

Report of: Executive Member for Housing and Development

Meeting of:	Date	Wards
Executive	14 June 2018	All

Delete as appropriate	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS EXEMPT AND NOT FOR PUBLICATION
SUBJECT: DELIVERING MORE COUNCIL HOMES: PROVIDING IMPROVED, BETTER VALUE, TEMPORARY ACCOMMODATION
1. Synopsis

- 1.1 The Council is committed to increasing the supply of genuinely affordable homes in Islington to help our residents address the current cost of living crisis. This report sets out how a programme of purchasing existing homes for sale both within Islington and in Greater London would make a contribution to meeting this objective and help us maximise the use of our RTB receipts.

2. Recommendations

- 2.1 To approve a temporary accommodation acquisitions programme that enables the council to increase the supply of council owned temporary accommodation and maximise the spend of excess RTB receipts starting in the 18/19 financial year and continuing in subsequent years, subject to funding.
- 2.2 To delegate authority to purchase individual properties that are considered to be affordable and value for money to the Corporate Director of Resources in consultation with the Corporate Director of Housing and Adult Social Services and the Executive Member for Housing and Development.
- 2.3 To authorise the additional resources required to deliver the programme efficiently and effectively, as outline in Point 3.4.2 of this report.

3. Background
3.1 Housing need in Islington

- 3.1.1 Our vision for housing is that everyone in Islington has a place to live that is affordable, decent

and secure. However, due to lack of land, a restricted capacity to borrow within the Housing Revenue Account and restricted resources it is very challenging to deliver an adequate supply of new affordable housing to meet need.

3.1.2 Despite the difficult circumstances, the council has developed an ambitious target to deliver 1,900 new genuinely affordable homes, including 550 new council homes, between 2018 and 2022. However, there are over 12,000 households who have applied for social housing in Islington and 745 households placed in temporary accommodation. Almost half of those households are housed outside of the borough and over 680 of these in privately owned accommodation. Standards of accommodation within this sector have fallen in recent years, as the local housing allowance has reduced in value, and are generally of a lower standard than similar council owned properties with significantly higher private sector rents.

3.2 **Buying properties to meet housing need:**

3.2.1 The need for additional housing within Islington outstrips levels of supply significantly. Despite the success of our new build programme and recent initiatives to increase our own supply of temporary accommodation, we continue to be heavily reliant on the private rented sector to meet our need. This presents a number of issues for the council in terms of the quantity and quality of accommodation available, the standard of repairs and maintenance services and costs the general fund nearly £1m a year to subsidise.

3.2.2 Purchasing properties for use a temporary accommodation (TA) in the general fund will have a significant number of benefits to the council and our tenants:

- Our own accommodation will be of a higher quality, better managed and kept in a good state of repair
- Setting our own rents in future years will mean that we can project costs more effectively and reduce the amount the council subsidises TA.
- Increasing the levels of council stock through acquisition will offer an expedient way to maximise the spend of excess RTB receipts.
- Reducing the council's reliance on private sector landlords for TA and increase the supply at a time when it is envisaged demand for TA will increase.
- The value of the properties will increase over time which the council could sell to generate one off receipts or generate ongoing income for the general fund.
- As these are assets held in the general fund we can sell them quickly and relatively easily, compared with HRA properties which would limit our risk if need changes in future.

3.3 **Limiting factors:**

3.3.1 There are two key limiting factors that will restrict the scale of any acquisition programme within Islington and they are the number of affordable properties available and the availability of funding. House prices in Islington have increased significantly over recent years, with the average value of flats being sold in 2017 being £595k. Whilst indications are that the London market slowed significantly in terms of the rate of house price inflation, it is likely to be very challenging to find a significant number of properties which meet our cost and size criteria within the borough.

3.3.2 We recommend that, whilst we focus our efforts on purchasing properties within Islington, we should look at opportunities within the wider Greater London area which have direct public transport links back into the borough so that tenants can still access services with relative ease. Whilst this would not be our first choice, it should be recognised that almost half of the temporary accommodation we have is in other London Boroughs, where there is a greater supply of affordable housing.

3.2.3 The average cost of a flat in Haringey is £490k, Hackney £507k, Enfield £309k and £472k in Barnet. These are all significantly cheaper than the average Islington costs and in greater supply (Source: Rightmove, 04/2018). Whilst it will be necessary to purchase properties at the lower end of the market, not the average, buying in these areas will mean that we can purchase more

properties for the same amount of money and will give the council the best chance of achieving the level of spend required to best utilise our RTB receipts. Purchasing properties within similar geographic areas will mean that management and repair of properties can be undertaken within existing resources or contracted out if they become problematic.

3.4 **Delivering a property acquisitions programme**

3.4.1 It is recommended that Executive approve a general acquisitions programme that enables the council to maximise the spend of excess RTB receipts starting in the 18/19 financial year and continuing in subsequent years, subject to there being excess RTB receipts to utilise. It is also recommended that Executive delegate authority to acquire individual properties to the Corporate Director of Resources in consultation with the Corporate Director of Housing and Adult Social Services.

3.4.2 Additional resources will be required to undertake a large scale procurement programme. Based on the purchase of an anticipated additional 88 properties over the two years, the disposal of a small number of uneconomical properties and providing some additional support to the new build team we recommend that a conveyancer is recruited on a fixed term contract and is located within the team. The acquisition and disposal of the properties will be managed by the housing business plan manager but this will also require the support of one administrative officer.

4. **Implications**

4.1.1 **Financial implications**

SUMMARY

4.1.2 It is intended that the properties purchased will be held in the general fund for use as temporary accommodation.

4.1.3 As such we will be able to access general fund prudential borrowing in order to finance 70% of the purchase cost the remaining 30% of the purchase cost will be financed from RTB 141 receipts.

4.1.4 *Further information is set out in the exempt appendix at 4.1.4*

4.1.5 **ELIGIBILITY: RTB 141 Receipts**

Govt. eligibility criteria for retaining the receipts: receipts must be spent within 3 years from the date received & can contribute up to 30% of costs relating the increase in the supply of social housing.

4.1.6 The Council's current policy is to maximise the use of RTB 141 receipts in the delivery of new build however the HRA borrowing restrictions mean that we have to control/limit the expenditure incurred (number of new build schemes we can undertake), in order to manage the HRA cash flow.

4.1.7 The curtailing of our ability to spend in the HRA has in turn led to the accumulation of excess RTB 141 receipts.

4.1.8 However, using our receipts in the general fund to purchase properties for temporary accommodation enables us to make use of the Council's prudential borrowing powers which are not restricted by a borrowing cap.

4.1.9- *Further information is set out in the exempt appendix at 4.1.9 - 4.1.13*

4.1.13

4.1.14 Table B: below illustrates that this proposal is financially viable on an annual basis.

TABLE B

	50Units 2018-19 per Annum £000's	An EXTRA 38 Units = TOTAL 88 2019-20 per Annum £000's
RENT (at 85%)	-£690	-£1,210
RUNNING Costs (Management & Day to Day Repairs £2.75k)	£140	£240
Borrowing Costs (principle & interest)	£630	£1,105
Saving on the cost of Nightly booked	-£100	-£175
NET potential surplus	-£20	-£40

4.1.15 **RISKS:** The most significant risk/uncertainty centres around the potential volatility of the housing market, this risk is mitigated to a very large extent because 30% of the purchase price is covered off by RTB 141 receipts so house prices would need to fall by more than 30% for the general fund to be left with a debt that exceeds the value of the property.

4.2 Legal implications

4.2.1 Under section 193 of the Housing Act 1996, the council must secure that accommodation is available for occupation for an applicant if they are satisfied that s/he is homeless, eligible for assistance and has a priority need, and are not satisfied that s/ he became homeless intentionally. The council may discharge that duty by securing accommodation owned by a third party or by securing that suitable accommodation provided by it is available for the applicant. In the latter case the council may acquire property under section 120 Local Government Act 1972 in order to fulfil its s193 duty. Such property falls to be accounted for in the General Fund rather than the Housing Revenue Account.

4.2.2 Right to buy receipts must be applied in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended) and guidance thereunder and the terms of any agreement under section 11(6) of the Local Government Act 2003 modifying the applicability of the regulations. The council entered into a s11(6) agreement with the Secretary of State for Communities and Local Government on 29 May 2012 (subsequently varied on 23 May 2013) pursuant to which the council is permitted to use right to buy receipts for the provision of social housing. In this context 'social housing' is residential accommodation that is made available for less than market rent to people whose needs are not adequately served by the commercial housing market. 'Rent' is defined to include payments under a licence to occupy accommodation.

4.2.3 Under the agreement, the council may use RTB receipts for the purchase of existing dwellings other than existing social housing dwellings. However, the contribution from RTB receipts must not exceed 30% of the purchase price.

4.3 Environmental implications

4.3.1 The proposed programme of property purchase will have positive environmental implications. This is because the properties purchased are likely to be maintained to higher environmental standards than they would have been had they remained in the private sector. All Islington Council properties are maintained to the Decent Homes standard whilst approximately 20% of properties in the private sector currently fall below this standard.

4.4 Resident Impact Assessment

4.1.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.1.2 An Equality Impact Assessment was completed. The EIA identified that there would be no negative differential impacts. This decision was made because for each of the protected characteristic groups the proposed purchase programme had no adverse impact. However, in relation to age (both young and old), ethnicity, poverty and disability the impact of the strategy in terms of increasing the supply of social housing in Islington will have a positive impact. This is because residents from these protected characteristics groups are more likely to be in housing need in Islington.

5. Conclusion and reasons for recommendations

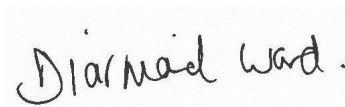
5.1 This report recommends that Executive approval is sought for a programme of buying properties for sale in Islington and in the Greater London area at a scale that is affordable and represents value for money for the council. This programme could deliver a number of benefits including delivering more desperately needed genuinely affordable housing in the longer term, reducing costs for the general fund, maximising use of excess RTB receipts and raising standards of temporary accommodation.

Appendices: Exempt Appendix

Background papers: None

Final report clearance:

Signed by:



Executive Member for Housing and Development

Date: 5/6/2018

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