



**Out-Of-Borough (GF) Acquisitions Project**

**Phase 2**

**Business Case**

**Outline Business Case (OBC):  
Out-Of-Borough Acquisitions Project (Phase 2)**

---

Author:	<i>Nick Lowther</i>
Date:	<i>13 February 2017</i>
Service / Dept:	<i>Housing Options Service, Barnet Homes</i>

**Contents**

---

Contents .....	2
1. Introduction and Strategic Context .....	3
2. Rationale.....	4
3. Project Definition.....	4
4. Options .....	5
5. Expected Benefits.....	9
6. Risks.....	9
7. Financial Appraisal .....	9
8. Project Approach .....	10
9. Project Assurance.....	10
10. Dependencies.....	12
11. Approach to Consultation .....	12
Appendix A: Benefits Realisation .....	14
Appendix C: Initial Risk Register.....	17
Appendix D: Initial Project Plan.....	19
Document Control .....	20
Document History.....	20
Distribution List:.....	20
Approvals: .....	20

## 1. Introduction and Strategic Context

---

With a lack of housing supply, high private sector rent levels and the impact of welfare reforms', the last few years have been testing for all Local Authorities. Local Authorities have seen increased level of demand in terms of homeless applications and numbers in temporary accommodation which has placed pressure on already limited housing supply.

At a local level, Barnet has experienced increased 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 50% 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 (30%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 2,833 at the end of January 2017)
- Barnet has the 6<sup>th</sup> highest number of households in temporary accommodation in the country
- Almost 75% of all the households in temporary accommodation in England are placed by North, East and West London Authorities. This has led to increased pressure in competition for affordable supply.
- 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).

In 2013, Barnet Homes' Housing Options service developed a menu of options to tackle the problem of emergency/temporary accommodation, and this was presented to the Delivery Unit Board (DUB). One of the options proposed was the acquisition of out-of-borough properties – and the business case for this programme was approved on 11 July 2016. With the first tranche of purchases successfully completed in Q3 and Q4, this proposal seeks to extend the programme, targeting a larger volume of purchases in affordable areas on the M1/A1 corridors.

## 2. Rationale

---

Building upon the success of the first tranche of out-of-London acquisitions, the opportunity to acquire additional properties in more affordable areas has been revisited in line with the London Borough of Barnet's Housing Strategy.

Acquisition of additional properties outside of the borough will provide the opportunity to further increase affordable housing supply relatively quickly at a lower cost than in-borough alternatives, and will supplement the existing development programme and development pipeline. It is envisaged that the initial acquisition program will be limited to approximately 50 properties purchased from Q1 2017/18 onwards based on an assumption of a purchase price of between £85k and £200k per unit. There are further allowances for refurbishment costs, Stamp Duty Land Tax 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 properties from outside of the London Borough of Barnet.
- Reduce the costs of temporary accommodation and subsequent impact on the Council's General Fund

### 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 out-of-borough properties. Development of a business case that includes options analysis, preferred option, financial modelling, risk management etc.	November 2016
Presentation of recommendations	Presentation of options, and preferred approach to the London Borough of Barnet Council	March 2017
Approval	Approval (budget and approach)	April 2017
Implementation	Procurement of properties in accordance to the preferred approach	Q1 2017/18

Deliverable	Details	Timeframe
	Development and implementation of processes (i.e. repairs and maintenance arrangements etc.)	
Review	Review & benefits realisation	On-going

#### 4. Options

Our learning and insight gained through the delivery of a successful in-London and out-of-London acquisitions programme in Q3 2016/17 has proven invaluable and has helped formulate future scheme planning. Whilst the market in areas closer to London continues to be buoyant our experience to date has evidenced that there is a supply of units to be acquired in areas further afield and where necessary refurbished within the price per unit envisaged.<sup>1</sup>

In developing the business case, other options were considered. These included utilising the acquired units as a form of Temporary Accommodation where higher rents could be achieved and a blended model of acquisitions offering either as some units of long term social housing and some units of temporary accommodation. However, to adhere to the brief which was to acquire new affordable tenancies for Barnet residents, the following approaches have been explored in more detail.

##### 1. Continue to acquire properties outside London on licence from existing temporary accommodation providers

Existing temporary accommodation rates mean that for each new household placed in 2-bed emergency temporary accommodation costs the Council almost £2,400 net per annum. With bad debt provision and management costs factored in, this figure increases to approximately £3,400 net per annum, per household. Where properties are sourced outside London, these costs reduce significantly, however it still represents a net cost per unit of almost £1,900 per annum at current prices.

This 'do nothing' position would result in each household potentially costing £139k net over the next 30 years and would mean there is no positive financial impact to forecasted future General Fund budget pressures. Should inflationary increases in the cost of delivering alternative temporary accommodation options worsen, then this will further increase the pressure on the Council's General Fund. It is therefore the least favourable option.

##### 2. Acquiring private sector properties outside London for use as temporary accommodation

The Council would borrow via the General Fund through the Public Works Loans Board at an interest rate of approximately 2.75% to fund the purchase of private sector properties in areas outside London.

Barnet Homes would provide a full management service for properties purchased and units would be used to provide long-term temporary accommodation, let at the relevant temporary accommodation subsidy rate to ensure a consistent approach across the temporary accommodation portfolio.

A budget of up to £8m was assumed with approximately one third of the purchases to be funded by Right to Buy receipts.

<sup>1</sup> Including legal and other professional fees.

## Key benefits

There are several key benefits realised through this model:

- Delivers at a net surplus of £3k per property (including interest of the loan) over a 30 year period which is more favourable than existing methods of providing out-of-London temporary accommodation which could potentially cost £139k per unit over a similar period
- Model utilises unspent Right to Buy receipts, which reduces the borrowing requirement by 30% and meets the Council's target timeframe for committing receipts
- A capital asset would be acquired
- Properties let through this method could be used for temporary accommodation for homeless households and used as a stepping stone into the private rented sector
- A greater turnover of properties would mean increased temporary accommodation cost avoidance
- A lower average purchase price would result in a lower Stamp Duty Land Tax liability compared to units purchased in less affordable areas
- There is greater flexibility on rents that could be charged for properties acquired using this model, with rents required to be 'reasonable' to achieve full housing benefit subsidy

## Disadvantages

There are however some disadvantages of delivery through this method:

- The initial loan would not be fully repaid at the end of the 30 year term and the Council would have to refinance the loan (however this is offset against an asset that would be expected to appreciate by a greater amount over the term)
- Units acquired would be delivered at a higher management cost. This is reflected in the modelling with a higher per unit management cost factored in

## Suggested approach

The proposal is for the acquisition of units in areas outside London and to utilise them as temporary accommodation. This option has a number of benefits, not least the ability deliver revenue benefits against alternative temporary accommodation options and thus providing greater opportunity to reduce General Fund costs.

## 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 the acquisition of units out of London. The table below shows the difference in property prices and current supply using an average two bedroom home as an example.

	Colindale	Milton Keynes	Peterborough	Northampton
<b>Median Purchase Price</b>	438,974	224,995	126,998	150,000
<b>No of properties on the market <sup>2</sup></b>	229	319	348	229

<sup>2</sup> Number of properties listed for sale as at 12 December 2016 (Source: www.home.co.uk)

Whilst more units could be delivered further out of London 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
- Ability to achieve successful lettings and minimise void periods

Barnet Homes currently holds over 170 units of temporary accommodation outside London and has a management presence in the proposed target procurement areas. A table outlining where Barnet currently places households in temporary accommodation is given below.

	Number of units	Distance from Barnet	Travelling Time
<b>Bedfordshire</b>	66	28 miles	66 minutes
<b>Hertfordshire</b>	36	21 miles	80 minutes
<b>East Essex</b>	24	47 miles	120 minutes
<b>Essex</b>	12	31 miles	136 minutes
<b>Sussex</b>	10	81 miles	156 minutes
<b>Kent</b>	7	87 miles	161 minutes
<b>Manchester</b>	3	194 miles	178 minutes
<b>Berkshire</b>	2	26 miles	83 minutes
<b>Buckinghamshire</b>	2	49 miles	85 minutes
<b>Dorset</b>	2	126 miles	174 minutes
<b>Oxfordshire</b>	2	75 miles	165 minutes
<b>Suffolk</b>	2	81 miles	131 minutes
<b>Surrey</b>	2	56 miles	122 minutes
<b>Total/Weighted Average</b>	<b>170</b>	<b>41 miles</b>	<b>97 minutes</b>

However, there would be increased management costs if any acquisitions programme did not limit itself to a few locations. This is factored into the proposed acquisitions programme.

It is recommended that purchases are made for properties focusing on the Bedfordshire, Buckinghamshire, Cambridgeshire and Northamptonshire areas. These areas are broadly within the average travelling time of our existing temporary accommodation stock and a broad procurement area will also serve to help minimise the impact of the programme on private market inflation; if acquisitions were targeted in one area this could, as our experience has indicated, drive property price inflation in local markets.

There are several key advantages to focusing on procurement of properties outside London. These include:

- The potential to provide accommodation at more affordable rents, with Local Housing Allowance rents<sup>3</sup> in Northants (£105.94 per week) and Peterborough (£115.38 per week) significantly over £100 per week lower than rents in Barnet (£255.34 per week) for a two bedroomed property.
- Properties can be purchased in affordable areas such as Bedfordshire, Buckinghamshire, Cambridgeshire and Northamptonshire at a lower Stamp Duty Land Tax cost and therefore the cost of purchasing will be lower than in more expensive areas such as Barnet, thus improving the financial viability

## Client group for properties acquired out of London

**Households in Temporary Accommodation:** Since April 2014 Barnet Homes has placed 680 housing applicants in a range of areas out of London both in forms of temporary accommodation and in the private rented sector. This has been supported by the Barnet Council’s Placement Policy approved on 24<sup>th</sup> September 2013 and the Temporary Accommodation Placements Policy, approved by Housing Committee on 27 June 2016. New out of London acquisitions that could be offered as affordable private sector tenancies to housing applicants where there is an accepted housing duty 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.

**True capacity of the programme:** A significant consideration when planning an up-scaled programme of acquisitions is an understanding of the quantity of households to whom future acquisitions could be offered and let to. A good gauge of this is Barnet Homes’ current performance in making successful out-of-London placements; in the first two quarters of 2016/17, approximately 16% of temporary accommodation placements were in locations outside London. Whilst this figure is also impacted by available supply, it is a good indication of the potential volume of placements. Therefore, with around 900 new temporary accommodation admissions expected annually over the coming two years, it is reasonable to assume that between 140 and 180 households per year could be successfully nominated to out-of-London properties acquired through the programme. In addition to this, there are other sources of demand for future acquisitions, including households impacted by the overall benefit cap and other households seeking affordable accommodation outside London.

Overall demand for out-of-London acquisitions in 2017/18 is in the region of 430 households. A table summarising this prospective demand and therefore maximum capacity for out-of-London supply is given below.

	<b>Number of households</b>
New Demand approaching 2017/18	180
Existing temporary accommodation stock	170
Households seeking accommodation outside London (Ben Cap) <sup>4</sup>	60
Other households seeking accommodation outside London	20
<b>Total</b>	<b>430</b>

**Risks:** One of the key risks associated with an out of London acquisitions programme 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 acquiring 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, and offers of accommodation outside London would be suitable for some of these households. The proposed programme would certainly offer this group a housing solution that is not currently available.

To mitigate this, the selection criteria for the locations for acquisitions must be developed further in the full business case along with an equalities impact assessment in respect of

<sup>4</sup> This number is expected to significantly increase following the provision of updated information in January 2017

potential tenants. Given the established track record set out above of delivering out of London 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:

- Assured shorthold or non-secure tenancy offered
- Rents charged at the relevant Local Housing Allowance level
- 3-4% void loss varying depending on location of acquisition
- TA cost avoidance figure in example based upon 1 household avoiding out of London TA at current net cost plus inflation

### 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 from the Council's General Fund. A budget of £8m would see the programme deliver approximately 50 units in the Bedfordshire, Buckinghamshire, Northamptonshire and Cambridgeshire areas.

The tables below indicate the potential overall financial position delivered by the scheme taking into account likely and worst case scenarios, using average projected rents and purchase prices.<sup>5</sup>

*Table 1 – revenue position vs. existing TA options*

Existing TA Option – per unit				
	5 Years	10 Years	20 Years	30 Years
<b>Income</b>	£37,821	£81,859	£196,280	£357,683
<b>Expenditure</b>	£53,797	£114,502	£264,966	£467,139
<b>Net Cost</b>	<b>£15,976</b>	<b>£32,643</b>	<b>£68,686</b>	<b>£109,456</b>
Likely outcome – per unit				
<b>Income</b>	£30,974	£67,039	£160,745	£292,927
<b>Expenditure</b>	£43,739	£88,635	£183,794	£289,969
<b>Net Cost</b>	£12,766	£21,597	£23,049	<b>-£2,957</b>
<b>Net benefit</b>	<b>£3,211</b>	<b>£11,047</b>	<b>£45,636</b>	<b>£112,414</b>
Worst Case – per unit				
<b>Income</b>	£28,947	£61,230	£139,080	£238,735
<b>Expenditure</b>	£46,626	£92,239	£187,086	£291,086
<b>Net Cost</b>	£17,679	£31,008	£48,005	£52,351
<b>Net benefit</b>	<b>-£1,702</b>	£1,635	£20,680	£57,106

<sup>5</sup> Analysis of likely and worst case scenarios were tested against the cost of existing TA options in the Luton Area, with the worst case assuming higher costs for voids, management/maintenance, inflation, refurbishment, and major works

*Table 2 – Capital position per unit*

Capital - Per unit	Best Case	Worst Case
<b>Average Purchase Price</b>	£140,174	£154,191
<b>Refurbishment Costs and Fees</b>	£23,669	£31,890
<b>Total Cost</b>	£163,843	£186,081
<b>Asset value @</b>	3% PA	2% PA
<b>10 Years</b>	£205,181	£203,196
<b>20 Years</b>	£275,746	£247,695
<b>30 Years</b>	£370,580	£301,938
<b>Outstanding borrowing @ Yr. 30</b>	£65,537	£74,433
<b>Capital Benefit @ Yr. 30</b>	£206,737	£115,857

Table 1 highlights that where Right to Buy receipts are used to fund purchases, each unit will deliver revenue savings against the cost of existing TA options from year 1. It should be noted however, the modelling assumes a quantity of leasehold acquisitions being delivered over the life of the programme, some of which may be delivered at a higher net revenue cost than indicated in Table 1. However, where freehold assets are acquired, these will likely be delivered at a lower revenue cost. Therefore, in order to afford greater flexibility it is proposed that the key financial driver for units acquired is that the average overall revenue benefit for the scheme equates to an approximate £3k per unit.

To provide a consistent approach, both the purchasing scheme and existing temporary accommodation options have been modelled using 100% of the April 2016 Local Housing Allowance rate.

## 8. Project Approach

---

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

## 9. Project Assurance

---

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)	Representing Barnet Homes interests
Project Board	Paul Shipway (Strategic Housing Lead)	Representing Council interests
	Derek Rust (Director of Operations)	Representing Barnet Homes interests
	Kate Laffan (Assistant Director, Operations)	Representing Housing Options (housing supply)
	Nick Lowther (Service Manager, Housing Supply)	Representing Housing Options (housing supply)
	Thomas Carroll (Major Works Project Manager)	Representing Property Services
Project	Nick Lowther (Service Manager,	Lead on the bidding and acquisition of

Role	Name & Position	Comments
Team	Housing Supply)	properties
	Thomas Carroll (Major Works Project Manager)	Inform on investment levels needed to bring the homes acquired up to an agreed standard and maintained 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 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	Accepter
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

Deliverable Product	Quality Criteria	Author	Reviewers	Acceptor
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 out-of-borough 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 for the acquisition of additional properties.

### Constraints

- There is a lack of affordable housing supply in the areas that Barnet Homes is confident that customers will agree to move to.
- That there may be some resourcing implications for management of stock further outside of the borough/London.

### 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 the benefit will be realised	Benefit Owner	How will the benefit be measured	Baseline value (£, % etc) and date
Financial	Temporary accommodation cost avoidance	The Council	Up to £3.9m over a 30 year period	From Q1 2017/18	Nick Lowther Service Manager – Supply	Financial monitoring	
Financial	Increase of council stock and revenue from this stock	The Council Barnet Council Tenants or Housing Applicants	Approximately 50 units	by 18/19	Paul Shipway	Performance monitoring	

## Appendix B – Financial Model

### 1. Individual unit Income and Expenditure sheet (Averages, under best case/likely scenario)

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
<b>Income</b>							
1 Rent	6,254	6,699	7,956	9,449	11,223	13,329	15,831
2 Void Loss	188	201	239	283	337	400	475
<b>Total Income</b>	<b>6,066</b>	<b>6,498</b>	<b>7,718</b>	<b>9,166</b>	<b>10,886</b>	<b>12,930</b>	<b>15,356</b>
<b>Expenditure</b>							
3 Routine Maintenance	800	900	1,044	1,210	1,403	1,626	1,885
4 Management Cost	450	506	587	681	789	915	1,060
5 Service Charge & Ground Rent	400	450	522	605	701	813	943
6 Major Works	1,402	1,578	1,829	2,120	2,458	2,849	3,303
7 Bad Debt Provision	182	195	232	275	327	388	461
8 Interest	3,154	2,902	2,586	2,271	1,955	1,640	1,325
9 Minimum Revenue Provision	2,294	2,294	2,294	2,294	2,294	2,294	2,294
<b>Total Expenditure</b>	<b>8,682</b>	<b>8,825</b>	<b>9,093</b>	<b>9,456</b>	<b>9,927</b>	<b>10,525</b>	<b>11,271</b>
<b>Charge/Credit to General Fund</b>	<b>2,616</b>	<b>2,327</b>	<b>1,376</b>	<b>290</b>	<b>-959</b>	<b>-2,404</b>	<b>-4,085</b>
<b>Closing Balance</b>	<b>2,616</b>	<b>12,766</b>	<b>21,597</b>	<b>25,277</b>	<b>23,049</b>	<b>14,004</b>	<b>-2,957</b>
11 Purchase price	140,174						
12 Stock investment	23,669						
13 RTB Re-investment	49,153						
14 Borrowing Required	114,690						
<b>13 Loan Amount</b>	<b>114,690</b>						

## 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	3.00%	3.60%
Major Works	1.00%	1.00%
Service charge and ground rent	£400 <sup>6</sup> per annum (average)	£810 per annum (average)
Refurbishment costs	£12,500	£20,000
Borrowing rate	2.75%	3.00%
Minimum Revenue Provision	2.00%	2.00%

<sup>6</sup> Average figure based upon mix of freehold and leasehold properties procured through the programme

## Appendix C: 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	Feb 17	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	Feb 17	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	Feb 17	Low	Medium		Closely monitor activity to track financial benefits and early identification of risks. There are a number of options the Council has, including stock disposal.	Expected savings and other benefits will not be achieved
004	Financial	There is a risk that there will be an insufficient volume of units available for purchase that deliver the required revenue benefits	NL	Feb 17	Low	High		The proposed target areas have been broadened to help minimise any potential impact the programme will have on local market inflation. Where there are no properties available for purchase that meet the modelled average revenue outcome across the whole scheme, no additional	Delivery of new acquisitions may not be met, if unable to purchase properties at the right price.

Ref	Risk type	Risk description	Risk Owner	Date raised	Initial assessment		Control actions	Consequences/ potential impact
							units will be acquired.	
005	Reputation	There is a risk that customers will refuse to accept properties in out-of-borough locations	NL	Feb 17	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	Feb 17	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	Feb 17	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
008	Procurement	Existing Barnet Homes' repairs and maintenance contractors are unlikely to agree to service out-of-borough properties.	DH	Feb 17	High	Medium	Extend arrangements established as part of the initial phase of the purchasing programme to deliver repairs and maintenance services to these properties	Out-of-borough properties may end up in poorer condition. Customers may experience a lack of service or lengthy wait times for repairs.

## Appendix D: Initial Project Plan

Phase	Activity	Owner	Due Date	Status
Business Case (incorporating options analysis)	Complete research & analysis and identify options for:			
	• Property Location (out-of-borough)	DB	Nov 16	Complete
	• Property Type	NL	Nov 16	Complete
	• Property Size	DB/NL	Nov 16	Complete
	• Property Tenure	DB	Nov 16	Complete
	• Property Condition	TC/DB	Nov 16	Complete
	• Procurement Strategy	NL/DB	Nov 16	Complete
	Identify and document each available option	NL/KL	Dec 16	Complete
	Complete initial financial modelling	NL	Dec 16	Complete
	Identify, monitor and manage risks	KL	Dec 16	Ongoing
	Prepare an outline business case for review by LBB	KL	Dec 16	Complete
	Develop options for managing out-of-borough properties	KL	Feb 17	Not Due
	Prepare final business case	KL	Feb 17	Not Due
	Reviewed by DPPB	PS	Mar 17	Not Due
Business case signed off by Commissioner	CS	Mar 17	Not Due	
Presentation of recommendations to the Council	Draft Report	KL/PS	Mar 17	In progress
	Council make decision whether to approve programme	PS	Apr 17	Not Due
Implementation	Commence acquisition programme	DB	From Q1 2017/18	Not Due
	Complete first tranche of purchases	DB	Q2 2017/18	Not Due
Review	Qtly review of programme incorporating lessons learned.	KL	Ongoing	Not Due

## Document Control

<b>File path</b>	
<b>Reference</b>	
<b>Version</b>	1.4
<b>Date created</b>	13 February 2017
<b>Status</b>	Draft

## Document History

Date	Version	Reason for change	Changes made by
09/12/16	1.0	Document creation	Nick Lowther
14/12/16	1.1	Revisions following comments	Nick Lowther
22/12/16	1.2	Revisions following comments	Nick Lowther
13/02/17	1.3	Revised to incorporate reduced budget	Nick Lowther
28/03/17	1.4	Further revisions following comment	Nick Lowther

## Distribution List:

Name	Role	Date
Derek Rust	Deputy Chief Executive Officer	
Elliott Sweetman	Director, Operations	
Paul Shipway	Strategic Housing Lead LBB	
Nick Lowther	Service Manager, Housing Supply	
Thomas Carroll	Major Works Programme Manager	
Russell Buchanan	Project & Contract Management Officer	

## 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
Derek Rust	Deputy Chief Executive Officer			
Paul Shipway	Strategic Housing Lead			
Kate Laffan	Assistant Director, Operations			