

Purchase of 500 street properties

Overview

Following Assets Regeneration and Growth Committee and Opendoor Homes board approval, the programme commenced in April 2020, in the midst of the pandemic. Whilst the impact of the pandemic undoubtedly created a very challenging procurement environment, The Barnet Group was quick to adapt processes to ensure the programme could continue despite these challenges. The Government's announcement concerning Stamp Duty also helped somewhat to create a catalyst in the market as increasing numbers of properties were marketed, albeit with increased competition from buyers.

By the end of October 2021, the first 100 new homes had been acquired. This has consequently brought financial benefits to the council in the form of on-lending revenue and temporary accommodation cost avoidance.

The programme has also afforded the council the opportunity to meet the need of other service users over and above the original business case:

- A total of £7.1m grant has been secured from the GLA to deliver homes for Rough Sleepers. The first tranche of this funding (£1.9m) was completed in July 2021 through the delivery of 15 studio flats. The programme assists the council with affordable move-on accommodation for this client group and helps reduce reliance on more expensive temporary accommodation.
- A proposal to deliver accommodation for care leavers with no recourse to public funds was approved by Opendoor Homes board in September. This will see the delivery of 30 placements through a mixture of 1-bed properties and 3-bedroomed shared accommodation and present a more cost effective alternative than temporary accommodation.

As we look forward to the next 100 homes, initial challenges brought about by the pandemic are starting to ease and we are on course to achieve our target of 125 purchases this year.

Budget

By the end of October we had drawn down 16% of the total capital budget.

Total loan facility	£170m
Total drawn down	£37.5m
Total committed	£29.3m
Drawn down funds remaining	£8.2m
Total facility remaining	£132.5m

By the end of October 2021 the 100th property had completed. Approval is sought to continue the programme as soon as possible so as to avoid a pause in the programme and disrupt new supply for Barnet's housing applicants. Short-term supply expected is provided in the table below.

	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
Homes forecasted to be purchased	10	12	8	12	13	18
Total portfolio forecasted	106	118	126	138	151	169

Project objectives and key outcomes for the Council

The effectiveness of the programme can be measured against the primary objectives agreed at Housing and Growth Committee in September 2019.

Objective	Outcome @31/10/21
Increase affordable housing supply by procuring affordable homes from the open market	By the end of October a total of 100 homes had completed, providing additional affordable accommodation for Barnet's housing applicants that otherwise would not have been available
Reduce the cost of temporary accommodation and subsequent pressure on the Council's General Fund	A total of 79 properties had been let, delivering a total of 14,764 days of temporary accommodation cost avoidance and saving the council a total of £117k .
Increase the asset base and affordable housing portfolio of Opendoor Homes, a subsidiary of The Barnet Group which is wholly owned by the Council	The first tranche of purchases has enabled Opendoor Homes to escalate its growth and August saw the entity reach a milestone of 500 homes.
Deliver on-lending revenue to the Council	The delivery of the programme also means that the council will benefit by virtue of an on-lending charge for all capital borrowed. To date this will provide an additional £254k revenue for the council by 31 st October 2021 (interest is charged bi-annually).

It can therefore be demonstrated that the programme has delivered against its key objectives agreed at the outset. By the end of October 2021, the programme is estimated to have delivered a **total estimated benefit to the council of £361k**. The cumulative benefit had reached £1,900 per day (equating to £0.7m pa) at the end of August, and where the programme succeeds in delivering all 500 homes, this would increase to approximately £9,743 per day (£3.56m pa).

Added to this, over time the growth of the programme and portfolio for Opendoor Homes will increasingly reduce reliance on the council and ultimately position Opendoor Homes to be able to secure finance independently and contribute to meeting the boroughs housing demand without any additional support from the council.

Current pipeline and portfolio performance

There was a total of 88 units in the pipeline at the end of October, representing a peak in the number of properties being pursued.

The performance of both the pipeline and portfolio compares very favourably with the business plan assumptions. This is due to more favourable borrowing rates and the acquisition of lower cost units (including grant funded studio units) seeing the average unit cost remain well below expectations. This provides assurance moving forward that the programme should continue to exceed business plan expectations both in the short and medium term.

Pipeline		
Outputs	Actual	Business Plan
Drawdown rate	3.25%	4.24%
NPV	£15.6m	£4.8m
Total revenue surplus	£25.0m	£7.9m
Peak revenue deficit	Nil	£4.0m
Peak revenue deficit year	N/A	Year 17
Average purchase price	£255,607	£282,500
Average total cap ex	£269,640	£317,710
Gross Yield	5.26%	4.39%
Repayment year	37	48
Total value of pipeline	£23.7m	
Units in pipeline	88	

Portfolio		
Outputs	Actual	Business Plan
Drawdown rate	3.05%	4.24%
NPV	£25.7m	£5.4m
Total revenue surplus	£39.2m	£9.0m
Peak revenue deficit	Nil	£4.5m
Peak revenue deficit year	N/A	Year 17
Average purchase price	£270,795	£282,500
Average total cap ex	£292,720	£317,710
Gross Yield	5.28%	4.39%
Repayment year	35	48
Total value of portfolio	£29.3m	
Units in portfolio	100	

Portfolio data

Borough		%
Barnet	27	27
Brent	3	3
Enfield	63	63
Haringey	5	5
Harrow	1	1
Newham	1	1
Total	100	100

Property Sizes		%
Studio	13	13
1 bed	10	10
2 bed	58	58
3 bed	17	17
4 bed	1	1
5 bed	1	1
Total	100	100

Summary of pipeline status

The pipeline has grown steadily since the start of the programme and peaked at 92 units that were actively being pursued at the end of September. There has also been 28 units that have been withdrawn during the programme as either vendor/chain circumstances have changed, or new information has come to light as part of the due diligence which has then instigated Open Door Homes to withdraw from purchases. The healthy pipeline demonstrates that sustained delivery of new stock is likely to continue at a strong rate.

Under review	5
Conveyancing	83
Total	88
Withdrawn	28

Voids and lettings

Void turnaround was initially challenging due to lockdown restrictions and reduced tenant mobility. However conditions have since improved and since April properties have taken around 60 days from the point of purchase through to letting. This has been consistently evenly split between refurbishment and letting. Void spend has consistently been within budget as refurbishments have been closely managed throughout the programme.

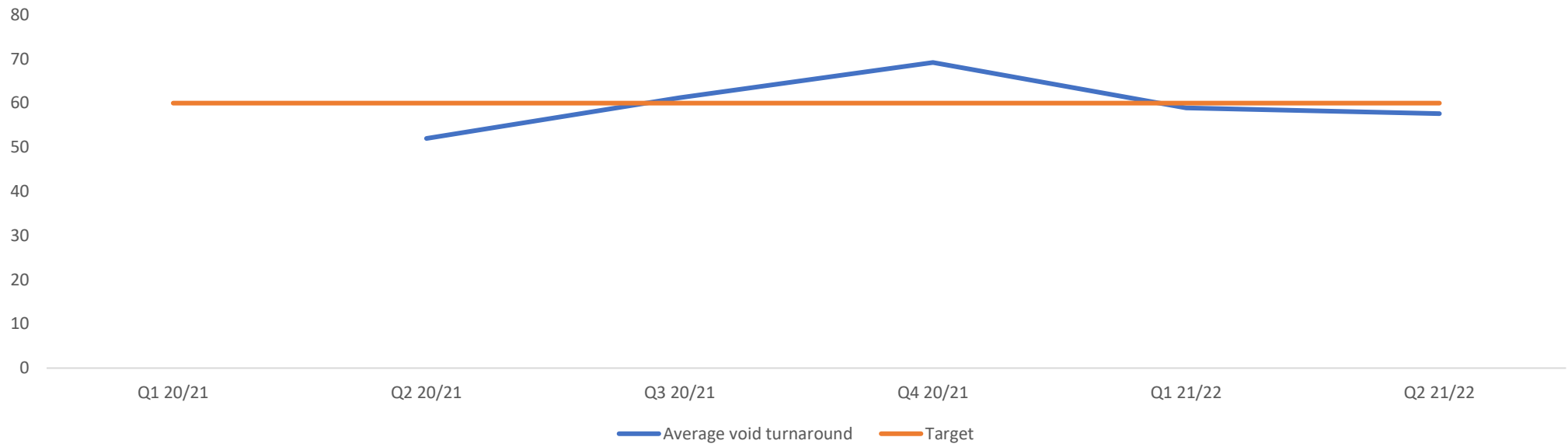
		Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22
New voids	In month	1	6	13	18	25	15
	YTD	1	7	20	38	25	40
New lettings	In month	-	2	12	19	19	16
	YTD	-	2	14	33	19	35
Average days to refurbish ¹	In month	21	44.3	28.7	33.7	30.1	29.3
	YTD	21	41	33	33.3	30.1	29.8
Average days to let ²	In month	-	37	25.8	32.7	29.6	31.9
	YTD	-	37	35.3	33.9	29.6	30.7
Average void turnaround ³	In month	-	52	61.2	69.2	58.9	57.6
	YTD	-	52	61.2	65.2	58.9	58.3
Void spend vs. Forecast Provision (£k)	In month	(3)	(2)	(19)	(101)	(13)	(17)
	YTD	(3)	(5)	(24)	(135)	(13)	(30)

¹ Average days to refurbish properties for refurbishments completed in month

² Average days to let for lettings completed in month

³ Average end to end time from completion to let for properties let in month

Average void turnaround vs target




Summary


Despite the challenges brought about by the pandemic, it can be evidenced that the programme has not only delivered against its key objective to provide additional affordable homes for Barnet’s housing applicants, but it has also significantly outperformed its business plan whilst also assisting other client groups such as rough sleepers and young people on remand.


There were two key areas that presented a challenge from the outset, in no small part due to the restrictions resulting from the pandemic: rate of completions and void turnaround. However these challenges have eased as lockdown restrictions have done likewise. Moving forward we expect the programme to continue to outperform the business plan and for the supply of affordable homes to continue to be delivered at a faster pace, whilst also providing the council with the on-going flexibility to assist other client groups where the need arises.


Appendix A - Sample stock


The following are some sample units acquired through the programme to date.

	Address	Archibald Close EN3
	Borough	Enfield
	Freeholder	A2 Dominion Homes Ltd
	Floor level	Ground
	Lease length	86 years
	Property size	2 bed
	Rent per week	£299.18
	Total cap-ex	£295,628
	Completion date	29/05/20
	Let date	13/07/20

	Address	Worcestors Ave EN1
	Borough	Enfield
	Freeholder	LB Enfield
	Floor level	Ground
	Lease length	95 years
	Property size	2 bed
	Rent per week	£299.18
	Total cap-ex	£303,376
	Estimated completion date	07/08/20
	Let date	12/11/20

	Address	Silkstream HA8
	Borough	Barnet
	Freeholder	LB Barnet
	Floor level	Second
	Lease length	94 years
	Property size	2 Bed
	Rent per week	£287.67
	Total cap-ex	£313,880
	Completion date	17/11/20
	Let date	07/01/21

	Address	Chaffinch Close
	Borough	Enfield
	Freeholder	Quadron Investments Limited
	Floor level	Second
	Lease length	159 years (extension agreed)
	Property size	2 Bed
	Rent per week	£299.18
	Total cap-ex	£282,960
	Completion date	03/03/21
	Let date	20/04/21

	Address	Boleyn Way EN5
	Borough	Barnet
	Freeholder	Sinclair Gardens Investments
	Floor level	Ground
	Lease length	99 Year
	Property size	Studio
	Rent per week	£159.00 London Affordable Rent
	Total cap-ex	£77,285 (£130k GLA grant)
	Completion date	26/04/21
	Estimated ready to let date	21/06/21