

Report for: Cabinet 10 December 2019

Title: Acquisition of housing portfolio

Report authorised by: Dan Hawthorn, Director of Housing, Regeneration and Planning

Lead Officers: Alan Benson, Interim Assistant Director Housing
Christine Addison, Interim Assistant Director Capital Projects & Property

Ward(s) affected: All

**Report for Key/
Non-Key Decision:** Key

1. Describe the issue under consideration

- 1.1. After consulting the Leader and Cabinet Member for Housing, a bid was submitted by the Council (subject to legal and financial due diligence and expressly on condition of Cabinet approval) to acquire a freehold portfolio of properties). Following the competitive bidding process, the Council's bid was accepted, subject to contract, on 19 August 2019. Further details of the location of the properties and the Seller are included in the exempt report.
- 1.2. This acquisition would represent an opportunity for the Council to secure a large portfolio of freehold residential blocks of 92 homes to provide the Council with high quality, individual and family sized housing that the Council could use both to house homeless households and, where it is also financially viable, to offer supported housing.
- 1.3. If the acquisition is approved, these properties will be leased to the Haringey Community Benefit Society (the CBS) for a period of seven years to provide homes for homeless households or used to deliver supported housing for those with additional support needs.
- 1.4. This report seeks approval from Cabinet to acquire the properties and spend the sum specified in the exempt report on these homes.

2. Cabinet Member Introduction

- 2.1. I am delighted that Haringey has the chance to acquire these homes. They are good quality, they are for the most part family-sized and they will provide homeless households, or those needing supported housing, with somewhere to live that is safe, stable and well maintained – a place where individuals and families will have a better chance.

3. Recommendations

It is recommended that Cabinet:

- 3.1. Approves the purchase, for the price set out in the exempt part of the report, of the freehold interest in a portfolio of 92 properties from the Seller, for housing purposes and subject to satisfactory Legal and Strategic Property Unit due diligence processes, such as title checks, building condition surveys, servicing records and statutory compliance and agrees that the total sum to be spent on the purchase shall be the amount set out in the exempt part of the report.
- 3.2. Delegates authority to the Director of Housing, Regeneration and Planning, after consultation with the Director of Finance and the Lead Member for Housing and Estate Renewal, to agree the final terms of the acquisition.
- 3.3. Agrees that these homes be leased to the CBS for a period of up to seven years unless the Director of Housing, Regeneration and Planning agrees their retention in Council stock for use as supported housing pursuant to 3.4.
- 3.4. Agrees that officers investigate the feasibility of using a number of the homes as supported housing and delegates authority to the Director of Housing, Regeneration and Planning after consultation with the Director of Finance, the Director of Adults and Health, the Lead Member for Housing and the Lead Member for Adults and Health, on presentation of a business case to agree their use as such.

4. Reasons for decision

- 4.1. This acquisition represents an opportunity for the Council to secure 92 good-quality homes with a high proportion of family sized accommodation. These can be used to provide homeless households with temporary accommodation or long-term settled homes but may also be used for residents with support needs, subject to completion of the appropriate business case.
- 4.2. The portfolio consists of 20 one-bedroom, 64 two-bedroom, 2 three-bedroom and 6 four-bedroom properties. Once acquired the properties will be leased to the CBS and allocated to households under a Nominations Agreement.
- 4.3. These homes will represent a substantial improvement in the accommodation available to homeless households because they are significantly better in terms of quality and location than much of the temporary accommodation these households currently live in.
- 4.4. The nature of the tenancy that will be offered is also an improvement in the longer-term on some of the current offer, which is often limited to a two-year private sector tenancy with potential rent increases at the end of the tenancy.
- 4.5. The biggest demand in temporary accommodation is for two and three-bedroom properties. This portfolio significantly helps meet this demand.
- 4.6. While financial viability of this purchase is based on the provision of accommodation to households currently in temporary accommodation, there is also significant demand for supported housing which is either in or close to Haringey, so that residents can access local support networks. Where a business

case can be made to use some of these properties in this way, this purchase could also offer a much-needed opportunity to secure sustainable supported accommodation, which provides users with stable housing to support increased independence.

- 4.7. The proposal to lease these properties to the CBS means the properties could be let (by the CBS) at current Government-set Local Housing Allowance rates which are below average market rent. These would be eligible for Housing Benefit and more affordable to working tenants than much of their current accommodation. Using the properties to reduce the need for temporary accommodation would also reduce the financial burden on the General Fund, representing a year on year budget saving to the Council. Similarly, the provision of supported accommodation in or close to the borough is a cost-effective way to support residents who would otherwise require more intensive care and support through adult social care, also funded from the General Fund.
- 4.8. The freehold acquisition of the properties would mean that the Council would not be charged any ground rent by a third-party freeholder. It would also ensure in the long term that all property and assets would remain within Council control. The nature of the portfolio provides the Council with a range of exit strategies at the end of the seven-year lease, in addition to bringing them into use as Council tenancies. These include potential changes to the tenure of the properties and/or disposing of all or part of the portfolio at the end of the seven-year period to ensure the viability of the homes in the HRA.
- 4.9. The acquisition of this portfolio also provides the Council with an opportunity to use its retained Right to Buy (RTB) receipts to acquire homes to use as social housing. Such receipts could otherwise become repayable to the Ministry of Housing, Communities and Local Government (MHCLG) if they are not spent within the statutory timescales. The Council's RTB receipts are not being used to fund new build properties, because they cannot be used in conjunction with the Greater London Authority (GLA) grant secured for this programme.

5. **Alternative options considered**

- 5.1. **Not completing the contract to acquire the properties:** This option was rejected because of the quality of the portfolio. They are excellent quality homes which the Seller is bringing up to a good standard comparable to the Council's Decent Homes plus standard. They also provide a good mix of family homes in locations close to public transport and local shops and facilities.

6. **Background information**

Housing need

- 6.1. As a Local Housing Authority, the Council has a duty to provide temporary accommodation to households accepted as homeless while they await an offer of a settled home and to households awaiting an assessment. The Council currently has 2,930 households living in temporary accommodation and this figure is expected to remain in excess of 2,000 for the next two years.

- 6.2. Due to a chronic shortage of social housing in Haringey (and across London), a large amount of the temporary accommodation in which the Council accommodates households is sourced from the private sector. There is often a shortfall between the rents that are charged on these homes and the amount the households to which they are allocated are able to pay (which is generally the amount of Housing Benefit they are receiving). This gap has been widening since housing benefit rates were frozen in 2016 for four years. This shortfall is paid by the Council and is a significant cost to the General Fund. The cost in 2018/19 was approximately £8.7 million.
- 6.3. As well as the financial burden to homeless households and the Council, the housing used as temporary accommodation is sometimes of low-quality, both in terms of the home itself and the management. This is because the Council is limited by the resources available which limit purchases to homes in the bottom quartile of the market.
- 6.4. The biggest need within Haringey's homeless households is for two- and three-bed properties. This portfolio would therefore significantly help to meet demand for family accommodation for homeless households. It would enable 92 homeless households currently living in temporary accommodation procured across London to move into better quality homes much closer to Haringey.
- 6.5. In addition to the Council's temporary accommodation need, there is a shortage of appropriate supported and specialist housing for single households with identified care and support needs to whom the Council owes a duty. In particular, it is considered that one or more of these blocks (subject to the completion of the appropriate business case(s) demonstrating viability) could help to address the need to provide long-term designated accommodation for people with enduring mental health needs and interrelated issues with homelessness, criminal justice involvement and frequent acute hospital admissions.
- 6.6. Such a proposed use, if agreed following completion of the necessary modelling, would turn the accommodation into designated long-term housing for this group, with enhanced housing management funded through additional service charges.

Funding

- 6.7. The offer is based on the proposal to lease these properties to the Haringey CBS which means the properties would be let by the CBS at current Government set Local Housing Allowance rents which are affordable to those in receipt of Housing Benefit.
- 6.8. The properties once purchased will be housing land and therefore are to be accounted for through the HRA. The finance implications for the HRA is discussed below.
- 6.9. The General Fund would benefit from a reduction in the costs of providing temporary accommodation for the 92 households housed in these properties which would represent a year on year budget saving to the General Fund. As outlined above, there would also be long term revenue benefits to the General Fund through the use of some properties for supported housing.

Haringey CBS

- 6.10. On 17 July 2018, Cabinet agreed to the establishment of a Community Benefit Society (CBS). The CBS called “Haringey Community Benefit Society” was registered on 26 November 2019. The CBS is a body, governed by charitable principles, whose purpose is to acquire and hold homes which can be used by the Council either as temporary accommodation or as a long term settled home.
- 6.11. Tenants of the CBS can claim Housing Benefit up to the Government set Local Housing Allowance. Although these rates are relatively low in relation to the market, they are higher than the benefit claimable when these are owned or managed by the Council. These higher rents unlock additional borrowing to the Council, allowing it to purchase more, and better quality, properties for homeless households. The use of CBS properties to house homeless households means that the shortfall in rent, which the Council currently incurs providing temporary accommodation to households directly using private sector leases and nightly rate properties, will reduce. These savings will reduce the cost to the Council’s General Fund, albeit indirectly.
- 6.12. The Council will be leasing a number of properties to the CBS and these properties will then be used to house households nominated by the Council as either temporary accommodation with a license, or long term settled accommodation with an Assured Shorthold Tenancy, including for those with additional support needs. CBS properties will be managed by Homes for Haringey under a management agreement.
- 6.13. The leases to be granted to the CBS will require the CBS to hand the properties back to the Council at the end of the term with vacant possession. The intended - and maximum term - is 7 years. There are then several options available:
- To retain the properties for housing stock and use them for social rented housing.
 - To let them again after a gap of one year as temporary accommodation with rents at social rent level.
 - To seek Secretary of State authorisation to extend the lease to the CBS beyond seven years.
 - To sell all or some of the properties on the open market at market value and retain the remainder.
 - To sell the properties to the CBS, or a local authority housing company who would keep and let these properties.
- 6.14. The Council could also apply a mixture of these exit strategies across the portfolio.
- 6.15. The financial viability of purchasing these properties is dependent on most if not all of them being leased to the CBS for an initial term of seven years. This is because, as an independent body, the CBS can charge rents at the Local Housing Allowance, which is affordable to those receiving Housing Benefit. This in turn, generates sufficient income for the CBS to pay the Council the higher lease charges it requires to make the acquisition viable.

6.16. The CBS received its Financial Conduct Authority registration on 26 November 2019 and held its first board meeting on 2 December 2019 which approved the key documents to be entered into with the Council including the Lease, Nominations Agreement and Option Agreement.

The purchase

6.17. The Council's Strategic Property team has been involved in the negotiation and have provided advice throughout the process. The portfolio has been valued by an external valuer and an internal cash flow appraisal of the portfolio was carried out. Both of these assessments provided the basis for the Council's bid. Following a competitive bidding process, the Council's bid was accepted, subject to contract.

6.18. The proposed acquisition price is below the Council's valuation and the quality of the buildings and the surrounding land would be a positive acquisition for the Council. Should market conditions change and in circumstances where the Council needed to dispose of any of the properties in the future then disposal will be subject to market values prevailing at the time.

6.19. The acquisition of freehold interests gives the Council greater control over the assets making management easier.

6.20. The properties are being bought with vacant possession. Therefore, no tenants will be evicted.

6.21. The exchange of contract for the purchase will be subject to:

- Cabinet approval
- Financial due diligence
- Property and Legal due diligence

6.22. The purchase of these properties is in addition to the 100 properties and funding previously approved for leasing to the CBS by Cabinet.

7. Contribution to strategic outcomes

7.1. This housing portfolio purchase will support the delivery of the first two of the three outcomes for the Housing Priority in the Borough Plan. In the first instance, "it supports the aims that *"We will work together to prevent people from becoming homeless, and to reduce existing homelessness"*. This proposal will deliver the objective that *"where temporary accommodation can't be avoided, improve the experience of homeless families and minimise costs by reducing the Council's reliance on providers of nightly paid emergency accommodation"*.

7.2. The second outcome this proposal supports is, subject to a viable supported housing option being identified, that: *"We will work together to deliver the new homes Haringey needs, especially new affordable homes"* and that the Council will: *"Secure the delivery of supported housing that meets the needs of older, disabled and vulnerable people in the borough"*.

- 7.3. This housing portfolio purchase will also assist in the delivery of the Council's Statutory Homelessness Strategy 2018 by improving the suitability, affordability and location of both temporary accommodation and private tenancies, a key aim of that strategy.

8. Statutory Officers comments

Finance

- 8.1. The budget for the acquisition of the property is contained within the current HRA capital programme. The acquisition and associated costs will be met through the application of retained RTB receipts and Council borrowing in the HRA. It is anticipated that the leasing of these properties to the CBS for seven years will generate a small HRA surplus and the surplus will be placed in a HRA reserve.
- 8.2. The General Fund will benefit from the acquisition of the properties as it is estimated that placing households currently in private sector temporary accommodation into these properties will generate a saving of £207,000 per annum for the seven years of the lease.
- 8.3. Further detailed finance comments are included within the exempt part b report.

Procurement

- 8.4. Procurement note the contents of this report; however, procurement comments are not necessary for property and land transactions as they sit outside of the Procurement Contract Regulations.

Legal

- 8.5. The Assistant Director of Corporate Governance has been consulted in the drafting of this report.
- 8.6. The Council has the power under section 120 of the Local Government Act 1972 to acquire land for any purpose for which it is authorised under any enactment to acquire land or for any of its functions.
- 8.7. The properties are being acquired for Housing purposes and under section 17 of the Housing Act 1985 a local housing authority may for the purposes of providing housing accommodation (inter alia) acquire houses, or buildings which may be made suitable as houses, together with any land occupied with the houses or buildings. That includes the power to acquire land for the purpose of disposing of houses provided, or to be provided, on the land or of disposing of the land to a person who intends to provide housing accommodation on it or facilities which serve a beneficial purpose in connection with the requirements of persons for whom housing accommodation is provided.
- 8.8. The Council is proposing to grant leases to the CBS. The Properties would be bought for housing purposes and would therefore fall under section 32 of the Housing Act 1985 if the Council seeks to dispose of them. The granting of a lease would be a disposal for the purpose of Section 32. Although the Council can dispose in any manner it wishes it can only dispose with the consent of the

Secretary of State. The Council does not have to ask for specific consent where it can rely on the General Housing Consent 2013 for section 32 issued by the Secretary of State.

- 8.9. The General Housing Consent permits the Council to grant up to 5 leases of its housing land for up to seven years to bodies in which it has an interest; which description includes the CBS by virtue of the Council's ownership of a share in it. Each such lease can include a portfolio – a batch - of properties.
- 8.10. The Council is permitted under its Retention Agreement with the Secretary of State to use retained RTB receipts to meet 30% of the development (including acquisition) costs of the provision of social housing for the benefit of the borough. It is immaterial whether the social housing is provided by the Council or by a third party. For present purposes, social housing is housing let (i) at sub-market rents and (ii) in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market. The CBS's grant of 100% nomination rights to the Council, which the Council will use to house the homeless, satisfies this condition.
- 8.11. Other legal comments are contained in the body of the report.

Equality

- 8.12. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 8.13. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.14. It is proposed that these purchases are leased to the CBS to provide homes for homeless households. A full EqlA was undertaken as part of the original approval of the CBS and published alongside the Cabinet report of 17 July 2018.
- 8.15. The decision to purchase these blocks and lease them to the CBS will provide better quality accommodation for homeless applicants which will be closer to the borough and of better quality than some available private sector accommodation. The decision will therefore primarily have a positive impact on individuals and households living in temporary accommodation and those who are most at risk of homelessness.
- 8.16. Data held by the Council suggests that women, young people and BAME communities are over-represented among those living in temporary

accommodation. Furthermore, individuals with these protected characteristics as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness, as detailed in the Equalities Impact Assessment of the Council's Homelessness Strategy.

- 8.17. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

9. Use of Appendices

There are no appendices to the public report

10. Local Government (Access to Information) Act 1985

- a. Homelessness Strategy EqIA / item 12 of the March 2018 Cabinet Pack

<http://www.minutes.haringey.gov.uk/documents/g8295/Public%20reports%20pack%2006th-Mar-2018%2018.30%20Cabinet.pdf?T=10>

- b. Minutes of Cabinet meeting of 17 July 2018 approving the creation of the CBS and approval of the report "*Setting up a Community Benefit Society and a Purchase, Repair and Management Partnership to deliver Temporary Accommodation solutions*".

<http://www.minutes.haringey.gov.uk/documents/g8824/Printed%20minutes%2017th-Jul-2018%2018.30%20Cabinet.pdf?T=1>

- c. Minutes of Cabinet meeting of 12 November 2018 approving the two reports '*Amendments to the Community Benefit Society*' and '*The need for additional Housing Revenue Account spend on new build properties and Temporary Accommodation acquisitions*'

<http://www.minutes.haringey.gov.uk/documents/g9154/Public%20reports%20pack%2012th-Nov-2019%2018.30%20Cabinet.pdf?T=10>

- d. Report presented to Full Council on 26 November 2019 '*The need for additional Housing Revenue Account spend on new build properties and Temporary Accommodation acquisitions*'

<http://www.minutes.haringey.gov.uk/documents/g9147/Public%20reports%20pack%2026th-Nov-2019%2019.30%20Full%20Council.pdf?T=10>

- e. This report contains exempt and non-exempt information. Exempt information is contained within Part B and **is not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972): S. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).