Full Business Case: Acquisition of 249 homes from Redrow at Colindale Gardens (public version)

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1. Introduction

Redrow will complete 249 homes as part of Phase 2E (Block C) in their Colindale Gardens scheme on Colindale Avenue, NW9, by January 2024. This is part of a wider project delivering around 1,245 mixed tenure homes as well as non-residential floor space including a new nursery and health centre. The masterplan received a resolution to grant planning consent in December 2015 and the reserved matters application for Phase 2E (Block C) was approved in 2018.

The site was previously part of the Metropolitan Police Service's Peel Centre, which was relocated as part of a comprehensive site rationalisation project on land owned by the Metropolitan Police Service along Aerodrome Road, NW9. The Colindale Gardens site is a very short walk from Colindale tube station on the Northern line and is served by a number of local bus routes, as well as being a short distance from arterial roads such as the A41 and A5. The site is also a short distance from Barnet Council's offices on Bristol Avenue, NW9.

Redrow have been delivering the masterplan in phases. Phase 2E consists of Block C which has five cores. Cores C1 and C2 consist of 161 private sale units. Cores C3, C4 and C5, consist of a total of 249 homes comprising 29 private sale homes, 133 homes for affordable rent and 87 for shared ownership.

Redrow have approached Barnet Council with the opportunity to acquire 249 homes within cores C3, C4 and C5.

The provision of affordable housing at Colindale Gardens is set out in the Section 106 agreement dated December 2015. The proposal in this Full Business Case would enable Barnet Council to purchase these homes for conversion to London affordable rent. Redrow are seeking to exchange contracts for the acquisition by the end of June 2023.

2. Project definition

2.1 Schedule of Accommodation

The schedule of accommodation for each block is set out below. In total, the number of new homes is as follows:

Bedrooms	**Total**	**%**
Studios	8	3
1 beds	14	6
2 beds	179	72
3 beds	48	19
	249	

C3

Tenure	STUDIO	1B/2P	2B/3P	2B/4P	3B/4P	3B/5P	Grand Total
Private	0	1	9	13	0	6	29
Shared Ownership	1	2	20	40	0	15	78
Grand Total	**1**	**3**	**29**	**53**	**0**	**21**	**107**

C4

Tenure	STUDIO	1B/2P	2B/3P	2B/4P	3B/4P	3B/5P	Grand Total
Rented	4	8	19	22	0	3	56
Shared Ownership	3	2	2	1	0	1	9
Grand Total	**7**	**10**	**21**	**23**	**0**	**4**	**65**

C5

Tenure	STUDIO	1B/2P	2B/3P	2B/4P	3B/4P	3B/5P	Grand Total
Rented	0	1	0	53	18	5	77
Grand Total	**0**	**1**	**0**	**53**	**18**	**5**	**77**

Wheelchair adaptable accommodation

There are 40 wheelchair adaptable homes, as follows:

Unit mix	Total
2B/3P	4
2B/4P	36
	40

Wheelchair adaptable homes are currently in particular need. The wheelchair adaptable homes may require a range of adaptations in order to be suitable for a wheelchair user, based on an assessment by an occupational therapist. Necessary adaptations could include conversion of the existing baths to wet rooms, specialist accessible bathroom fittings, kitchen adaptations, installation of ceiling hoists and electronic fire door openings. An adaptations budget of £15,000 per home has been allowed.

Car parking

The acquisition includes 41 car parking spaces at ground floor level which are allocated to the wheelchair adaptable units.

2.2 Design and Planning

2.2.1 Design

The masterplan planning design was completed by Feilden Clegg Bradley Studios on behalf of Redrow, ahead of planning submission in 2014. The detailed design for Block C was completed by Jestico + Whiles and a reserved matters application was approved in 2018. The scheme is designed to the prevailing design standards of that time.

The scheme is consistent with others in the Colindale area, with a focus on good quality flatted blocks and commercial or communal space at ground floor.

Block C consists of five cores around a central outside communal space at podium (first floor) level. This communal space is accessible to all residents of Block C, regardless of tenure. There is car parking at basement and ground floor level.

There is also large park within the wider scheme that will be accessible to local residents.

2.2.2 Planning

An outline consent was granted in 2015 (reference H/04753/14). A reserved matters application for Phases 2D, 2E, 2F and 2G was approved in 2018 (18/4369/RMA).

The Section 106 agreement was approved in 2015. Redrow are seeking to vary the Section 106 agreement as part of the sale of these homes.

2.3 Tenure mix

2.3.1 Existing tenure mix

The existing tenure mix of the scheme is as follows:

Core	Private	Affordable Rented	Shared Ownership	Grand Total
C3	29	0	78	107
C4	0	56	9	65
C5	0	77	0	77
Grand Total	**29**	**133**	**87**	**249**

2.3.2 Proposed tenure mix

Following the acquisition of the homes, it is proposed that all 249 homes are converted to London affordable rent.

This will provide additionality whereby:

- The rent level for the affordable homes was largely undetermined before, but would likely be let at a higher rent level than London affordable rent if purchased and let by another entity, albeit the three bedroom properties would still be let at London affordable rent in line with the Section 106 agreement
- The 116 private and shared ownership homes will now be London affordable rent

2.4 Previous acquisition programmes

The acquisition of new or existing housing stock is part of a raft of actions and mitigations introduced by the council and delivered by The Barnet Group to help address homelessness and General Fund temporary accommodation budget pressures. A third phase of the Housing Revenue Account (HRA) acquisition programme was approved in 2021, seeking to acquire a further 120 properties. The proposed acquisition at Colindale Gardens will build upon this experience of acquiring properties through the HRA.

2.5 Right to Buy

As the properties will be acquired through the HRA, tenants may be able to purchase their property through Right to Buy should they meet the qualifying criteria. As these properties are new, there may be a higher risk of fraudulent applications. Any Right to Buy applications received will be reviewed by the council's fraud team.

The 'cost floor rule' is likely to apply to these properties whereby the discount available must not reduce the price below what has been spent on building, buying, repairing or maintaining the property over the previous 15 years if the property was acquired after 2012.

3. Rationale

This Full Business Case (FBC) sets out the rationale for acquiring 249 homes from Redrow at Colindale Gardens.

This FBC has been prepared using the agreed standards and format for business cases, as set out in the HM Treasury Green Book business case methodology.

The agreed format is the Five Case Model, which comprises the following key components:

- the **strategic case** section – this sets out the strategic context,
- the **economic case** section – this demonstrates that the council has selected a preferred way forward which best meets the existing and future needs of the council,
- the **commercial case** section - this defines the potential commercial benefits,
- the **financial case** section – this highlights the proposed funding and solution for delivering the acquisition,
- the **management case** section – this demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

The purpose of this section is to explain how the scope of the proposed project fits within the existing Barnet Council strategies and provides a compelling case for the acquisition of these homes from Redrow.

3.1 The Strategic Case

3.1.1 Barnet context

Barnet has the second largest population of any London Borough with 389,300 residents (Census 2021). This figure is expected to grow to 452,000 by 2036.

The council has an important role to play in delivering Government targets for housing growth over the coming years. To deliver an increase in housing completions requires the council and wider public sector to increase its own pipeline of housing delivery.

3.1.2 Business strategies

Our Plan for Barnet 2023 – 2026, draft Housing Strategy and the Growth Strategy 2020-2030

Delivering more affordable homes in the borough is a priority of the council, as set out in Our Plan for Barnet 2023 – 2026, the draft Housing Strategy and the Growth Strategy. Since May 2022, this has become a council priority.

In the new draft Housing Strategy providing the right homes in the right places and more affordable homes is a key ambition. The acquisition of 249 homes will support the ambition to deliver 1,000 homes at 50% of market rent or lower.

The new Corporate Plan, 'Our Plan for Barnet', is built around a council that cares for people, our places, and the planet. Under the People priority, it aims to be family friendly, tackle inequality, and support health and independence. Under the Place priority, it aims to ensure safe, attractive neighbourhoods, quality affordable homes, sustainable growth, and thriving town centres and make Barnet a fun place to visit. Under the Planet priority, it aims to focus on the council's journey to net zero, local environment, and green spaces.

Health and Wellbeing Strategy 2021-2025

The Health and Wellbeing Strategy 2021 to 2025 recognises that the condition of and access to local housing has an important role in the quality of life and health of both individuals and communities.

London Plan 2021

See the following link for the new London Plan 2021:
https://www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/london-plan-2021

New draft Local Plan

The council is reviewing and updating the Borough's Local Plan. The Local Plan sets out a vision for how Barnet will change as a place over the next 15 years and forms a strategy which emphasises the Borough's attractiveness as a place to live, work and visit. The emerging Plan is expected to be adopted in spring 2022.

There are four key aims in the emerging Local Plan:

- Emphasise housing, jobs, infrastructure and place-making opportunities at Brent Cross (North, Town & West) and New Southgate
- Make Colindale a more sustainable place where the car is no longer dominant

- Revitalise major thoroughfares such as the A5 as corridors for sustainable growth, ensuring that they connect with their suburban surroundings
- Emphasise growth opportunities in Barnet's Town Centres as part of high street recovery and greater neighbourhood living

3.1.3 Supply and demand in Barnet

The council and Barnet Homes have worked successfully to reduce the number of households in temporary accommodation (TA) through a successful programme of homelessness prevention activities. This has resulted in the number of households In TA reducing from 2,936 in November 2016 to 2,076 in August 2022 (the lowest in 10 years).

However, since then the number of households in temporary accommodation has been rising. Barnet Homes is projecting an increase in TA this year as follows:

- Overall TA – from 2,202 households in March 2023 to between 2,350 & 2,600 in March 2024
- Emergency TA – from 374 households in March 2023 to between 680 & 918 in March 2024

According to the Department of Levelling Up, Housing & Communities (September 2022), Barnet has the 9th highest number of households in TA.

30% more homelessness applications were opened in 2022/23 than in 2021/22; and in Q3 and Q4 2022/23, the number of applications opened was 50% higher than the same period in the previous year.

Over several years, Barnet has resettled a number of refugees through various resettlement schemes and has also co-ordinated support for asylum seekers accommodated in contingency hotels. There are currently:

- 29 Afghan individuals (7 families) resettled in Barnet
- 1,110 Ukrainians through the Homes for Ukraine scheme.
- 1,600 (approx.) asylum seekers housed in contingency hotels in the borough

The Home Office have committed to ceasing to use hotels as contingency accommodation and moving towards the London Regional Asylum Dispersal Model which has allocated Barnet a total figure of 239 to be housed in Dispersal Accommodation (DA).

Changes to the asylum process will mean that there is the potential for an increase in individuals from a refugee or asylum background approaching for housing support.

Private rented sector (PRS) landlords are withdrawing properties from the open and temporary accommodation markets. As such, there have been reduced PRS placements, in Q1-Q3 2022/23, Let2Barnet procured 259 properties against a target of 459. Decreased availability of PRS, along with an increase in homelessness approaches, pose challenges both for providing housing to long term residents as well as those moving into the borough because of refugee status.

These challenges in terms of supply and demand are not unique to Barnet and are being experienced across London; however, they are exacerbated in Barnet due to the borough having the 6th lowest council housing stock in London, but the second highest population.

The table below shows the current demand for fully adapted (Category A) and partially adapted (Category B) wheelchair properties, accurate as of 9 May 2023, and split by level of need (band 1-4).

Current demand for wheelchair adapted properties (as of 9 May 2023)					
	Band 1	**Band 2**	**Band 3**	**Band 4**	**Total**
1 bed	7	3	0	3	13
2 bed	6	4	0	1	11
3 bed	14	3	0	1	18
4 bed	3	1	0	2	6
Total	30	11	0	7	48

The allocations of the 40 wheelchair adaptable homes will need to be carefully managed as they are spread evenly across the nine storeys of the new blocks. This may give rise to concerns about, for instance, emergency evacuation and egress for wheelchair users on the higher levels.

3.2 The Economic Case

3.2.1 Alternative options for Redrow

One of the economic drivers for this business case is considering how this new housing stock would otherwise be used if it was not acquired by Barnet Council.

Registered Providers (RP) may choose to let the homes at a higher rent level, i.e., up to 80% of market rent (albeit the three bed homes would remain at 50% of market rent as per the Section 106 agreement).

Furthermore, another RP may choose to retain the 87 shared ownership homes as currently proposed. It is generally understood that there is already a large supply of shared ownership in Colindale and that this may oversaturate the market.

There are provisions within the Section 106 agreement that after a period of time, Redrow are able to convert affordable products to market products if they can demonstrate a shortage of demand by RPs for the affordable homes. This would decrease the overall provision of proposed affordable homes, which is at odds with the council's housing strategy.

3.2.2 Growth of Colindale

Colindale is one of the largest growth and regeneration areas in the borough, having seen a population growth of 70% since 2011. Substantial housing growth is being delivered in the area over multiples sites and tenures, as well as a range of transport and community facility improvements.

£29.5m of Levelling Up funding was awarded in January 2023 for the redevelopment and upgrade of Colindale underground station to increase capacity and creating step free access. A number of other transport improvement projects are in the pipeline including improved cycling and pedestrian routes. Improvements to local parks are also underway.

3.3 The Commercial Case

3.3.1 Acquisition through the Housing Revenue Account

It is proposed that these homes are purchased by the council through the HRA to increase the supply of homes at London affordable rent and deliver temporary accommodation cost avoidance including reducing exposure to inflationary increases in temporary accommodation costs.

3.3.2 Summary of key legal points

Legal due diligence is ongoing and the acquisition will be subject to the satisfactory outcome of this process.

3.3.3 SDLT implications

Acquisitions for the provision of social housing may be exempt from stamp duty land tax (SDLT) where certain types of public subsidy, including GLA grant, are used to assist with the purchase. Should the application for GLA grant be successful, it should be possible to receive an exemption on SDLT, subject to confirmation from HMRC.

A budget for SDLT has been allowed in the acquisition budget.

3.4 The Financial Case

The Financial case considers the budgetary, financial and affordability impact of this project.

3.4.1 Acquisition cost

The cost of the acquisition will be funded by HRA borrowing, grant and receipts.

The purchase price reflects a valuation provided by an independent valuer.

3.4.2 Rent assumptions

The council is seeking to let the homes at the lowest rents possible to ensure that they are genuinely affordable.

Based on financial appraisals, London affordable rent will be applied. This will be based on the GLA's weekly rent benchmarks as below, allowing for 7% inflation from the 2022/23 levels:

Studio and 1 bedroom	£180.12
2 bedrooms	£190.71
3 bedrooms	£201.30

3.4.2 Financial viability and appraisal

The acquisition has been appraised as a purchase through the HRA with 40% of the cost being funded by subsidy in the form of grants and receipts and the remaining cost funded by HRA borrowing.

Financial Modelling has determined a positive NPV over 50 years of £2.307m, borrowing at an assumed 4.80% interest rate. This includes cost avoidance of £3,500 per property based on the average cost over the last 12 months. This is a conservative assumption, with average net cost per unit of TA indicating an upward trend in the early months of 2023/24.

The first 3 years of the model show a relatively manageable cash flow deficit c.£0.050-0.200m, with significant positive cash flows thereafter, and a net surplus of £23.868m over 50 years.

The overall impact is that the council will breach its Minimum Reserves Policy for an additional 2 years when compared to the HRA Business Plan approved by the Housing and Growth Committee in November 2022. At that meeting it was approved to operate within the Minimum Reserves Policy to allow for additional funding to be spent managing damp and mould. The HRA would have positive reserves at all times (it is not permitted to have negative reserves) but these would be below the policy of £4m in 2020/21, increasing by CPI each year. The HRA would be compliant again in year 12, compared with year 10.

3.4.3 Treasury strategy

The intention is that 40% of the acquisition cost will be funded by subsidy in the form of Right to Buy Receipts, housing receipts and GLA grant (subject to a successful application). The remaining cost would be funded by HRA borrowing. Borrowing in the HRA enables the council to access a reduced borrowing rate from the Public Works Loan Board (PWLB). PWLB will be discounted 0.4%.

3.4.4 Grant assumptions

To support the acquisition, the council will be applying for grant from the Refugee Housing Programme being administered by the Greater London Authority. This grant comes from the Department for Levelling Up, Housing & Communities (DHULC) to support refugees fleeing Afghanistan and Ukraine.

Barnet has the largest cohort of Ukrainian guests in London, with a total of 1,065 residing in the borough. This is the second largest cohort in the UK. To provide support, the council has a dedicated Homes for Ukraine team, established in 2022, that uses allocated government funding to help address the housing, employment and rematching needs of Ukrainian households.

To help increase the supply of affordable accommodation, the Homes for Ukraine Team will work with Barnet Homes to allocate homes to those in need.

3.5 The Management Case

The management case provides the outline plan for programme management, governance, risk management and benefits realisation that will be required to ensure successful delivery. The project will follow the corporate project management guidelines, specifically around governance, reporting and risk management.

3.5.2 Location

Colindale Gardens is located 0.2 miles from the council and The Barnet Group's head office at Bristol Avenue. The majority of the council's housing stock is located in the western side of the borough, so there are a number of benefits of acquiring stock in this location. Housing operations and allocations are managed from this head office and the Homes for Ukrainians team at the council is also based here.

Furthermore, estates requiring the largest amount of decanting are in the western side of the borough so this new stock will help to increase the volume of stock to offer residents locally.

3.5.3 Technical due diligence

As part of reviewing the proposal for acquiring these 249 homes, The Barnet Group are carrying out technical due diligence in relation to the following matters:

a) Fire safety (noting there is no second staircase)
b) Build quality
c) Service charge arrangements
d) Aftercare arrangements
e) GLA design compliance

The Barnet Group's building and fire safety team have conducted a site visit and an initial inspection has shown a good level of quality and compliance. A detailed review of the documentation is currently underway to substantiate this assessment.

In particular, the following areas are being investigated:

- Review of estimated district heating and services charges to residents
- Waste management strategy
- Maintenance arrangements for services including sprinklers, mains water, door entry and video control room
- Management arrangements for the communal space

The acquisition will be subject to the satisfactory outcome of the technical due diligence.

3.5.4 Management agreement and arrangements

The properties will be managed and maintained by Barnet Homes in accordance with the existing Barnet Homes Management Agreement and the associated management fees will be adjusted to reflect the additional homes. The management arrangements will be formalised through the applicable Change Notice process.

Management and maintenance charges will be met from within the rental income and this has been factored into the debt repayments.

A condition of the acquisition of these homes is that Barnet Homes or the council enters into a management agreement with Redrow. This work is ongoing and Barnet Homes and the council are seeking the appropriate legal and practical advice.

3.5.5 Lettability of properties

The acquisition will provide much needed housing supply to help meet rising demand including pressures arising from increased numbers of households in temporary accommodation, the current and upcoming phases of the Grahame Park regeneration scheme and the upcoming end of the Homes for Ukrainians scheme.

There is currently high demand for 1 bedroom and 3 bedroom properties which the acquisition of homes in Colindale Gardens will help to meet.

The acquisition includes a relatively high number of 2 bedroom properties which may be more challenging to let due to lower need for this size of property, particularly amongst applicants in Bands 1 and 2. This challenge will be addressed through the following measures:

- Assessing applicants in lower bands
- Engaging early with non-secure tenants in upcoming phases of the Grahame Park regeneration scheme given the proximity of Colindale Gardens
- Agreeing an approach to assessing Ukrainian households whose Homes for Ukraine placement is ending
- Considering any eligible homeless applicants currently at relief or prevention phase for banding if they have a two-bed need

There may be additional resource requirements due to the high volume of nominations and lettings in a concentrated period.

The acquisition includes 40 car parking spaces which are allocated to the wheelchair adaptable units. The lettings team have advised that provision of parking spaces for these homes will be a key requirement for letting these homes.

3.5.6 Programme

The anticipated programme for the acquisition of homes at Colindale Gardens is as follows:

Cabinet approve the full business case	26 June 2023
Target date for exchange of contracts with Redrow	30 June 2023
Allocations commence	October 2023 onwards
Completion of C4 & C5	October 2023
Completion of C3	January 2024

4. Options

There are three potential options identified.

- **Option 1** – Do nothing
- **Option 2** – Barnet Council acquires all 249 homes through the HRA
- **Option 3** – Opendoor Homes acquires the 249 homes

Option 1 – Do nothing

Advantages	Disadvantages
• No financial or reputational risk for the council	• The opportunity to support the council's strategic objectives of delivering more affordable homes would be missed • The opportunity to acquire 249 homes, contributing to the 1,000 new affordable rented homes target, would be missed • The opportunity to help reduce rising demand for Temporary Accommodation would be missed

Option 2 – Barnet Council acquires all 249 homes through the HRA

The council would acquire the homes via the HRA using HRA borrowing at an expected rate of 4.8%, which takes into account the discount of 0.4% that is currently available. The remainder of the cost of the acquisition would be funded by Right to Buy receipts and GLA grant.

The financial appraisal for this option shows that all 249 homes could be let at London affordable rent. The loan would be paid back by year 50.

The homes would be managed by Barnet Homes which would provide a full management service for properties acquired and units would be used to provide long-term affordable accommodation at London affordable rent.

Advantages	Disadvantages
• Supports the council's strategic objectives of delivering more affordable homes • The financial appraisal for this option shows that all homes can be purchased to be let at London affordable rent levels • Helps to meet rising demand for Temporary Accommodation • Converts homes that would have been for private sale and shared ownership to London affordable rent	• The acquisition would constitute a significant commitment of HRA funds resulting in an increased net debt of £873.5m at year 30 and the need to operate within its reserves policy for an additional 2 years, as well as reduced resilience to future legislative or regulatory changes that require additional spending commitments. • SDLT is payable on purchases through the HRA (unless GLA grant

• Secures the tenure of the homes built for affordable rent at London affordable rent • Significant "instant" response to homelessness pressures with temporary accommodation cost avoidance for the General Fund of c£3,500 per unit per annum for non-accessible units. • The cost of building the equivalent number of units or acquiring the equivalent number of individual properties would be significantly higher • The nature of the acquisition enables access to alternative grant regimes • The HRA benefits from an interest rate discount of 0.4% • Minimum Revenue Provision (MRP) does not need to be incorporated in a purchase through the HRA • The HRA does not pay VAT on operating costs	is obtained, in which case relief should be available)

Option 3 – Opendoor Homes acquires the 249 homes

The homes could be acquired by Opendoor Homes (registered as TBG Open Door Ltd), a subsidiary Registered Provider (RP) within The Barnet Group which is in turn owned by Barnet Council. Opendoor Homes is also a Charitable Community Benefit Society.

The acquisition by Opendoor Homes would be funded by on-lending from the council via General Fund PWLB borrowing at a rate of approximately 5.25%. The loan would be part-funded by Right to Buy receipts and GLA grant.

The financial appraisal for this option shows that Opendoor Homes cannot afford to purchase all homes for London affordable rent at current General Fund interest rates. Purchasing the 249 properties for London affordable rent would reduce current annual dividend payments by £400k p.a. for 40 years. Annual dividend payments would be reduced by £200k p.a. if Opendoor Homes purchased 220 homes for London affordable rent and 29 for shared ownership. Without significant subsidy, the loan would not be able to be paid back.

Opendoor Homes would provide a full management service for properties acquired and units would be used to provide long-term affordable accommodation.

Advantages	**Disadvantages**

• Supports the council's strategic objectives of delivering more affordable homes • Helps to meet rising demand for Temporary Accommodation • Secures the tenure of the homes built for affordable rent at London affordable rent • The cost of building the equivalent number of units or acquiring the equivalent number of individual properties would be significantly higher • As a Charitable Community Benefit Society, SDLT is not payable • Supports future growth of Opendoor Homes, which is ultimately owned (but not controlled) by the council through The Barnet Group	• Significant subsidy required to let all homes at London affordable rent or shared ownership would be required, reducing the number of homes delivered at London affordable rent. Shared ownership also presents a sales risk for Opendoor Homes. • No discounted borrowing rate available on a General Fund loan • The council would need to make a Minimum Revenue Provision (MRP) allowance for the loan to Opendoor Homes • Opendoor Homes pays VAT on operating costs

Financial appraisal comparison

A comparison of financial appraisals for Option 2 and 3 show that the overall cost of Opendoor Homes acquiring the homes would be significantly higher due to the higher interest rate and payment of VAT on operating costs.

It is therefore recommended that Option 2 is approved. This option enables the most financially efficient means of acquiring the homes and enables the conversion of the homes built for private sale and shared ownership to London affordable rent.

5. Expected Benefits

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
Benefit 1: Financial cashable	Cost avoidance where temporary accommodation is not required for approx. 249 households	Council	£871,500 per annum	2023/24 onwards	HRA	Financial monitoring by comparing the cost per year to provide Temporary Accommodation (currently £3,500 per property per year for non-accessible units	Cost of Temporary Accommodation 2022/23
Benefit 2: Strategic	Increase of affordable housing stock by converting 116 units built for private sale and shared ownership	Housing applicants	116 units	2023/24 onwards	Council	Performance monitoring	Affordable housing supply 2022/23

6. Summary of Key Risks

A risk assessment has been undertaken and involved the following distinct elements:

- Identifying all the possible business and service risks associated with each option;
- Assessing the impact and probability for each option;
- Calculating a risk score.

This is in line with the LBB corporate Risk Management Strategy, which uses the following matrix score risks:

	Score:		PROBABILITY				
			1	2	3	4	5
			Rare	Unlikely	Possible	Likely	Almost certain
IMPACT	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5

	Risk item	Description	Mitigation	Probability	Impact	Risk
1	GLA grant applications are not successful	There is a risk that applications for GLA grants to support the acquisition are not successful, which may impact on the business case	Conversations with the GLA are on-going	3	4	12
2	Operational and management cost increases	There is a risk that operational and management costs will increase.	Due diligence is ongoing to inform our understanding of this risk and to put in place the necessary mitigations. This risk rating will be reviewed following the outcome of the due diligence.	3	4	12
3	Service charge affordability	There is a risk that service charges will not be affordable for residents.	Due diligence is ongoing to inform our understanding of this risk and to put in place the necessary mitigations. This risk rating will be reviewed following the outcome of the due diligence.	3	4	12
4	Fire safety compliance	There is a risk that additional works will be required to ensure compliance with emerging fire safety requirements	Due diligence is ongoing to inform our understanding of this risk and to put in place the necessary mitigations. This risk rating will be reviewed following the outcome of the due diligence.	3	4	12
5	HRA resilience	The HRA Business Plan includes various assumptions and is driven by key factors; inflation and interest rate risk on repairs and rental income; management recharges; the cost of financing capital programmes and repayment of debt; the impact of net zero and changes in regulatory or legislative requirements such as fire safety. The sensitivity to these	These risks may be mitigated by reducing the capital works programme, re-profiling works into future years, reducing service levels through focusing on priorities, reducing cost allocations for corporate overheads from the General Fund, or potentially medium-term interest rates may not be as high as estimated. The council approves a 30-year HRA Business Plan each year to review and	4	4	16

		factors means it is at risk of going into deficit if the economic environment and rising demand for services and cost of skilled labour continue to be volatile. Furthermore the scale of the acquisition could reduce the HRA's resilience to respond to future legislative and regulatory changes that may require additional spending commitments.	scrutinise the viability and sustainability of the HRA.			

7. Approach to equalities and Equalities Impact Assessment

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

The needs of protected groups will be considered as part of the allocations process.

40 of the units are wheelchair adaptable.

8. Approach to consultation and stakeholder engagement

The council has regularly engaged with the GLA, who are supportive of the principle of the proposal.

Internal stakeholders have also been engaged to ensure suitability of the product being acquired and that the approprtiate level of due diligence is completed.

9. Dependencies

The project is subject to the below dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

Scheme dependencies are summarised in the table below.

Dependent on	Nature of dependency
Government funding	Funding from the GLA and Right to Buy receipts required.
Planning consent and Section 106 agreement	Variations to the existing Section 106 agreement are required. This is being led on by Redrow.
Member engagement	Portfolio lead members have been engaged throughout the process.