the action proposed to be taken. Paragraph 8.1 states that ‘the method by which an Asset is acquired or disposed of should be based upon market testing to ensure that best consideration is obtained wherever possible. Market testing is not appropriate in this case as the opportunity is time driven.
- 5.3.5 The exempt report, which will be supported by an independent valuation, confirms that disposal and acquisitions proposed are considered to be at best consideration that can be reasonably obtained and demonstrates compliance with the requirements of section 123 (1) of the Local Government Act 1972.
- 5.3.6 The structure of the proposed purchase and surrender will involve separate agreements with the freeholder, developer and the head landlord and there is a potential risk for the Council in the event the developer or the head landlord do not complete all or one of its agreements and the Council should only proceed if this risk can be ameliorated by effecting a simultaneous exchange and completion of all associated agreement on 24 October 2016.
- 5.3.7 The public procurement regime provides for a general exclusion for contracts

for the acquisition of land and rights over land; the sale or lease of land is also generally excluded. However, where such land transactions are accompanied by or subject to a condition to undertake works required or specified by a contracting authority, collateral contracts, enforceable obligation, and/or there is some pecuniary interest for example, then it may be caught by the public procurement rules. The applicability or otherwise of the public procurement rules depends on the particular facts of each case and therefore universal guidance is not always possible. In this matter we are advised that any potential acquisition/disposal of rights over the property is subject to ongoing commercial negotiations, accordingly, HB Public Law where instructed will advise officers as to the potential application of the public procurement regime or otherwise as those discussions progress.

- 5.3.8 Where a public body sells or leases land or buildings to an economic undertaking at less than full market value it will have provided an economic advantage to the purchaser/tenant which is likely to amount to the grant of unlawful State Aid. Accordingly in addition to the potential impact of the public procurement regime, the Council should have regard to State Aid rules and consider and address State Aid compliance before proceeding to complete on any property transaction. HB Public Law where instructed will advise and assist officer as to the potential application of State Aid rules or otherwise as the Council's commercial discussions progress.

5.4 Risk Management

- 5.4.1 The final commercial settlement has not been finalised with the parties and therefore there is a risk that should the settlement not be concluded prior to the option expiry date of the 24 October 2016 then the opportunity to exit Barnet House might not be achieved on this occasion. Should this occur then officers will review alternative proposals in pursuing an early surrender from the Barnet House lease and report back.

5.5 Equalities and Diversity

- 5.5.1 Pursuant to the Equality Act 2010, the Council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristics and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.
- 5.5.2 At this stage the proposal does not raise any issues under the Council's Equalities Policy and does not have a bearing on the Council's ability to demonstrate that it has paid due regard to equalities as required by the legislation. No immediate equality impacts are anticipated as a result of this proposal.

5.6 **Consultation and Engagement**
Not applicable

6. BACKGROUND PAPERS

6.1 None

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	<p align="center">Urgency Committee</p> <p align="center">17 October 2016</p>
<p align="center">Title</p>	<p>Inclusion of all regeneration estates in the capital programme for Advanced Acquisitions (Regeneration Estates)</p>
<p align="center">Report of</p>	<p>Cath Shaw, Commissioning Director for Growth and Development</p>
<p align="center">Wards</p>	<p>Underhill and other wards</p>
<p align="center">Status</p>	<p>Public</p>
<p align="center">Urgent</p>	<p>Yes</p>
<p align="center">Key</p>	<p>Yes</p>
<p align="center">Enclosures</p>	<p>N/A</p>
<p align="center">Officer Contact Details</p>	<p>Nicola Bird 0208 359 4862</p>

Summary

The capital budget for Advanced Acquisitions (Regeneration Estates), within the capital programme was established for the purpose of buying properties that would be subject to Compulsory Purchase Orders on West Hendon Estate, Grahame Park and the Whitefield estates in advance of the properties being required by the development partner and to use these properties as temporary accommodation. Agreement is sought to include all regeneration estates in the capital programme.

Recommendations

That the Committee approves

- (i) the inclusion of all regeneration estates within the existing HRA capital budget for Advanced Acquisitions (Regeneration Estates)
- (ii) the inclusion of hardship cases within the Advanced Acquisition capital budgets
- (iii) removing limits to individual schemes in terms of overall number of properties that can be acquired on a particular regeneration scheme
- (iv) delegating authority to the Commissioning Director for Growth and Development

to decide upon the most appropriate use of funds across the Council's regeneration schemes and to take all other necessary actions to implement the advanced acquisition programme, acting in the best interests of the council

1. WHY THIS REPORT IS NEEDED

- 1.1 To ensure that all regeneration areas are included in the advanced acquisition programme, including a priority need to proceed with acquisitions on Dollis Valley in advance of the expiry of the current CPO. Inclusion of Dollis Valley will allow the current negotiations underway to proceed.

2. REASONS FOR RECOMMENDATIONS

- 2.1 At its meeting on 21 July 2014, Policy & Resources Committee approved funding for RE to acquire leasehold properties for the Council on the Council's Regeneration Estates from leaseholders who wish to sell in advance of a Compulsory Purchase Order or the properties being required by the developer. The properties acquired are used as temporary accommodation, managed by Barnet Homes, until they are required by the development partners.
- 2.2 The report referred to three specific estates - West Hendon Estate, Grahame Park and the Whitefield estates. Policy and Resources Committee increased the funding for this purpose at its meeting on 16 December 2015, and the current capital programme funding now totals £14.080m from 2015/16 to 2018/19.
- 2.5 Approval is now sought to include all regeneration schemes in the Advance Acquisition Programme and also to include hardship cases and payments for home loss and disturbance where there is a statutory requirement to pay these.
- 2.6 This specifically would include Dollis Valley, where a requirement has been identified to buy leasehold properties in advance of the developer requiring these. This would apply to phase 4 and phase 5.
- 2.7 Given the potential for further changes to development programmes, approval is also sought to remove limits to individual schemes in terms of overall number of properties that can be acquired on a particular regeneration scheme. Properties acquired under hardship may not be viable for re-letting. However, all other acquisitions will still be subject to scrutiny and an investment appraisal to ensure that properties with refurbishment costs will be held by LBB for a period which is adequate for a positive return on LBB's investment.

- 2.8 When the properties are required by the developers, the developer will pay market value plus any payments the Council had made for home loss and disturbance.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 2.1 A further option was not to include other estates within the advanced acquisition programme but to continue with funding for the stated three estates. To do nothing would not be treating people in similar circumstances in a fair and consistent way. Additional estates would have been included in the original decision had a need for acquisitions been identified. A need has now been identified.
- 2.2 A significant number of leasehold properties on regeneration estates will be acquired as a result of CPO. By including the estates in the advanced acquisition programme this will result in the Council having the opportunities to use these properties as temporary accommodation in advance of the developer requiring these. If the properties at Dollis Valley are not acquired by July 2017, the original CPO will expire and the Council will have to apply for a further CPO.

4. POST DECISION IMPLEMENTATION

- 4.1 Following approval of this recommendation, the capital programme will be amended.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 This supports the Council's corporate priorities as expressed through the Corporate Plan for 2015-20 which sets out the vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity, to make sure Barnet is a place:
- Of opportunity, where people can further their quality of life;
 - Where people are helped to help themselves, recognising that prevention is better than cure;
 - Where responsibility is shared, fairly;
 - Where services are delivered efficiently to get value for money for the taxpayer

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

- 5.2.1 There is no addition to the capital programme budget as a result of this report.

5.3 Legal and Constitutional References

5.3.1 Council Constitution, Responsibility for Functions, Section 7 – Urgency Provisions – section 7.1 states “If a decision on an issue is required as a matter of urgency, and if time allows under the provisions of the Access to Information Rules, then a Committee comprising of the Leader, the Deputy Leader, and the Leader of the Opposition will be called. The decision may be within the terms of reference of another committee, but this will not invalidate the decision as the arrangements to discharge the function in cases of urgency is through a committee comprising the three specified members. The Committee must consult with the Chairman of the relevant Committee.’

5.3.2 The relevant Committees in this case are Policy and Resources, which previously approved the advanced acquisition programme capital budgets, and Assets, Regeneration and Growth Committee, which includes in its terms of reference: to develop and oversee a Regeneration Strategy; develop strategies which maximise the financial opportunities of growth; oversee major regeneration schemes including those of key social housing estates

5.4 Risk Management

5.4.1 There are no additional risks associated with extending the advanced acquisition scheme to other regeneration estates.

5.5 Equalities and Diversity

The Council is committed to improving the quality of life and wider participation for all the economic, educational, cultural, and social and community life within the borough. This is achieved by pursuing successful regeneration of the Borough’s regeneration areas. This benefits all sections of society by directly addressing the shortage of housing in the Borough across all tenures.

5.6 Consultation and Engagement

5.6.1 The Council and its partners on regeneration schemes are engaged in a wide range of consultations which are required at every stage of the regeneration programme.

5.6.2 The Council and its partners will embark upon consultation with all leaseholders making them aware of the scheme.

5.7 Insight

5.7.1 There are no data sources available that are applicable to this proposal.

5.8 Social Value

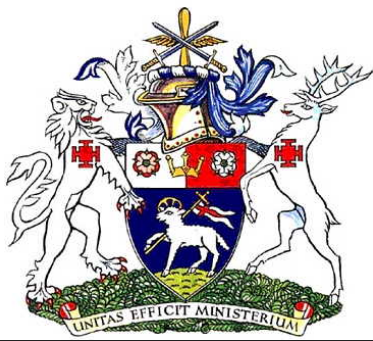
The re-development of brings with it a range of social value, including:

- Enhancement including new retail and leisure opportunities within an area already designated as a local hub
- Environmental and highways improvements
- The creation of large scale local employment and training opportunities in a disadvantaged neighbourhood with disproportionately high levels of unemployment
- Major new housing ,education ,health, childcare and other key infrastructure developments

6.0 BACKGROUND PAPERS

- 6.1 Policy and Resources Committee, 21 July 2014, agenda item 10 Funding for an Extra Care Housing Scheme at Moreton Close, NW7 and Advanced Acquisition of Leasehold properties on Regeneration Estates.
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MIId=7860&Ver=4>
- 6.2 Policy and Resources Committee, 16 December 2015, agenda item 7 Business Planning - Medium Term Financial Strategy 2016-20
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MIId=8349&Ver=4>

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Urgency Committee

17 October 2016

Title	In and out of London Acquisitions
Report of	Commissioning Director, Growth and Development
Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	Appendix 1– In-London Acquisitions Project Business Case
Officer Contact Details	Kate Laffan, Assistant Director, Housing Options, Barnet Homes. kate.laffan@barnethomes.org , 020 8359 4829

Summary

Against a backdrop of increasing housing demand and rising housing costs associated with providing temporary accommodation, this report sets out the business case for purchasing residential properties in London to be let by the Council and managed by Barnet Homes as secure tenancies.

With around 3,000 households in temporary accommodation and a lack of affordable housing supply in the borough, the purchasing of additional residential units would increase the HRA stock to help address the housing demand and provide a financially viable method of utilising the Council's right-to-buy receipts.

The business case for the acquisition of properties outside of London (in area of Luton / Bedfordshire) for use as temporary accommodation was approved by the Assets, Regeneration and Growth Committee on 11th July 2016. That report referred to such properties as "Out-of-Borough" accommodation, but the same is referred to as "out of London" throughout this report.

This report seeks that the authorisation of the purchase of individual properties pursuant to both the in London and out of London programmes is delegated to the Commissioning Director Growth and Development in consultation with the Chairman of Assets, Regeneration and Growth Committee.

Recommendations

- 1. That the Committee approve the business case for the acquisition of residential units in London through the Council's Housing Revenue Account as outlined in Appendix 1 to utilise right-to-buy receipts required to be committed by the end of Quarter 3 2016/17.**
- 2. That the authorisation of purchases of individual properties for the in London and out of London acquisitions programmes is delegated to the Commissioning Director, Growth and Development in consultation with the Chairman of Assets, Regeneration and Growth Committee**

1. WHY THIS REPORT IS NEEDED

- 1.1 Due to continuing high demand and rising costs for housing, the number of households in temporary accommodation has continued to increase and stands at 3,047 in August 2016.
- 1.2 The cost of providing temporary accommodation for homeless applicants currently stands at £3,400 per annum net for each new household placed in a 2 bedroomed property.
- 1.3 The Council agreed at the Assets, Regeneration and Growth Committee on 11 July 2016 to proceed with a programme of acquiring properties outside of London for use as temporary accommodation, and the purchase of homes in Barnet and neighbouring boroughs will provide an option to provide affordable homes for housing applicants who need to remain in the Capital.
- 1.4 Barnet is currently projecting to have approximately £800,000 right-to-buy receipts that are required to be spent by the end of Quarter 3 2016/17. The use of these receipts to purchase properties on the open market would result in both a direct financial benefit to Barnet's Housing Revenue Account, and provide an opportunity to increase the borough's affordable housing stock, thus reducing reliance on more expensive temporary accommodation.
- 1.5 Barnet Homes have carried out an assessment of the viability of purchasing homes directly on the private market, to be owned and let by the Council, and managed by Barnet Homes, and have developed a business case for proceeding with this as set out at Appendix 1.
- 1.6 In addition to the approval of the business case for the acquisition of properties in London, the report is also needed to delegate authority for the approval of the purchase of individual properties associated with both the business case for out of London acquisitions (as approved by Assets Regeneration and Growth Committee on 11th July 2016 though previously referred to as "Out-of-Borough") and the business case for in London acquisitions (as set out in Appendix 1) to the Commissioning Director Growth and Development in consultation with the Chairman of the Committee
- 1.7 This report would normally be submitted to the Assets, Regeneration and Growth Committee, but is considered urgent because of the need for the

Council to commit by the end of quarter 3 (December 2016) accumulated Right to Buy receipts of approximately £800,000. In 2012 the government introduced several major changes to the Right to Buy scheme. One such change included the requirement of councils to make use of Right to Buy receipts within three years of their collection, or pay the receipt in full (plus interest) to HM Treasury.

2. REASONS FOR RECOMMENDATIONS

- 2.1 On 11th July 2016 Assets, Regeneration and Growth Committee agreed the business case for Barnet Homes to purchase 38 homes out of London, in the Luton / Bedfordshire area for use as temporary accommodation. Acquisition of additional properties in London will provide the opportunity to increase affordable housing supply relatively quickly at a lower long-term cost than temporary accommodation. The on-going cost of the accommodation will be more predictable than temporary accommodation that is procured from the private rented sector through third party providers.
- 2.2 Barnet Homes would fully manage properties secured through this method and tenants would be secure tenants the Council, provided with fixed term tenancies. Properties would be let at 65% of market rent. Rent will be set at 65% of the market rent for a property of a similar size and in a similar area.
- 2.3 In order to fund the acquisition of new Housing Revenue Account (HRA) units in London the right-to-buy receipts are allowed to make up to 30% of the costs, and therefore the remainder (70%) will be funded by HRA reserves.
- 2.4 The Council is required to make use of right-to-buy receipts within three years of their collection, or pay the receipt in full (plus interest) to HM Treasury. Barnet currently has approximately £800,000 right-to-buy receipts that are required to be committed by the end of Quarter 3 2016/17.
- 2.5 Properties would be purchased in London through this scheme at an average cost of £240,000 per unit and there is a further budget of almost £26,000 per unit which includes refurbishment costs and professional fees. The business model shows that this could be recouped over a 30 year period, during which time the value of the property would be expected to increase.
- 2.6 The expectation is for 11 properties to be acquired, with Barnet and the surrounding boroughs to be targeted, which would require a capital investment of about £2.9m, and has the potential to deliver a revenue benefit of approximately £62,000 per unit over a 30 year period.
- 2.7 In order to secure the purchase of properties in a competitive and fast moving market, there is a need for the purchase of individual properties to be authorised at Urgency Committee and not held until the next scheduled Assets, Regeneration and Growth Committee on 12th December 2016.

2 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Do nothing. This option would see the Council potentially having to return approximately £800,000 plus interest to HM Treasury.
- 3.2 Acquire private sector properties solely in the borough of Barnet. The buoyancy of the property market in Barnet means that there is limited financial benefit and the purchase price of potential acquisitions would result in fewer acquisitions (9) than if Barnet were to also seek to acquire properties outside of the borough. Procuring accommodation in-borough and in neighbouring boroughs offers greater opportunities and is more financially viable.
- 3.3 Authorisation for the purchase of each individual property could be sought from the Assets, Regeneration and Growth Committee. As the Committee meets every three months this would hinder the Council's ability to act quickly to secure purchases and is therefore not recommended.

4. POST DECISION IMPLEMENTATION

- 4.1 Barnet Homes would seek to acquire around 11 homes in Barnet and the neighbouring boroughs that could be demonstrated to fit within the parameters of the business case (Appendix 1).
- 4.2 Barnet Homes would provide a full management service for properties purchased and units would be used to provide secure tenancies.
- 4.3 A project board with representatives from Barnet Council and Barnet Homes will monitor progress and expenditure of the project, which is sponsored by The Strategic Housing Lead as set out in the Business Case (Appendix 1)
- 4.4 A process will be established for the authorisation of individual purchases by the Commissioning Director Growth and Development in consultation with the Chairman of the Assets, Regeneration and Growth Committee. This will include the publication of a Delegated Powers Report providing information about the purchase prior to the exchange of contracts with the vendor.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 By reducing the cost of temporary accommodation, the acquisition of homes 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 A capital budget of £5 million to support the purchase of 38 homes out of London was agreed by Policy and Resources Committee on 28th June 2016.

5.2.2 The business case for out of London (referred to as Out-of-Borough acquisitions in the report therein) was agreed by Assets, Regeneration and Growth Committee on 11th July 2016.

5.2.3 The acquisition of properties in London would be funded through utilisation of approximately £857,000 right-to-buy receipts and £2m of Housing Revenue Account reserves. An initial budget of £2.856m would see the programme deliver approximately 11 units.

5.2.4 The Council's Business Plan includes £4,000,000 in the HRA Capital Programme, which will be used to fund the in borough acquisitions.

5.2.3 The table below indicates the potential overall financial position delivered by the scheme taking into account worst and best case scenarios¹

Table 1 – revenue position HRA purchasing in Barnet and neighbouring boroughs

Best Case – per unit				
	5 Years	10 Years	20 Years	30 Years
Income	£56,450	£121,789	£291,557	£531,033
Expenditure	£68,951	£140,151	£293,238	£468,826
Net	-£12,501	-£18,363	-£1,681	£62,206
Worst Case – per unit				
Income	£55,535	£117,101	£265,566	£455,614
Expenditure	£71,840	£146,089	£305,862	£489,126
Net	-£16,305	-£28,989	-£40,296	-£33,512

5.2.4 Tables 1 above shows that there is a wide divergence between the potential outcomes between the best and worst case scenarios. A best case scenario would likely deliver a revenue benefit of as much as £62k per unit over a 30 year period whilst a worst case scenario would likely result in a net cost per unit of £34k over a

¹ Analysis of worst case and best case scenarios assumed varying costs for voids, management, maintenance, inflation, refurbishment and major works costs

similar period. In both scenarios it is not expected that either option will deliver a short to medium term revenue benefit.

5.2.5 An important financial benefit derived through the programme would be the utilisation of right-to-buy receipts as an alternative to returning these funds to HM Treasury. The delivery of a schedule of as many as 11 units through Option 2 could potentially deliver an overall benefit of £1.69m over a 30 year period where the benefit of retaining the right-to-buy receipts is included. Again, the difference between the overall benefit of both options is significant, with Option 2 generating a benefit of over £1.2m more in a best case scenario than Option 1.

5.2 Social Value

5.3.1 Having consideration to the Public Services (Social Value) Act 2013, there are no specific social values considerations arising from these policies.

5.4 Legal and Constitutional References

5.4.1 The acquisition of properties falls within the remit of the Assets Regeneration and Growth Committee- Council Constitution, Responsibility for Functions, Annex A – The Assets, Regeneration and Growth Committee has responsibility for “Asset Management – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council”.

5.4.2 Council, Constitution, The Management of Assets, Property and Land Rules provide the governance structure within which the Council may acquire, lease, act as landlord, licence, develop, appropriate, change use of or dispose of Assets within its Asset Portfolio. The Rules inter alia are aimed at enabling the Council’s holdings of land and property to be maintained and developed in a manner which enhances Social Value Section 2.8 states that the “Strategic Asset Management Plan will govern decisions on the future direction of the development of the Council’s Built Environment”.

5.4.3 Constitution, Part 3, Responsibility for Functions, Appendix A sets out the terms of reference of the Housing Committee. This includes Housing Strategy (Incorporating Homelessness Strategy) and working with Barnet Homes to ensure the optimum provision of housing and associated facilities for those who require social housing.

5.4.4 Constitution, Part 3, Responsibility for Functions, Appendix A sets out that Urgency Committee can consider any item of business which needs a decision as a matter of urgency and where a meeting of the relevant Committee is not scheduled to take place within the time period within which the decision is required.

5.5 Risk Management

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

- Doing nothing risks the Council and having to return approximately £800,000 right-to-buy receipts plus interest to HM Treasury.

- There is a risk that the timeframes within which right-to-buy receipts are required to be spent are not met and therefore the full benefit of the scheme may not be realised.
- Properties acquired out-of-borough could be in areas where existing tenants or housing applications might not wish to move to and therefore making these units harder to let. However Barnet Homes has extensive experience in letting properties out-of-borough and this is considered to be of low risk.
- There is the risk that if the authorisation of the purchase of individual properties is not delegated to the Commissioning Director Growth and Development in consultation with the Chairman of the Assets, Regeneration and Growth Committee, the Council will not be able to act quickly enough to secure properties,

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 Allocation of properties acquired will be made in accordance with the Council's Housing Allocations Policy. 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 out of the borough the Council will consider the needs of protected groups.

5.7 Consultation and Engagement

5.7.1 Stakeholder engagement and communications plans are being produced for both the in and out of London acquisitions projects. These will be monitored by the project

boards.

- 5.7.2 As part of the communications plan for the delivery of the programme, Barnet Homes will engage with Councils where acquisitions are being considered, informing them of the Councils intention to purchase properties in their districts.
- 5.7.3 As part of the communications plan for the programme of out of London acquisitions, Barnet Homes will engage with Luton and Bedfordshire Council, informing them of the Council's intention to purchase properties in their district

5.8 Insight

- 5.8.1 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 49% increase in new homelessness applications between 2011/12 and 2015/16.
 - There was an overall 35% decrease in letting within Council stock from 2011/12 to 2015/16 and Barnet has below levels of social housing on average compared to other London boroughs.
 - There has been a significant increase (38%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 3,047 at the end of August 2016).
 - Whilst it is positive that the regeneration schemes in Barnet are progressing in their development, this has an impact on available supply as 'non-secure' tenants placed in regeneration units as long term TA are decanted and require rehousing, either to alternative TA or social housing units. 724 households have been decanted since April 2012 and a further 316 decants are scheduled for the forthcoming two financial years.

6.0 BACKGROUND PAPERS

6.1 Policy and Resources Committee, 28 June 2016, Business Planning 2017-20,
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=8728&Ver=4>

6.2 Assets Regeneration and Growth Committee, 11 July 2016, Out of Borough Acquisitions,
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=8881&Ver=4>



In London Acquisitions Project

Business Case

**Business Case:
In London Acquisitions Project**

Author:	<i>Nick Lowther</i>
Date:	<i>20 September 2016</i>
Service / Dept:	<i>Housing Options Service, Barnet Homes</i>

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1. Introduction and Strategic Context

The last few years have been challenging in the social housing sector, with national increases in homelessness against a backdrop of welfare reform. The impact of the welfare and benefit reforms has affected all local authorities and social housing providers but particularly those in London. The increased demand for housing has placed pressure on already strained and limited housing supply.

At a local level, Barnet has experienced high levels of demand for affordable housing, whilst sources of supply have been limited. Demand has been exacerbated by the buoyant private rental market in the borough which is increasingly unaffordable for those on lower incomes. Loss of private rental accommodation is now the most common reason for a homelessness application, with residents who might previously have made their own arrangements in the private rental sector approaching the local authority.

Supply & Demand in Barnet: A Snapshot

- There has been a 49% increase in new homelessness applications between 2011/12 and 2015/16.
- There was an overall 35% decrease in letting within Council stock from 2011/12 to 2015/16 and Barnet has below levels of social housing on average compared to other London boroughs.
- There has been a significant increase (38%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 3,047 at the end of August 2016)
- Barnet has the 6th highest number of households in temporary accommodation in the country
- Whilst it is positive that the regeneration schemes in Barnet are progressing in their development, this has an impact on available supply as 'non-secure' tenants placed in regeneration units as long term TA are decanted and require rehousing, either to alternative TA or social housing units. 724 households have been decanted since April 2012 and a further 316 decants are scheduled for the forthcoming two financial years.

This has posed a major challenge to Barnet Homes' Housing Options Service – for example, trying to ensure that the limited supply of housing is provided to those with the greatest need, and that emergency and temporary accommodation is used effectively, whilst also attempting to identify new sources of housing supply. In addition, the cost of providing emergency/temporary accommodation has increased significantly. A key priority for Barnet Homes since 2013 has to been to strive to reduce the impact that the high cost of temporary accommodation has on the Council's General Fund (GF).

An opportunity has now arisen to utilise the Council's Right to Buy receipts to help fund HRA purchasing of properties on the open market. This will have a dual benefit of both ensuring that the Council spends its Right to Buy receipts within the required timeframe, whilst also increasing the supply of affordable accommodation for Barnet households.

2. Rationale

The opportunity to acquire properties from the open market has recently been revisited in line with the London Borough of Barnet's Housing Strategy. In 2012 the government introduced several major changes to the Right to Buy scheme. One such change included the requirement of councils to make use of Right to Buy receipts within three years of their collection, or pay the receipt in full (plus interest) to HM Treasury.

Barnet currently has approximately £800,000 Right to Buy receipts that are required to be committed by the end of Quarter 3 (December 2016), and the use of these receipts to purchase properties on the open market would result in a direct financial benefit to Barnet's Housing Revenue Account. The utilisation of the funding and the additional interest payment that would be required to be paid to HM Treasury should these receipts not be used will therefore be considered in the overall benefit of any proposed scheme.

Acquisition of additional properties will also provide the opportunity to increase affordable housing supply relatively quickly, and will supplement the existing development programme and development pipeline. It is envisaged that the acquisition program will be limited to approximately 11 properties purchased in Q3 2016/17 based on an assumption of an average purchase price of £240k per unit. We will use our established procurement model to help deliver this project. There is a further budget of almost £26,000 per unit which includes refurbishment costs and professional fees.

This approach aligns with the London Borough of Barnet's *Housing Strategy 2015-2025* that aims to:

- Increase the supply of affordable housing available to homeless households (page 27)
- 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 (page 29).

And with the Council's Corporate Plan:

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

3. Project Definition

Project Objectives

The key objectives of this project are to:

- Increase Barnet Homes' housing supply, by procuring new affordable properties from the open market.
- Utilise outstanding Right to Buy receipts before the end of Q3 2016/17 to retain the benefit of the funding within Barnet's Housing Revenue Account

Project Deliverables & Outcomes

The key project deliverables are listed in the table below:

Deliverable	Details	Timeframe
Business Case (incorporating options analysis)	Undertake research analysis and identify options for acquisition of properties. Development of a business case that includes options analysis, preferred option, financial modelling, risk management etc.	September 2016
Presentation of recommendations	Presentation of options, and preferred approach to the London Borough of Barnet	September 2016
Approval	Approval (budget and approach)	October 2016
Implementation	Procurement of properties in accordance to the preferred approach Implementation of processes (i.e. repairs and maintenance arrangements etc.)	Delivery in Quarter 3 (October 2016)
Review	Review & benefits realisation	On-going

4. Options

Several other London boroughs are already acquiring units from the open market, and some have been doing it for several years. For example, Westminster City Council has purchased over 90 units for use as temporary accommodation, including 40 acquired in 2015/16. Our discussions with them have provided us with useful insights and learning. Barnet Homes are also undertaking an out-of-borough acquisitions programme following approval from Assets Regeneration & Growth Committee in July 2016, and our learning from this programme will be of benefit to other planned acquisition programmes.

In developing the business case, 3 main options were considered. These included do nothing, acquiring units only within the borough of Barnet, and extending target areas for procurement to include both Barnet, and other neighbouring boroughs.

1. Option 1 – Do nothing

Do nothing. This option would see the Council having to return over £800,000 Right to Buy receipts (plus interest) to HM Treasury and thus deny the Council of much needed additional housing stock.

Barnet currently has approximately £800,000 Right to Buy receipts that are required to be committed by the end of Quarter 3 (December 2016), and the use of these receipts to purchase properties on the open market would result in a direct financial benefit to Barnet's Housing Revenue Account.

Key benefits

- None

Disadvantages

Disadvantages of delivery through this method:

- The Council would have to return £857,000 Right to Buy receipts (plus interest) to HM Treasury
- It would deny the Council the opportunity of acquiring additional housing stock
- Failure to utilise the Right to Buy receipts would be a missed opportunity to acquire Capital assets

2. Option 2 - Acquiring private sector properties in the borough of Barnet

Properties would be purchased only in the borough of Barnet, funded by the Housing Revenue Account (HRA). A budget of up to £2.86m was assumed with approximately one third of the purchases to be funded by Right to Buy receipts and 70% funded by HRA reserves.

Barnet Homes would fully manage properties secured through this method and tenants would be secure tenants of Barnet Homes and the Council, provided with fixed term tenancies. Properties would be let at 65% of market rent.

Key benefits

There are three key benefits realised through this model:

- Delivers additional in-borough supply of affordable accommodation for Barnet households
- Capital asset acquired
- Model utilises Right to Buy receipts, which reduces the borrowing requirement by 30% and meets the Council's target timeframe for committing receipts
- Additional savings will be realised through a reduced use of temporary accommodation

Disadvantages

There are however some disadvantages of delivery through this method:

- The best case scenario indicates that this option would be delivered at a net cost of £62k per property (including interest of the loan) over a 30 year period
- There is a short/medium term risk with 1% decreases in HRA rents until 2020 and further uncertainty in future years
- Properties acquired may be subject to the Right to Buy and therefore properties sold after within five years of acquisition.
- EUV may be applicable if the Council decides to realise the value of the assets obtained through this scheme, and therefore the full value of the investment may not be recovered.

3. Option 3 - Acquiring private sector properties in Barnet and neighbouring boroughs

Properties would be purchased in the borough of Barnet and neighbouring boroughs, funded by the Housing Revenue Account (HRA). A budget of up to £2.86m was assumed with approximately one third of the purchases to be funded by Right to Buy receipts and 70% funded by HRA reserves.

Barnet Homes would fully manage properties secured through this method and tenants would be secure tenants of Barnet Homes and the Council, provided with fixed term tenancies. Properties would be let at 65% of market rent.

Key benefits

There are five key benefits realised through this model:

- The best case scenario delivers at a net surplus of £63k per property (including borrowing costs) over a 30 year period
- Capital asset acquired
- Provides a more financially viable option than restricting acquisitions to in-borough purchases only
- Properties outside Barnet can be acquired at lower average cost, thus increasing the potential volume of acquisitions and new supply of affordable accommodation for Barnet households. This option would deliver 11 new units as opposed to just 9 where units are only sourced in-borough
- Model utilises Right to Buy receipts, and meets the Council's target timeframe for committing receipts
- Additional savings will be realised through a reduced use of temporary accommodation

Disadvantages

There are however some disadvantages of delivery through this method:

- Properties acquired outside of the borough of Barnet may be more difficult to let and experience higher void loss than in-borough alternatives
- There is a short/medium term risk with 1% decreases in HRA rents until 2020 and further uncertainty in future years
- Properties acquired may be subject to the Right to Buy and therefore properties could be sold after five years of acquisition.
- EUV may be applicable if the Council decides to realise the value of the assets obtained through this scheme, and therefore the full value of the investment may not be recovered.

Affordability of units outside of Barnet

It is not surprising that our research has confirmed that given the average house prices in Barnet, better value for money and a greater number of units can be acquired with the funding available through including the acquisition of units outside Barnet. The table below shows the difference in property prices and current supply using an average two bedroom home as an example:

	Barnet ¹	Enfield ²	Brent ³
Average Realistic Purchase Price	266,485	202,997	249,490
Average Weekly Rent (65% market rent)⁴	199	179	228
Average Gross Annual Rental Yield	3.88%	4.59%	4.75%

Whilst more units could be delivered outside Barnet there are a number of key considerations to be factored into any acquisitions programme:

- Distance from Barnet (potentially higher management and void costs)
- Opportunities for employment in the area
- Cultural diversity of the location e.g. access to specialist shops, places of worship, similar communities

¹ Calculated using 10 lowest cost realistic purchases advertised for sale on www.rightmove.co.uk on 27 September 2016

² Calculated using 10 lowest cost purchases advertised for sale on www.rightmove.co.uk on 27 September 2016

³ Calculated using 10 lowest cost purchases advertised for sale on www.rightmove.co.uk on 27 September 2016

⁴ 65% market rent calculated using voa median rents for properties within relevant postcode at September 2016

- Ability to achieve successful lettings and minimise void periods

There are however several key advantages to focusing on procurement of properties in a broader target area. These include:

- The potential to provide accommodation at more affordable rents, with market rents in Enfield (£179 per week) lower than those in Barnet (£199 per week)
- Where properties are purchased outside Barnet, there is an increased likelihood that larger properties could be procured at a cost that is financially viable. For example, a 3 bedroomed property could be secured in Enfield for as low as £239,995 (4.8% yield), whilst in Barnet the lowest possible purchase price is £300,000 (4.2% yield).

Client group for properties acquired out of borough

Households in Temporary Accommodation: Barnet Homes has almost 1,000 households placed in a range of areas outside of Barnet in forms of temporary accommodation secured from the private rented sector. This has been supported by the Barnet Council's Placement Policy approved on 24th September 2013 and Temporary Accommodation Procurement Policy which was approved by Housing Committee on 28th June 2016. Any new acquisitions that could be offered as affordable flexible tenancies to housing applicants under the Council's Housing Allocations Policy would both reduce numbers in temporary accommodation and importantly offer a longer term and affordable housing solution. For some households affected by the benefit cap, accommodation in Barnet is unaffordable.

Risks: One of the key risks associated with an acquisitions programme where properties are acquired out-of-borough is that units could be acquired in areas where existing tenants or housing applicants might not wish to move to. In respect of housing applicants, those who are within the higher housing bands (bands 1 & 2) more often have very specific reasons for requiring accommodation within Barnet e.g. support needs, employment. However those in lower bands (3 & 4 no community contribution, no/limited local connection) are not usually offered flexible tenancies but assisted with longer term temporary accommodation or with offers in the private rental sector. The proposed programme would certainly offer this group a housing solution that is not currently available. Given the established track record set out above of delivering out of borough moves this mitigation will help minimise void periods. Nonetheless a higher void period has been factored in than for a council tenancy in Barnet.

The model:

- Flexible/Fixed-term tenancy offered, with Barnet retaining responsibility for households placed in these units
- Tenant rent set at 65% of the market rent for a similar property in a similar location
- 3-4% void loss varying depending on location of acquisition
- Higher maintenance costs of between £800-£1,000 per unit per annum included to meet Barnet Homes letting standards
- Management costs of £450 per unit per annum to take account of increased costs in relation to the location of acquisitions

5. Expected Benefits

Please refer to **Appendix A** for a summary of expected benefits for this project.

6. Risks

Please refer to **Appendix B** for a summary of key risks and mitigating actions.

7. Financial Appraisal

The project would be funded through utilisation of approximately £857,000 Right to Buy receipts and £2m of Housing Revenue Account reserves. An initial budget of £2.856m would see the programme deliver between approximately 9 and 11 units.

The table below indicates the potential overall financial position delivered by the scheme taking into account worst and best case scenarios⁵

Table 1 – revenue position HRA purchasing in Barnet only (Option 2)

Best Case – per unit				
	5 Years	10 Years	20 Years	30 Years
Income	£51,663	£111,462	£266,835	£486,003
Expenditure	£82,482	£167,013	£346,513	£548,958
Net	-£30,818	-£55,552	-£79,679	-£62,954
Worst Case – per unit				
	5 Years	10 Years	20 Years	30 Years
Income	£50,826	£107,171	£243,047	£416,980
Expenditure	£85,393	£172,998	£359,243	£569,462
Net	-£34,567	-£65,826	-£116,196	-£152,482

Table 2 – revenue position HRA purchasing in Barnet and neighbouring boroughs (Option 3)

Best Case – per unit				
	5 Years	10 Years	20 Years	30 Years
Income	£56,450	£121,789	£291,557	£531,033
Expenditure	£68,951	£140,151	£293,238	£468,826
Net	-£12,501	-£18,363	-£1,681	£62,206
Worst Case – per unit				
	5 Years	10 Years	20 Years	30 Years
Income	£55,535	£117,101	£265,566	£455,614
Expenditure	£71,840	£146,089	£305,862	£489,126
Net	-£16,305	-£28,989	-£40,296	-£33,512

Tables 1 and 2 above show that there is a wide divergence between the potential outcomes between the best and worst case scenarios for all options. Option 3 would likely deliver a revenue benefit of as much as £62k per unit over a 30 year period whilst Option 2 would at best be delivered at a £62k net cost over a similar period. In all scenarios it is not expected that either option will deliver a short to medium term revenue benefit.

⁵ Analysis of worst case and best case scenarios assumed varying costs for voids, management, maintenance, inflation, refurbishment and major works costs

Table 3 – Overall scheme benefit of in-borough purchasing (Option 2)

	Best Case	Worst Case
Number of units	9	9
Total Purchase Price	£2,918,491	£2,977,811
Cost of purchasing and refurbishment	£237,281	£296,602
Total Income	£4,250,380	£3,646,729
Total Expenditure	£4,800,950	£4,980,275
Net Cost	£550,570	£1,333,545
Right to Buy receipts used	£875,547	£893,343
Right to Buy interest benefit	£131,332	£134,002
Total Right to Buy benefit	£1,006,879	£1,027,345
Total HRA benefit	£456,310	-£306,200

Table 4 – Overall scheme benefit of in-borough and surrounding boroughs purchasing (Option 3)

	Best Case	Worst Case
Number of units	11	11
Total Purchase Price	£2,918,491	£2,989,415
Cost of purchasing and refurbishment	£283,696	£354,620
Total Income	£5,841,354	£5,011,749
Total Expenditure	£5,157,083	£5,380,380
Net Cost	-£684,271	£368,631
Right to Buy receipts used	£875,547	£896,824
Right to Buy interest benefit	£131,332	£134,524
Total Right to Buy benefit	£1,006,879	£1,031,348
Total HRA benefit	£1,691,150	£662,717

An important financial benefit derived through the programme would be the utilisation of Right to Buy receipts as an alternative to returning these funds to HM Treasury. The delivery of a schedule of as many as 11 units through Option 3 could potentially deliver an overall benefit of £1.69m over a 30 year period where the benefit of retaining the Right to Buy receipts is included. Again, the difference between the overall benefit of both options is significant, with Option 3 generating a benefit of over £1.2m more in a best case scenario than Option 2.

Suggested approach

The proposal is to proceed with Option 3 (the acquisition of units both in Barnet and the surrounding boroughs in London) funded by Right to Buy receipts and Housing Revenue Account reserves. We will use our established procurement model to acquire these units. This option has a number of benefits, not least the ability to maximise the impact of the capital invested to acquire more affordable supply for Barnet households, and the potential to deliver substantially higher returns than the alternative option focusing on in-borough acquisitions. Importantly, the proposal to include out-of-borough acquisitions (Option 3) would still deliver an overall benefit of over £660,000 in a worst case scenario and it is therefore the preferred option

8. Project Approach

Please refer to **Appendix D** for the proposed project plan that includes key dates and milestones.

9. Project Assurance

Project Organisation Structure

The project structure is shown below:

Role	Name & Position	Comments
Project Sponsor	Paul Shipway (Strategic Housing Lead)	Representing Council interests
Project Manager	Nick Lowther (Service Manager, Housing Supply)	
Project Board	Paul Shipway (Strategic Housing Lead)	Representing Council interests
	Derek Rust (Deputy Chief Executive)	Representing Barnet Homes interests
	Kate Laffan (Assistant Director, Operations)	Representing Housing Options (housing supply)
Project Team	Nick Lowther (Service Manager, Housing Supply)	Lead on the bidding and acquisition of properties, supply and location
	Kate Laffan (Assistant Director, Operations)	Representing Housing Options (housing supply)
	Thomas Carroll (Major Works Project Manager)	Inform on investment levels needed to bring the homes acquired up to an agreed standard and maintained as such Lead on the refurbishment of properties when acquired
	Russell Buchanan (Project & Contract Management Officer)	Project support

The project board will meet monthly as required with the following responsibilities:

- Provision of overall guidance and direction ensuring project remains on track against time, cost and quality requirements
- Review and approval of project plan and any exception plans
- Support and oversight of risk management processes
- Approval of changes
- Resolving strategic and directional issues
- Liaison with and seeking of direction and decisions from politicians

Project Controls

The Project Manager will be expected to manage and re-profile timescales where key milestones are not impacted. Where key milestones will be impacted these instances will be reported to the Project Sponsor to agree next steps and the mitigating action to be taken.

- The Project Board will be responsible for sign-off of the business case (incorporating the options appraisal), before it is presented to the Council.

- The London Borough of Barnet (Council) will be responsible for approving the business case, proposed budget and approach for delivery.
- The project team will be responsible for engaging with Barnet Homes' managers and staff, and key stakeholders to ensure that all deliverables are developed in line with service requirements and that the required quality standards are met.

Quality Criteria & Approval Process

Deliverable / Product	Quality Criteria	Author	Reviewers	Acceptor
Business Case (incorporating options analysis)	Options appraisal and financial appraisal, procurement strategy with recommendation	Project Manager	Kate Laffan Derek Rust Project Team	Project Board
Presentation of recommendations	Report and presentation in accordance with LBB requirements	Derek Rust	Project Board	Project Board
Approval	Minuted approval to proceed	London Borough of Barnet	N/A	London Borough of Barnet
Implementation	Procurement of out-of-borough properties Development and implementation of associated processes	Project Team	Project Manager	Project Board
Review	Assessment against benefits realisation criteria Lessons learned report	Project Manager	Kate Laffan Derek Rust Project Team	Project Board

10. Dependencies

Assumptions

- Timely provision of any requested information and input from senior stakeholders.
- On-going political support for Barnet Homes to undertake acquisitions and for the on-going management of these properties
- Ability to implement cost effective, quality management and maintenance arrangements for the acquired properties.
- There has been adequate budget provision identified within the HRA for the acquisition of additional properties.

Constraints

- There is a lack of affordable housing supply in the areas that customers would prefer to move to.
- That there may be some resourcing implications for management of stock outside of the borough
- Competition for units on the open market is fierce with lower cost acquisitions likely to be of interest to a large number of buyers

Interfaces / Dependencies

- The London Borough of Barnet will need to approve the proposed approach, for the project objectives to be achieved
- There are other initiatives and projects underway that are also aimed at increasing the available housing supply.

11. Approach to Consultation

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 Council conducted a borough wide programme of resident engagement and consultation from 17 December 2014 to 11 February 2015. This was part of the Housing Committee Commissioning Plan. The programme included a series of themed workshops examining the competing pressures facing each committee and an online survey.
- A 12 week public consultation was undertaken between 6 January 2015 and 31 March 2015 on the Housing Strategy. The consultation included an online survey as well as presentations to the Housing Forum, Barnet Homes Performance and Advisory Group, and Barnet Landlords Forum.
- The Council also facilitated a focus group of eight Citizens Panel members from the owner-occupation, social and private rented sectors.

Appendix A: Benefits Realisation

Benefit Type	Description of the benefit	Who will benefit	Expected benefit value	Financial year that benefit will be realised	Benefit Owner	How will the benefit be measured	Baseline value (£, % etc) and date
Financial	Utilisation of Right to Buy receipts	The Council	£1m	From Q4 2016/17	Paul Shipway	Financial and Performance monitoring	
Financial	Increase of council stock and revenue from this stock	The Council Barnet Council Tenants Housing Applicants	11 additional units	by 17/18	Paul Shipway	Performance monitoring	

Appendix B – Financial Model

1. Individual unit Income and Expenditure sheet (Best Case)

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Income							
1 Rent	11,560	12,137	14,414	17,120	20,333	24,149	28,682
2 Void Loss	347	364	432	514	610	724	860
Total Income	11,213	11,772	13,982	16,606	19,723	23,425	27,821
Expenditure							
3 Routine Maintenance	800	918	1,090	1,295	1,538	1,827	2,170
4 Management Cost	450	516	613	728	865	1,027	1,220
5 Service Charge & Ground Rent	1,400	1,607	1,908	2,266	2,692	3,197	3,797
6 Major Works	1,857	2,131	2,531	3,006	3,571	4,241	5,037
7 Bad Debt Provision	336	353	419	498	592	703	835
8 Interest	5,107	4,699	4,188	3,677	3,167	2,656	2,145
9 MRP	3,714	3,714	3,714	3,714	3,714	3,714	3,714
Total Expenditure	13,665	13,939	14,465	15,186	16,138	17,364	18,917
Charge/Credit to HRA	2,453	2,166	483	-1,420	-3,585	-6,060	-8,904
Closing Balance	2,453	12,501	18,363	15,163	1,681	-23,535	-62,206
Net Income available to repay principle	-2,453	-2,166	-483	1,420	3,585	6,060	8,904
10 Purchase price	239,527						
11 RTB Reinvestment	79,595						
12 Stock investment	25,791						
13 Borrowing Required	185,722						
Closing Balance	188,175	198,223	204,085	200,885	187,403	162,187	123,516
1 Annual rent							
2 % void loss							
3 Annual maintenance cost per unit with inflationary increase							
4 Annual management cost per unit with inflationary increase							
5 Lease hold service charges							
6 Major works investment							
7 Bad debt provision							
8 Annual loan interest less MRP contribution							
9 Minimum Revenue Provision based upon 50 year asset life							
10 Purchase price excluding cost of purchase & work to bring to standard							
11 Assumed to be 30% of purchase price							
12 Cost of works required to bring to standard and cost of purchasing							
13 (10+12)-11							

2. Financial modelling assumptions

	Best Case	Worst Case
Annual Rent Inflation (CPI plus 1%)	3.50%	2.50%
Void Loss	3.00%	4.00%
Bad debt provision	3.00%	4.00%
Maintenance Costs	£800 per annum plus inflation	£1,000 per annum plus inflation
Housing Management Costs	£450 per annum	£450 per annum
Inflation (Base rate plus 1%)	3.50%	3.50%
Major Works	1.00%	1.00%
Service charge and ground rent	£1,400 per annum	£1,400 per annum
Refurbishment costs	£10,000	£12,500
Borrowing rate	2.75%	2.75%

Appendix C: Initial Risk Register

Ref	Risk type	Risk description	Risk Owner	Date raised	Initial assessment			Control actions	Consequences/ potential impact
					Probability	Impact	RAG		
001	Project management	There is a risk that there is insufficient resource to deliver the project within planned timescales.	KL	Sep 16	Low	Medium		Project plans and resource planning to be developed to identify key milestones and capacity required to deliver.	Expected savings and other benefits will not be achieved, and/or project activity will fall behind schedule.
002	Reputation	There is a risk that this project will attract negative publicity	KL	Sep 16	Low	High		Develop a communications strategy and engage with the host borough to inform them of the acquisitions programme	Staff and public have a negative perception of this project and its objectives. This makes it more difficult to implement the project and to realise benefits from it.
003	Financial	There is a risk that the assumptions made in modelling are not accurate and that the financial benefits are not realised	NL	Sep 16	Medium	High		Closely monitor activity to track financial benefits and early identification of risks. There are a number of options the Council has, including stock disposal. In addition, the 31ten review suggests that there is a 75% probability that the scheme will at least break even compared to existing TA options	Expected savings and other benefits will not be achieved

Ref	Risk type	Risk description	Risk Owner	Date raised	Initial assessment		Control actions	Consequences/ potential impact
004	Financial	There is a risk that the purchases will not be completed within the target timeframe and that the HRA benefits derived through the delivery of this scheme will not be realised	NL	Sep 16	Medium	High	Dynamic purchasing system has been established and Barnet Homes will engage several providers in the delivery of units within the target timeframe. Potential units identified at the earliest possible stage to enable background work assessing individual purchases to be carried out and offers to be made at the earliest opportunity	HRA benefits derived through the delivery of this scheme will not be realised
005	Reputation	There is a risk that customers will refuse to accept properties in out-of-borough locations	NL	Sep 16	Low	Medium	Undertake market research and analysis before selecting locations and purchasing properties to ensure that customers are likely to accept properties in these areas.	Political and media fall out from spending public money on properties that are sitting vacant.
006	Performance	There is a risk that properties in out-of-borough locations will have longer void times due to customers refusing to move to these areas	NL	Sep 16	Medium	Medium	Households seeking to move out of area will be identified at an early stage in the acquisition process and consideration will be given to offering properties acquired to households already located in areas outside London in other forms of temporary accommodation	Void performance may worsen, and Barnet Homes may fail to meet its KPI targets.
007	Financial	There is a risk that the costs of managing out-of-borough properties will be high	NL	Sep 16	Medium	Medium	Barnet Homes already has considerable experience delivering out-of-London TA. Consider purchasing out-of-borough properties close together, to ensure efficiencies and reduce management costs	Higher costs to manage these properties – exceeding budget

Appendix D: Initial Project Plan

Phase	Activity	Owner	Due Date	Status	Comments
Business Case (incorporating options analysis)	Complete research & analysis and identify options for:		Sep 16	Complete	
	• Property Location	NL	Sep 16	Complete	
	• Property Type	NL	Sep 16	Complete	
	• Property Size	NL	Sep 16	Complete	
	• Property Tenure	NL	Sep 16	Complete	
	• Property Condition	TC	Sep 16	Complete	
	• Procurement Strategy	NL	Sep 16	Complete	
	Identify and document each available option	NL	Sep 16	Complete	
	Complete initial financial modelling	NL	Sep 16	Complete	
	Identify, monitor and manage risks	NL	Sep 16	Ongoing	
Presentation of recommendations to the Council	Prepare an outline business case for review by LBB	NL	Sep 16	Complete	
	Develop recommended quality standard for properties	TC	Oct 16	Not Due	
	Develop options for managing properties	KL	Oct 16	Not Due	
	Develop options for undertaking repairs and maintenance for properties	TC	Oct 16	Not Due	
	Develop procurement strategy options	NL	Sep 16	Not Due	
	Prepare final business case	NL	Sep 16	Not Due	
	Business case signed off by Housing Strategy Lead	PS	11 Jul 16	Not Due	
	Draft Report	NL	01 Jun 16	In progress	
	Council make decision whether to approve programme	PS	21 Oct 16	Not Due	
	Implementation				
Review	Commence acquisition programme	NL	Q3 2016/17	Not Due	
	Complete first tranche of purchases	NL	Q3 2016/17	Not Due	
	Qly review of programme incorporating lessons learned.	NL	Ongoing	Not Due	

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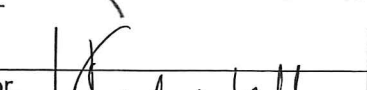

Date	Version	Reason for change	Changes made by
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27/09/16	1.1	Updated following comments	Nick Lowther
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06/10/16	1.3	Updated following comments	Russell Buchanan

Distribution List:

Name	Role	Date
Troy Henshall	Chief Executive	28/09/16
Derek Rust	Deputy Chief Executive	28/09/16
Mike Gerrard	Finance Director	28/09/16
Paul Shipway	Strategic Housing Lead LBB	30/09/16
Kate Laffan	Assistant Director, Operations	28/09/16
Nick Lowther	Service Manager, Housing Supply	28/09/16
Russell Buchanan	Project & Contract Management Officer	30/09/16

Approvals:

By signing this document, the signatories below are confirming that they have fully reviewed the Business Case for the out-of-borough acquisitions project and confirm their acceptance of the completed document.

Name	Role	Signature	Date	Version
Troy Henshall	Chief Executive		6/10/16	1.3
Elliott Sweetman	Director of Operations		6/10/16	1.3
Derek Rust	Deputy Chief Executive		6/10/16	1.3
Kate Laffan	Assistant Director, Operations		6/10/16	1.3

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

AGENDA ITEM 11

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