



Housing and Growth Committee 16th Nov 2021

Title	Housing Revenue Account (HRA) Acquisitions
Report of	Chairman of Housing and Growth Committee
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix 1– HRA Acquisitions (Phase 3) Full Business Case
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Summary

Against a backdrop of increasing housing demand and rising costs associated with providing temporary accommodation, this report outlines a proposed third phase of the Housing Revenue Account (HRA) Acquisitions Programme, to build upon the successes of earlier phases, and to provide the Council with an opportunity to both capitalise on available grant funding and help meet housing demand for larger homes.

Due to the lack of affordable housing supply in the borough, acquiring additional properties will provide the opportunity to further increase affordable housing supply relatively quickly at a lower cost than other temporary accommodation alternatives, as well as providing security of tenure to help satisfy Barnet's long-term housing needs.

Officers Recommendations

1. That the Committee approve the acquisition of up to 120 properties purchased from Q3 2021/22 onwards funded through HRA borrowing and grant funding as outlined in Appendix A. (Subject to further approval of funding by the Council by Policy & Resources Committee).

2. That the Committee delegate authority to the Deputy Chief Executive to approve the purchase of individual properties as part of the acquisition programme.

1. Why this report is needed

- 1.1 Due to continuing high demand for housing and rising housing costs, the number of households in temporary accommodation has increased by 10.5% since 2015/16.
- 1.2 An opportunity has arisen for the Council to attract grant funding from the Greater London Authority (GLA) to support the acquisition of former council homes. Each purchase completed before the end of March 2023 will attract £65k in grant funding on the condition that homes are let at affordable rents.
- 1.3 With the changes in retained right to buy receipt (RTB) rules, a new HRA acquisitions programme also affords the council an opportunity to commit unspent right to buy receipts and to help subsidise the purchase of larger homes in borough to meet housing demand.
- 1.4 Building upon the successes of the initial tranche of acquisitions, Barnet Homes have carried out an assessment of the viability of also purchasing both homes formerly sold under the right to buy and larger homes directly on the private market, to be owned by the Council and have developed a business case for proceeding with this as set out at Appendix A.

2. Reasons for recommendations

- 2.1 Acquisition of additional properties will provide the opportunity to increase affordable housing supply relatively quickly at a lower long-term cost than other forms of temporary accommodation.
- 2.2 The on-going cost of the accommodation will be more predictable than that procured through third party providers and will serve to better control temporary accommodation cost inflation.
- 2.3 The programme will also be utilised to deliver an additional supply of larger family homes to meet the housing needs of the borough's housing applicants.
- 2.4 The programme delivers an average surplus of between £65k and 381k per property over a 50-year period that is more favourable than existing methods providing temporary accommodation which could potentially cost £245k per unit over a similar period.
- 2.5 Through the modelled programme, the council will be also able to acquire a mixture of s106 units, ex- Council stock and a series of larger units from the open market to help meet demand for larger households in addition to the grant funded buy backs.
- 2.6 The proposed programme enables the council to capitalise on the availability of grant funding to subsidise the delivery of affordable homes. As grant funding is only available until the end of March 2023, additional purchases with RTB funding is proposed to both provide the Council with the ability to buy back former council homes in 2023/24, and to utilise RTB receipts to target homes for larger households for which there is currently unmet demand.

- 2.7 The proposed programme can be demonstrated to provide new affordable supply in addition to the existing Opendoor Homes programme as it will specifically target units that Opendoor Homes would otherwise be unable to acquire

3. Alternative options considered and not recommended

- 3.1 Do nothing – this would mean there is no positive financial impact to forecasted future General Fund budget pressures, and the council would not capitalise on the opportunity to deploy grant funding to supply additional affordable homes. Should inflation in the cost of delivering alternative temporary accommodation options increase, then this will further increase the pressure on the Council's General Fund. It is therefore not recommended.
- 3.2 An option to utilise grant funding on the current purchasing programme with Opendoor Homes was also considered. However this option would not be affordable within Opendoor Homes business plan, due to the higher borrowing cost and requirement for units to be let at Local Housing Allowance rates instead of Affordable Rent levels (65% of market rents).

4. Post decision implementation

- 4.1 The accommodation will be used as affordable housing, let on flexible tenancies or other types of tenancy.
- 4.2 Barnet Homes would seek to acquire approximately 120 one, two, three and four bedroom homes on behalf of the council that could be demonstrated to fit within the parameters of the business case. These units would be expected to be acquired from Q4 2021/22.
- 4.3 Barnet Homes would provide a full management service for properties purchased and units would be used to provide affordable accommodation, let at 65% of market rents.
- 4.4 The Council would monitor progress and expenditure of the project through Contract Performance monitoring, which is sponsored by the Deputy Chief Executive.

5. Implications of decision

5.1 Corporate Priorities and Performance

- 5.1.1 The programme aligns with the Council's Corporate Plan 2021-25 objective to 'Deliver more homes that people can afford, ensuring that communities across the borough get a 'growth benefit' from investment.
- 5.1.2 It also aligns with the Council's Housing Strategy 2019-2024 that aims to:
- Deliver more homes that people can afford
 - Deliver safe and secure homes

- Tackle homelessness and rough sleeping in Barnet.

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

- 5.2.1 The Council would need to provide an average capital investment of approximately £382k for each property acquired, but the business model shows that this could be recouped over a 50-year period, during which time the value of the property would be expected to increase. If Housing & Growth Committee approve the proposals in this report, Policy & Resources Committee will be asked to approve the funding which will be required.
- 5.2.2 The proposal is for approximately 120 properties to be acquired from Q4 2021/22 onwards, which would require a capital investment of approximately £49.8m of which £3.9m will be GLA grant funded and £10.7m funded through RTB receipts.
- 5.2.3 The project would be also be funded through £35.2m Housing Revenue Account borrowing.
- 5.2.4 The tables below indicate the potential overall financial position delivered by the scheme using average purchase prices and rents expected to be delivered through the scheme.

Table 1 – Revenue position vs. existing TA options

Activity / cumulative	Year 1	Year 10	Year 20	Year 30	Year 40	Year 50
Average TA	2,897	31,720	70,387	117,522	174,979	245,018
Purchasing with	3,025	29,510	43,403	35,674	1,587	(64,630)
Saving	(128)	(2, 210)	26,984	81,848	173,392	309,648
Purchasing with RTB	(1,675)	(18,367)	(58,127)	(127,220)	(232,071)	(380,510)
Savings	4,572	50,087	128,514	244,742	407,050	625,518

Table 2 – Capital position

	HRA purchasing (grant)	HRA purchasing (no grant)
Average property price	338,165	390,000
Average delivery costs	46,280	55,225
Subsidy	65,000	178,090
Total borrowing per unit	319,444	267,135
Peak cash deficit	43,725 (Year 22)	N/A
NPV (50 years)	129,144	304,994
Gross yield	3.6%	5.42%
Total surplus per unit	64,630	380,510

- 5.2.5 The RTB receipt funded units deliver on average a higher surplus than the grant funded units due to a higher proportion of subsidy per unit and higher rental income. For grant funded units, expected supply has been modelled based upon previous programmes and this has suggested that a higher proportion of smaller units could reasonably be expected to be offered that meet grant funding requirements.
- 5.2.6 Grant funding has been made available by the GLA to purchase homes sold under the

right to buy with the Council receiving approximately £65k for each home acquired. Initial conversations with the GLA have indicated that a bid for funding from the Council would likely receive their support.

5.3 Legal and Constitutional References

5.3.1 The acquisition of properties falls within the remit of the Housing and Growth Committee – Council Constitution, Article 7 – Committees, Forums, Working Groups and Partnerships which

“Housing matters including housing strategy, homelessness, social housing and housing grants, commissioning of environmental health functions for private sector housing. Responsibility for regeneration strategy and oversee major regeneration schemes, asset management” and other matters.

5.3.2 Section 120 of the Local Government Act 1972 gives the Council the power to acquire property whether situated inside or outside of their area for the purposes of:

- (a) any of their functions under the 1972 or any other enactment, or
- (b) the benefit, improvement or development of their area.

5.4 Insight

5.4.1 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 12% increase in new Part VII homelessness applications between 2015/16 and 2020/21.
- There has been an increase (10.5%) in the number of households in temporary accommodation (numbers have increased from 2,172 in April 2012 to their current level of 2,399 at the end of March 2021). Barnet remains one of the highest users of temporary accommodation in the UK.
- At the end of July 2021 there were 131 households in 4-bedroomed temporary accommodation that cost the council approximately £433,000 per annum over and above rents collected

5.5 Social Value

5.5.1 The Public Services (Social Value) Act 2012 requires the authority to consider how in conducting the procurement of a service, it may act so as to secure the improvement of the economic, social and environmental wellbeing of the area. Procurement of a service is not under consideration in this decision.

5.6 Risk Management

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

- There is a risk that there will be an insufficient volume of units available for

purchase at the projected average purchase price that meet the grant requirements. To mitigate against this risk Barnet Homes will actively promote the scheme to Barnet leaseholders. Where there are no properties available for purchase that meet the modelled conditions, no additional units will be acquired.

- There is a risk that there is insufficient resource to deliver the project within planned timescales and to meet the grant and scale requirements. To mitigate against the risk Project plans and resource planning to be developed to identify the capacity required to deliver.
- There is a risk that the assumptions made are not realised and that the programme would fail to deliver the projected revenue savings over the life of the scheme. This risk will be monitored closely to track financial benefits.

5.7 Equalities and Diversity

5.7.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people from different groups and foster good relations between people from different groups.

5.7.2 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.

5.7.3 Analysis of data has shown that women and members of Barnet's black and minority ethnic communities are over represented among those living in temporary accommodation. Over 70% of households in temporary accommodation are from non-white households, compared to around 40% of the Borough's population as a whole. Of those in temporary accommodation the main applicant is female in 65% of households.

5.7.4 It is not expected that these groups will be adversely affected by implementing the policies set out in this report, however the impact will be monitored to ensure that these groups are not adversely affected.

5.7.5 All units of accommodation that are procured will meet minimum standards and in placing households into accommodation the Council will consider the needs of protected groups.

5.8 Corporate Parenting

5.8.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. It is not

anticipated that this report has any implications for the council's corporate parenting duties.

5.9 Consultation and Engagement

5.9.1 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 Housing Strategy consultation ran for three months, from 5th November 2018 to 11th February 2019, alongside the Homelessness and Rough Sleeping Strategy consultation. It primarily consisted of an online survey on Engage Barnet. Supporting documents were also available on Engage Barnet, allowing residents to view the draft strategy on there.
- In addition, presentations were made to the Barnet Homes Performance and Advisory Group, the Children's Partnership Board, the Youth Board and Health and Well Being Board.

5.9.2 A roadshow was also held in November 2018 for residents to meet the chair of the Housing Committee and give their views on the strategy. This event had a particular focus around private renters, inviting attendees to share their experiences of residing in that sector.

5.10 Environmental Impact

N/A

6 Background papers

6.8 Appendix 1 – HRA Acquisitions Business Case