

	<h2>Urgency Committee</h2> <h3>17 October 2016</h3>
<p style="text-align: right;">Title</p>	<h2 style="text-align: center;">In and out of London Acquisitions</h2>
<p>Report of</p>	<p>Commissioning Director, Growth and Development</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>Yes</p>
<p>Key</p>	<p>Yes</p>
<p>Enclosures</p>	<p>Appendix 1– In-London Acquisitions Project Business Case</p>
<p>Officer Contact Details</p>	<p>Kate Laffan, Assistant Director, Housing Options, Barnet Homes. kate.laffan@barnethomes.org, 020 8359 4829</p>

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>