

## Appendix 1 - HRA Business Plan – January 2020

### 1. Introduction

The council's Housing Revenue Account (HRA) is funded through rents and service charges received from council tenants and leaseholders, it meets the costs associated with maintaining and managing the council's housing stock and can also be used for funding the development or acquisition of new council homes and other related capital projects.

Since 2012, the HRA has been self-financing, although there have been restrictions on both the amount the HRA can borrow and the rents that can be charged.

The government removed the borrowing cap in October 2018 and borrowing in the HRA is now subject to the similar prudential guidelines as the General Fund, providing opportunities for increasing affordable housing supply supported by the HRA.

The HRA Business Plan has been updated with support from housing consultants Savills and in partnership with Barnet Homes.

### 2. Executive Summary

Good progress has been made since 2015 on delivering the HRA business plan. Headlines include; the completion of 40 new council homes for rent, a 53 unit extra care housing scheme at Ansell Court in Mill Hill and the acquisition of 21 properties in London to let at affordable rents to homeless applicants. Grant has been secured from the Greater London Authority under the Building Council Homes for Londoners Programme to support the building of 87 new council homes in Barnet.

The council and Barnet Homes have always taken fire safety very seriously and ensuring the safety of residents was already a top priority for our investment programme. Following the Grenfell Tower fire in 2017, the council has committed to going beyond its statutory obligations to meet best practise in fire safety measures, and a priority for the HRA business plan going forward will be to deliver this commitment through an investment programme totalling £51.9m.

The council has continued to invest in existing council homes which continue to be maintained to the Decent Homes standard.

Other projects to be supported by the HRA Business Plan include two additional extra care schemes, providing 125 new homes, and a further project to provide an additional 20 council flats by adding a floor to existing buildings.

This updated plan identifies provision for building a further 250 new homes for rent in the borough, and investment of £36 million in properties that continue to be occupied on our regeneration estates at Grahame Park and Dollis Valley.

### 3. National Policy Framework

From 2012 HRAs became self-financing with a restriction placed on their external borrowing. In October 2018, the government removed the debt cap and HRA borrowing is now subject to the similar prudential borrowing guidelines as the General Fund. The removal of the borrowing cap means that council has an opportunity to invest more in increasing the supply of affordable housing, but it needs to ensure it can meet the cost of the borrowing.

The Welfare Reform and Work Act 2016 introduced a 4 year requirement for social landlords to reduce their rents by 1% each year from April 2016. This requirement reduced the revenue available to the HRA. In October 2017, the government announced that it intends to allow registered providers and local authorities to increase rents by the Consumer Price Index (CPI) plus 1% for at least five years from April 2020. The Business Plan assumes that rents will increase by the allowable amount until 2025 and then at CPI from 2025.

The roll out of Universal Credit for new applicants and where there is a change in circumstances for existing claims is now underway in Barnet. The impact of this on rent collection and associated bad debt is being closely monitored.

#### Corporate Priorities

The council's Corporate Plan Barnet 2024 which sets the vision and strategy for the next five years which focuses on three main outcomes:

- A pleasant, well maintained borough that we protect and invest in
- Our residents live happy, healthy, independent lives with the most vulnerable protected
- Safe and strong communities where people get along well

In April 2019 the council agreed a new Housing Strategy which sets out the plans to meet housing need in the borough with a focus on the following priorities:

- Raising standards in the private rented sector
- Delivering more homes that people can afford
- Safe and Secure Homes
- Promoting independence
- Tackling homelessness and rough sleeping in Barnet

The HRA Business Plan compliments the Housing Strategy in a number of ways, including:

- Maintaining the quality and safety of the existing supply of council housing
- Investing in the delivery of new affordable homes for rent
- Increasing the supply of housing to help tackle homelessness

- Investing in new homes for vulnerable people, including wheelchair users and older people
- Ensuring that housing services funded through the HRA are efficient and effective.

#### **4. Maintaining the quality and safety of the existing supply of council housing**

The council's housing stock is managed and maintained by Barnet Homes, an Arm's Length Management Organisation (ALMO) which was established in 2004 to improve services and deliver a programme of investment to bring the stock up to the Decent Homes standard.

Barnet Homes completed the Decent Homes programme in 2011, and now have a 30-year asset management strategy in place to deliver the following objectives:

- Ensure properties are maintained in a manner which provides a safe living environment and one that is not detrimental to residents and others health.
- Ensure operators maintaining the buildings can carry out work in a safe manner and without detriment to health.
- Identify the assets to be maintained
- Establish the basis for future investment in the assets
- Establish a basis for possible alternative use of the assets
- Provide an outline vision for new build dwellings
- Establish a mechanism for review of the strategy
- Seek residents' views on the objectives of the strategy to inform the development and updating of the strategy
- Achieve value for money
- Inform the 30-year HRA business plan

To ensure that our investment plans going forward are based on a robust and accurate assessment of the stock, Barnet Homes are in the process of commissioning a stock condition survey to be carried out later this year.

#### **Fire safety**

Following the Grenfell Tower disaster in June 2017, the council has responded by developing a £51.9 million investment programme to improve fire safety in its housing stock, including the replacement of Aluminium Composite Material (ACM) on blocks at Granville Road (completed 2018), and the installation of sprinklers in high rise blocks.

#### **Estate Regeneration**

The council recognises that its ambitious programme to regenerate its four largest council estates has taken much longer to deliver than originally envisaged. In view of this, the council will carry out a significant investment in properties at **Grahame Park** over the next 3 years. The council will ensure that homes at Grahame Park programmed to be occupied until 2024 remain compliant with statutory landlord obligations. Properties due to remain occupied beyond 2024 will be improved to meet the Decent Homes standard. These works are summarised below:

Table 1 – Approach to investment in homes at Grahame Park Estate	
Homes to continue in occupation to 2024	Compliance works, Electrical Rising Main, Electrical Testing and Rewires, Fire enhancement works, partial window replacements, ASB works such as external perimeter lighting, entry phones/renewal of entrance doors and HHSRS works.
Homes to continue in occupation beyond 2024	As above and including repair/renewal of bathrooms and kitchens, roof and windows replacement.

The council will continue to explore other options for homes at Grahame Park with a view to accelerating the regeneration of those parts of the estate that are currently outside of plans brought forward by our development partner Notting Hill Genesis.

Significant regeneration has taken place at Dollis Valley. The remaining council homes at **Dollis Valley** are due to be vacated between 2022 and 2025. These properties were built using the large panel system (LPS) method and in view of recent concerns raised about this type of construction and following discussions with Cadent Gas, it is proposed to remove the gas supply from these buildings and replace it with electricity. As running costs associated with the electric systems may be higher than gas the council will compensate residents for any additional cost. A further £0.5m will be made available across the estate to address known issues associated with buildings reaching the end of their useful life including providing additional security.

Marsh Drive is an LPS type building situated on the **West Hendon Estate**. As part of the regeneration scheme underway it was due to be the final block to be vacated by March 2022.

In response to resident requests for improved investment into the block and their individual homes, Barnet Homes is undertaking a wide range of remedial work to improve the safety and built environment of Marsh Drive. However, it became apparent that a number of homes within the block had fallen well below the standard residents should expect. In addition, Cadent have recommended that a range of precautionary measures be put in place within the block to enhance safety to the gas supply.

Given these challenges, a decision has been taken in the best interest of residents to accelerate the decanting of the block with the vacant possession date moving forward to October 2020, and this process is now underway.

The following table shows the total investment plans for the council's housing stock through to 2025:

Financial Year	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	Total
<b>STOCK CAPITAL INVESTMENT</b>							
<b>Major Works</b>	£3,914	£5,470	£7,993	£8,505	£7,062	£8,444	£41,388
<b>Regeneration</b>	£2,304	£525	£787	£644	£274	£217	£4,751
<b>Misc - Repairs</b>	£1,919	£2,315	£2,325	£2,315	£2,315	£2,315	£13,503
<b>M&amp;E/ GAS</b>	£5,954	£5,116	£3,615	£3,940	£2,440	£3,140	£24,205
<b>Voids and Lettings</b>	£3,698	£4,055	£3,905	£3,655	£3,505	£3,605	£22,423
<b>Adaptations (voids)</b>	£115	£460	£460	£460	£ -	£ -	£1,495
<b>Fire safety programme</b>	£8,785	£14,827	£12,893	£4,000	£1,315	£ -	£41,820
<b>Additional Regeneration</b>	£ -	£12,410	£15,195	£8,050	£ -	£ -	£35,655
<b>Totals</b>	<b>£26,689</b>	<b>£45,178</b>	<b>£47,173</b>	<b>£31,569</b>	<b>£16,910</b>	<b>£17,721</b>	<b>£ 185,240</b>

## 5. Investment in the delivery of new affordable homes for rent

### New Build Programme

The council's Housing Strategy 2019-2024 sets out the need for more affordable homes in the borough. In order to deliver on this, local authority land, including land held in the HRA, can be made available to provide sites for new housing, either at affordable rent or for low cost home ownership.

Barnet Homes completed the first tranche of 43 new council homes by Summer 2016 and in Autumn 2018 a GLA grant of £8.7m was secured for a further 87 new homes. Plans for the delivery of these properties are progressing.

Barnet Homes have established a Registered Provider (RP), Opendoor Homes, which is delivering 340 new affordable homes for rent on council land, primarily in the HRA. This approach means that whilst the HRA supports the developments by providing land at nil cost, the development costs of the new homes are funded by a loan to Opendoor Homes from the council. The council retains 100% nomination rights to the properties that are built.

Further work has been carried out on the capacity of HRA sites to deliver additional homes, and several sites have been identified which are expected to provide approximately 250 new council homes for affordable rent over the next five years.

The council will continue to work with OpenDoor Homes, with a focus on mixed tenure developments outside of the HRA. However, the council will consider transferring HRA land to the RP where there is a good case for doing so, for example where the HRA does not have the capacity to fund a development or where it is more suitable for mixed tenure scheme.

### **Acquisitions Programme**

To make effective use of the council's Right- to-Buy receipts, HRA funding has already been used to support the purchase 21 properties across London which have been let at affordable rents via the council's Housing Allocations Scheme.

The removal of the HRA borrowing cap provided scope for increased investment in the acquisition of properties through the HRA, and a further programme to acquire 82 properties, to be let at affordable rents, was agreed in March 2019 and is now underway.

The council's Housing Strategy has identified the need to maintain a supply of larger affordable units and will ensure that some of the units acquired units have three or more bedrooms.

## **6. Increasing the supply of housing to help tackle homelessness**

The delivery of new affordable homes for rent, as described above, will help to reduce homelessness by providing an alternative to expensive temporary accommodation and offer households in this position a better outcome.

At present the average net annual cost of providing temporary accommodation is £2,000 per household, and this cost is set to increase due to continuing inflationary pressures in the housing market associated with population growth and a limited supply of housing.

This means that for every 100 additional new affordable homes built or acquired the council will save at least £0.200m in temporary accommodation costs within in the General Fund.

## **7. Investment in new homes for vulnerable people**

The council has identified a need for additional extra care housing for older people and homes for wheelchair users. As a result, investment is being targeted in two particular areas set out below.

### **Extra Care housing**

As well as providing better outcomes for users, additional supported housing will provide a more cost-effective alternative to expensive residential care. It is estimated

that around 35% of people admitted to residential accommodation by the council would have a better quality of life if there was availability within extra care housing. This equates to approximately 90 households every year.

Each client placed in extra care housing provides a saving of £10,000 a year compared to the cost of residential care. Earlier this year, building work was completed on the first new 53 unit extra care sheltered housing scheme at Ansell Court.

The council and Barnet Homes are progressing plans to provide a further 50 unit extra care scheme at Stag House in Edgware and another 75-unit scheme as part of community led development plans for the Upper and Lower Fosters estate in Hendon. Both schemes will be funded through the HRA and with grant from the GLA.

### **Wheelchair housing**

The council has identified a number people currently in residential care, who would benefit from wheelchair adapted housing. It is estimated that for each person rehoused a saving of up to £50,000 will be generated in the General Fund. Barnet Homes have already built four wheelchair adapted homes as part of the 40 new council homes completed in 2016. Additional wheelchair adapted homes will be provided as part of the on-going programme of building affordable homes described in section six above. This complies with the local plan requirement that at least 10% of new homes should be wheelchair accessible.

## **8. Efficient and Effective Services**

The majority of services funded from the HRA are provided by the council’s ALMO, Barnet Homes, including the management and maintenance of council housing and the provision of housing needs service. which is responsible for the assessment of eligibility for rehousing against the council’s Housing Allocations Scheme.

During 2015, the council reviewed the services provided by Barnet Homes through a series of challenge sessions to ensure that the services were of a satisfactory standard and provided good value for money. This led to the development of a new ten-year management agreement, effective from 1<sup>st</sup> April 2016 and secured deliverable savings worth £2.85 million over the first four years of the agreement. This sum is equivalent to a 10% budget reduction will have a minimal impact on the effectiveness of services, whilst freeing up resources for investment in further new homes.

<b>Savings target</b>	<b>Savings achieved through:</b>
£1.839 million	<ul style="list-style-type: none"> <li>• Management and repairs savings due to forecast stock losses through estate regeneration and Right to Buy sales,</li> </ul>

	<ul style="list-style-type: none"> <li>• Value for money service reviews.</li> </ul>
£0.937 million	<ul style="list-style-type: none"> <li>• Procurement and enhancing the value of existing contract arrangements</li> <li>• Reduced accommodation costs due to less floor space at Barnet House</li> <li>• New ways of working through more effective use of IT.</li> </ul>
£0.77 million	<ul style="list-style-type: none"> <li>• Stopping some of the 'non-essential' works provided by Barnet Homes,</li> <li>• Re-prioritisation of certain types of non-urgent repairs.</li> </ul>
<b>£2.853 million total</b>	

Following a slower reduction in stock than was originally forecast, the total savings amount has subsequently been adjusted to £2.148 million and Barnet Homes is on track to deliver these savings.

Further discussions will be undertaken with Barnet Homes to agree a mechanism that takes account of changes in stock as part of a mid-point review of the management agreement due to commence early in 2020.

### **Trickle Transfer**

The council is also considering supporting Opendoor Homes with a proposal to transfer 950 council homes to them as they become empty through routine causes, such as tenants transferring to more suitable accommodation, properties recovered because of tenancy fraud or anti-social behaviour.

Overtime, this would provide Opendoor Homes with a broader asset base which it could then use to support the development of more affordable homes.

Under the proposal, Opendoor Homes will charge rents set at London Affordable Rent levels, which will enable the payment of a premium back to the council, which would be used to manage the costs associated with homelessness and temporary accommodation. London Affordable rents are set by the Greater London Authority and are approximately 50% of local market rents.

The proposal will require approval by both the GLA and the Secretary of State, and council officers are currently in discussion with both the GLA and the Ministry for Housing and Local Government (MHCLG) about this.

More information about the trickle transfer proposal is attached in appendix D.

## **9. Right to Buy Receipts**

The Right-to-Buy scheme was reinvigorated in 2012 through the introduction of more generous discounts for tenants wishing to buy their council property. As part of this,



local authorities have been permitted to keep a larger proportion of the receipts generated from Right-to-Buy sales on condition that these are spent on providing new affordable homes within 3 years. The council has so far made use of Right-to-Buy receipts to support the building and acquisitions programme described in section six above, including 44 newly built council homes and 20 homes acquired on the open market for affordable rent.

## **10. HRA 30 Year Business Plan**

The council uses a spreadsheet model provided by Savills to project the HRA position over a 30 -year period, considering changes in stock, capital programme requirements, and anticipated policy changes.

A baseline position, shown in Appendix A has been established which takes account of the current capital programme, the loss of stock expected through estate regeneration and sales, and the latest government advice on rent setting. The baseline capital programme also includes: an agreed £52m investment in fire safety, building of 87 new homes supported by the GLA grant and the acquisition of 82 properties for affordable rent.

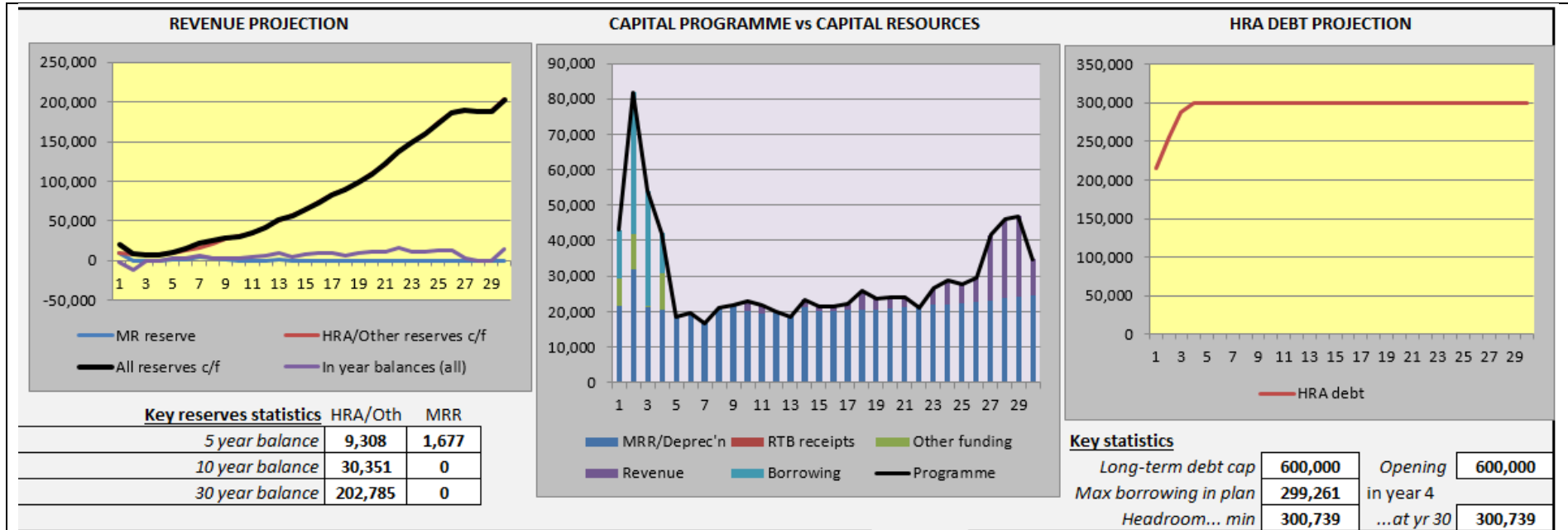
The second scenario at Appendix B sets out how 250 new build properties can be delivered in the next 6 years along with some £35.6m of investment over the next 3 years in homes at Dollis Valley and Grahame Park.

It is recommended that the council proceeds with developing plans for implementation the programme set out at Appendix B. This will see an increase in maximum borrowing from £299 million to £408 million.

The impact of the trickle transfer proposal is expected to be cost neutral, as receipts will be received from Opendoor Homes which will be used to reduce debt and the associated costs in the HRA.

A summary of the proposed Capital programme is included at Appendix C, and the draft HRA budget for 2020/21 is included at Appendix D.

## Annex A - HRA Business Plan – Baseline Model

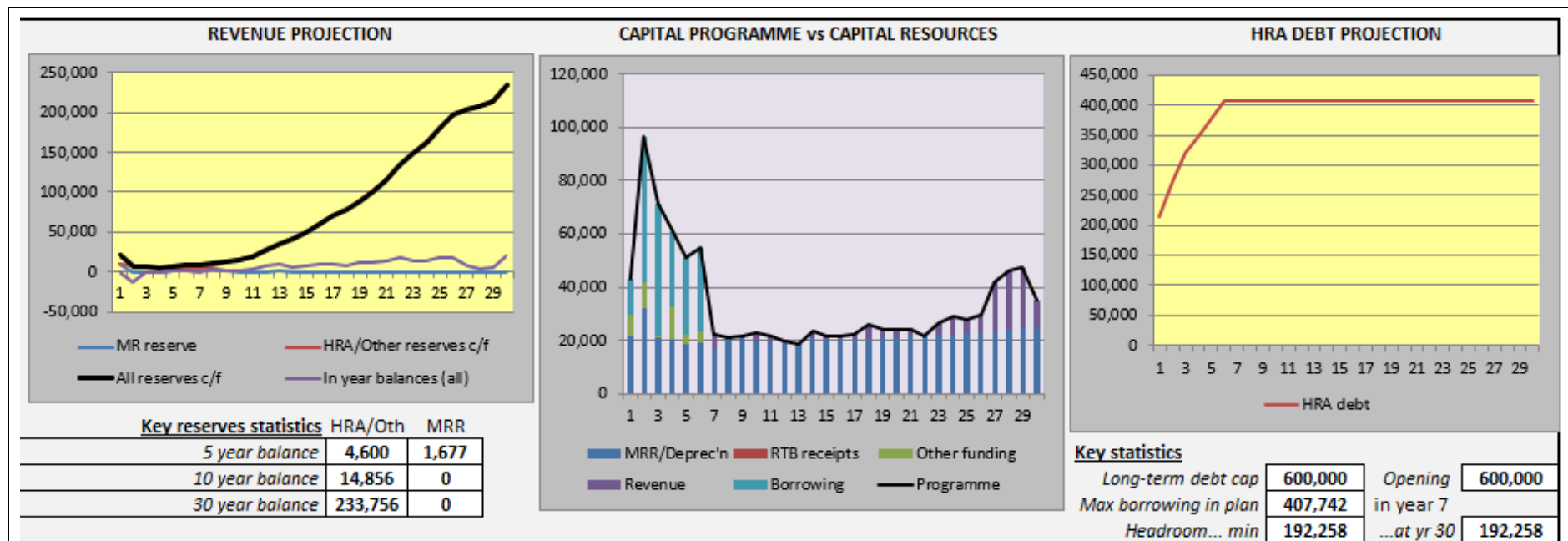


### Assumptions

- Rents -Reduce by 1% per annum until 2019/20, followed by CPI + 1% from 2020/21 to 2024/25 and thereafter CPI only increases
- Cost Inflation -RPI throughout model
- Total fire safety investment £52m from 2017/18
- Additional 87 new affordable homes built for rent delivered through GLA programme
- 82 homes acquired for affordable rent by 2021
- Note that long-term debt cap represents assumed prudential borrowing cap
- Loans are re-financed on maturity

**Base position shows sustainable HRA over 30 life of business plan**

## Annex B- Scenario two – Baseline Model plus acquisitions and additional new build and additional investment at Grahame Park and Dollis Valley



### Assumptions

- Rents -Reduce by 1% per annum until 2019/20, followed by CPI + 1% from 2020/21 to 2024/25 and thereafter CPI only increases
- Cost Inflation -RPI throughout model
- Minimum Balance Required - £3m
- Total fire safety investment £52m
- Additional 87 new affordable homes built for rent delivered through GLA programme
- 82 homes acquired for affordable rent by 2021
- New build programme of 250 homes for affordable rent over 4 years from 2019/20
- Additional £35.6m investment in homes at Grahame Park and Dollis Valley over the next 3 years Note that long-term debt cap represents assumed prudential borrowing cap
- Loans are re-financed on maturity

**Shows sustainable HRA over 30 life of business plan**

## Annex C- Proposed HRA Capital Programme to 2024

Financial Year £'000	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	Total
<b>STOCK CAPITAL INVESTMENT</b>							
Major Works	£ 3,914	£ 5,470	£ 7,993	£ 8,505	£ 7,062	£ 8,444	£ 41,388
Regeneration	£ 2,304	£ 525	£ 787	£ 644	£ 274	£ 217	£ 4,751
Misc - Repairs	£ 1,919	£ 2,315	£ 2,325	£ 2,315	£ 2,315	£ 2,315	£ 13,503
M&E/ GAS	£ 5,954	£ 5,116	£ 3,615	£ 3,940	£ 2,440	£ 3,140	£ 24,205
Voids and Lettings	£ 3,698	£ 4,055	£ 3,905	£ 3,655	£ 3,505	£ 3,605	£ 22,423
Additional adaptations to voids	£ 115	£ 460	£ 460	£ 460	£ -	£ -	£ 1,495
Fire safety programme	£ 8,785	£ 14,827	£ 12,893	£ 4,000	£ 1,315	£ -	£ 41,820
Regen Stock Additional Investment	£ -	£ 12,410	£ 15,195	£ 8,050	£ -	£ -	£ 35,655
<b>Total Investment in Stock</b>	<b>£ 26,689</b>	<b>£ 45,178</b>	<b>£ 47,173</b>	<b>£ 31,569</b>	<b>£ 16,910</b>	<b>£ 17,721</b>	<b>£ 185,240</b>
<b>INVESTMENT IN NEW SUPPLY</b>							
Ansell Court – Extra Care	£ 805						£ 805
Cheshire House – Extra Care	£ 1,000	£ 5,845	£ 5,845	£ 5,845	£ -	£ -	£ 18,535
Stag House – Extra Care	£ 1,901	£ 5,002	£ 5,002	£ 5,002	£ -	£ -	£ 16,907
Burnt Oak Broadway	£ 559	£ 2,900	£ 1,430	£ -	£ -	£ -	£ 4,889
GLA Funded Programme	£ 1,398	£ 8,615	£ 9,666	£ 7,946	£ -	£ -	£ 27,625
82 Acquisitions for affordable rent	£ 10,000	£ 21,000	£ -	£ -	£ -	£ -	£ 31,000
New Build - 250 units*	£ 1,607	£ 3,942	£ 13,195	£ 30,811	£ 26,118	£ 5,360	£ 81,034
Upper Lower Fosters	£ 400	£ 2,045	£ -	£ -	£ -	£ -	£ 2,445
Dollis Valley Shared Equity	£ -	£ 3,700	£ -	£ -	£ -	£ -	£ 3,700
<b>Total Investment in New Supply</b>	<b>£ 17,915</b>	<b>£ 53,049</b>	<b>£ 35,139</b>	<b>£ 49,604</b>	<b>£ 26,118</b>	<b>£ 5,360</b>	<b>£ 187,185</b>
<b>Total Capital Programme</b>	<b>£ 44,604</b>	<b>£ 98,227</b>	<b>£ 82,312</b>	<b>£ 81,173</b>	<b>£ 43,029</b>	<b>£ 23,081</b>	<b>£ 372,425</b>

\*Subject to capital bids

## **Annex D – Trickle Transfer**

### **Overview**

The council faces significant challenges in meeting the demand for affordable housing in the borough, with more than 2500 households in temporary accommodation. As well as the impact on households, there are significant financial pressures for the council resulting from the use of temporary accommodation.

On the 27 November 2018, the Housing Committee agreed to transfer up to 950 council homes as they become empty to TBG Open Door Limited (Opendoor Homes) who are a registered provider and subsidiary of Barnet Homes. The trickle transfer of stock will enable Opendoor Homes to strengthen their financial resilience which is intended to result in the delivery of more affordable housing being built in Barnet.

In addition, the transfer will deliver financial benefits to the council, in the form of a payment of £2000 per property per annum, which will help the authority to meet the costs associated with homelessness.

The impact of the trickle transfer proposal on the Housing Revenue Account is expected to be cost neutral, as receipts will be received from Opendoor Homes which will be used to reduce debt and the associated costs in the HRA.

The basis of the proposal is that as properties become empty through natural tenancy turnover, they will be considered for transfer to Opendoor Homes at a value that reflects the average debt for properties held in the Housing Revenue Account. The properties will be let to households via the council's Housing Allocations Scheme, and rents will be charged at London Affordable Rent levels which are published by the Greater London Authority.

Tenants will receive an assured tenancy, and OpenDoor Homes has agreed that tenants will be given rights equivalent to those enjoyed by secure council tenants, including the Right to Buy scheme, contractually. This would be subject to any legislative requirements, such as the right to acquire under the Housing & Regeneration Act 2008.

### **New Affordable Homes**

The proposal to transfer 950 council homes to Opendoor Homes is expected to provide enough capacity within to enable Opendoor Homes to build an additional 40 new affordable homes for rent. This number could increase if grant can be secured from the Greater London Authority.

Opendoor Homes have been supported by Savills who are a consultancy with substantial expertise in this area. They have modelled a business plan that demonstrates that the increase in rents combined with the asset value of the stock can create financial capacity that will support the development. In the longer term, the additional asset base that trickle transfer will provide for Opendoor Homes, will enable them to seek finance for building more homes, especially when taken alongside other proposals to increase their stock,

which include their existing build programme, the transfer of the council’s temporary accommodation portfolio, and the acquisition of 500 homes on the open market funded through a loan from the council. These initiatives combined will result in Opendoor Homes owning a stock of more than 2000 homes, ensure that it remains a viable housing association able to help the council meet its’ housing objectives.

### London Affordable Rents

London affordable rents are set by the London Mayor and the Regulator of Social Housing and provide benchmark rents that reflect the formula rent cap figures for social rent and are updated each year by CPI + 1%. The latest rents for 2019/20 published by the Greater London Authority are set out in the following table:

Size	Weekly Rent
Bedsit & one beds	£155.13
Two beds	£164.24
Three beds	£173.37
Four beds	£182.49
Five beds	£191.61
Six or more beds	£200.73

The current average rent for a council home on reletting in Barnet is £107, and whilst the London Affordable Rents will be higher, they will be at levels which are less than 50% of average market rents with the exception of 1 beds, and well within local housing allowance levels as set out in the tables below.

Mean rents in Barnet 2018/19		
	Monthly	Weekly
1 Bed	£ 1,147.00	£ 264.69
2 Bed	£ 1,439.00	£ 332.08
3 Bed	£ 1,894.00	£ 437.08
4 or more beds	£ 3,055.00	£ 705.00
Source: Valuation Office Agency (VOA).		

Local Housing Allowance Rates – Barnet 2019	Broad Market Rental Area		
	Inner N.London	NW London	Outer N.London
One Bedroom Rate:	£ 276.51	£ 203.03	£ 211.84
Two Bedroom Rate:	£ 320.74	£ 257.09	£ 263.00
Three Bedroom Rate:	£ 376.04	£ 321.45	£ 324.57
Four Bedroom Rate:	£ 442.42	£ 385.63	£ 388.65

### Financial model

Opendoor Homes will fund the purchase of properties to be transferred by securing loans on the open market and make a payment to the council of approximately £31,000, which represents the value of the average debt currently held against council homes.

Opendoor Homes will take full responsibility for maintaining and managing the properties, and the management fee paid to Barnet Homes will be reduced to reflect this. For flatted properties, Opendoor Homes will be a leaseholder of the council and will contribute to any major works on the same basis as other leaseholders.

For each property that is transferred, the council will receive an annual payment of £2000, which will be worth £1.9m a year once the target to transfer 950 properties has been achieved.

The annual benefits have been factored into the council's Medium-Term Financial strategy and will help to manage the costs associated with homelessness and the use of temporary accommodation, as follows:

<b>Year</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
In Year	£177,000	£613,000	£365,000	£253,000	£68,000
Cumulative	£177,000	£790,000	£1,155,000	£1,408,000	£1,476,000

The borrowing required for the purchase of the properties from the council will be raised via financial institutions by Opendoor Homes.

The proposal to transfer 950 council properties to Opendoor Homes is expected to have a neutral impact on the HRA Business Plan, as existing debt, management and repair costs will transfer in full to Opendoor Homes.

## **Legal**

Legal advice has been received which confirms that the council will need to apply for consent from the Secretary of State for Housing, Communities and Local Government for permission to transfer the properties because they are housing, because the transfer would be at undervalue and because this amounts to financial assistance. Because the properties are to be transferred at undervalue, the transaction potentially amounts to state aid and it will be necessary to bring it within one of the permitted exceptions to these rules, potentially by ensuring that Opendoor Homes are to provide services of general economic interest. An agreement will also need to be reached with the Greater London Authority on the level of rents to be charged.

## **Risks**

There is a risk that there could be a delay in properties becoming available for letting due to delays in transferring properties from the council to Opendoor Homes. This risk will be mitigated by ensuring that an efficient conveyancing process is developed to minimise the time it takes to transfer the properties. In addition, void works could be carried out by Barnet

Homes during the conveyancing period and the cost of these reimbursed by Opendoor Homes once the property has been transferred.

There is a risk that the Secretary of State will not grant consent to proceed with the transfer of properties to Opendoor Homes. This risk is being mitigated by maintaining a dialogue with officials at the Ministry for Housing, Communities and Local Government.

There is a risk that the Greater London Authority will not agree to the rent levels proposed for the properties that will transfer to Opendoor Homes. This is being mitigated by maintaining a dialogue with officials at the Greater London Authority.

There is a risk that Opendoor Homes will be unable to raise third party funding to support the purchase of this stock. This is currently being mitigated by early engagement with treasury advisors to understand the markets appetite to fund the programme and at what rate.

There is a risk that Opendoor Homes will be unable to repay the loans, and the lender will seek to repossess the property, so that it no longer will be available to the council for nominations. This will be mitigated by attaching conditions to the sale that stipulate that the council will have an option to repurchase the property, and that in any event the property can only be used as social housing and occupied by tenants nominated by the council. A nomination agreement is being prepared.

Opendoor Homes' plan could be impacted by government decisions on rent increases for social housing beyond 2025, as their plan assumes that rents will continue to increase at CPI+1% beyond this. – Opendoor Homes board will undertake a range of sensitivity analysis and scenario planning in respect of this and other financial risks. Options to respond may include re negotiating the terms of the loan with the funder which will have the impact of extending the repayment period. Ultimately, the payment to LBB of £2,000 per home per annum will also have to be continually considered if the viability of the programme funding is at risk.

## **Equalities**

An equalities impact assessment has been carried out and concluded that the proposal presents no unlawful discrimination as it will apply equally to all individuals. Whilst the trickle transfer of properties is in isolation unlikely to advance equality of opportunity, the wider benefits and outcomes of the proposal are likely to have a positive impact on those with protected characteristics.

The proposal is important on grounds unconnected with the potential for differential impact on protected groups. The transfer of the properties will enable Opendoor Homes to strengthen its financial resilience, which will result in the delivery of additional new affordable housing in Barnet; this will have a positive impact upon all groups, and in particular those groups that may be disproportionately affected by this proposal due to their over-representation in social housing.



An increase in the availability of social housing in Barnet will enable the council to meet more housing need by operating a fair, transparent allocations policy based on priority needs. The transfer will also deliver a financial benefit to the council of £2,000 per property transferred per annum, which will help the council to meet the costs associated with homelessness which also disproportionately affects the groups likely to be affected by this proposal.

## Annex E –HRA Budget 2019/20 and 2020/21

<b>HOUSING REVENUE ACCOUNT</b>	<b>2019/20 Budget £'000</b>	<b>2020/21 Budget £'000</b>
<b>Income</b>		
Dwelling rents	(48,608,860)	(50,404,962)
Non-dwelling rents	(1,075,000)	(1,093,275)
Tenants Charges for services and facilities	(3,991,860)	(4,147,518)
Leaseholder Charges for services and facilities	(3,211,572)	(3,266,169)
<b>Total Income</b>	<b>(56,887,292)</b>	<b>(58,911,924)</b>
<b>Expenditure</b>		
Repairs and Maintenance	7,570,000	6,960,886
General	15,982,573	18,208,417
Special	5,897,160	6,119,685
Rent, Rates, Taxes and other charges	80,000	81,360
Depreciation and impairment of fixed assets	22,563,841	21,651,168
Debt Management Expenses	7,570,000	8,253,255
Revenue Contribution to Capital	0	0
Increase in bad debt provision	250,000	257,789
<b>Total Expenditure</b>	<b>59,913,574</b>	<b>61,532,560</b>
<b>Net Cost of HRA Services</b>	<b>3,026,282</b>	<b>2,620,636</b>
Interest and investment income	(94,744)	(80,153)
<b>(Surplus) or deficit</b>	<b>2,931,538</b>	<b>2,540,483</b>