

**Homes and Neighbourhoods Directorate
222 Upper Street, N1 1XR**

Report of: Cllr O'Halloran, Executive Member for Homes and Communities
Cllr Khondoker Executive Member for Equalities, Culture, and Inclusion

Meeting of: Executive

Date: 19th October 2023

Ward(s): All electoral wards

Subject: Purchasing 310 Ex Right to Buy properties

The DLUH&C Allocation of Funding Programme to acquire 150 X 1, 2, and 3 bedroom Ex Right to Buy properties and a further 20 x 4 bedroom Ex Right to Buy properties for people who are eligible for the

- **Afghan Citizen Resettlement Scheme (including eligible British Nationals under this scheme)**
- **the Afghan Relocations and Assistance Policy**
- **Ukraine Family Scheme**
- **Homes for Ukraine and the Ukraine Extension Scheme.**

In addition to this the DLUH&C have allocated funding for 70 X 1, 2 and 3 bedroom Ex Right to Buy properties for homeless households and 70 X 1, 2 and 3 bedroom properties for homeless people from Afghanistan.

1. Synopsis

- 1.1. The aim of this report is to advise the Executive of the outcome of a capital funding bid made to the DLUH&C to purchase 310 Ex Right to Buy properties for people who are homeless from the Afghanistan and the Ukraine as part of the council's humanitarian housing response and for homeless households to reduce local housing pressures beyond those on Afghan resettlement schemes. The intention is to provide better quality temporary accommodation to families owed homelessness duties by Islington Council, reduce emergency, temporary and

bridging accommodation costs and to reduce impacts on the existing housing and homelessness systems as well as for those waiting for social housing.

- 1.2. Islington Council is the first council in London to access this funding from the DLUHC and 70 properties will be allocated to homeless households.

2. Recommendations

- 2.1. To approve the borrowing of £85,304,000 within the Housing Revenue Account to supplement the funding provided by the DLUH&C to enable the council to purchase 310 Ex Right to Buy properties.
- 2.2. To note the capital funding of up to £81,725,260 allocated to Islington Council by the DLUH&C to enter into the grant agreements and to commence the purchasing of 310 Ex Right to Buy properties in Islington to accommodate homeless households with a local connection to Islington.
- 2.3. To note the funding and to commence the purchase of these properties immediately.
- 2.4. To approve the budget increases as outlined in 4.1.3

3. Background

- 3.1. Islington Council is currently accommodating 1,112 homeless households who are living in temporary accommodation. This is the highest level of households living in temporary accommodation for a considerable period due to a combination of the cost-of-living crisis, and the financial fallout of Brexit
- 3.2. During the last 12 months, Islington Council has witnessed an increase in homeless households living in temporary accommodation from 913 homeless households to 1112 an increase of 22% (199) households.
- 3.3. London has a proud history of providing sanctuary to those in need and the Mayor of London has made it clear that he wants to do everything in his power to support people from Ukraine and Afghanistan to establish a long-term future in the city.
- 3.4. Equally, Islington Council has a long and proud history of offering sanctuary to people in need, and therefore stands ready to help people from Ukraine and Afghanistan in every way we can.
- 3.5. Homeless households are now spending longer periods of time living in temporary accommodation due to the reduction of available council and housing association lettings, again because of the effects of the cost-of-living crisis and Brexit with homeless presentations increasing by 22% in the last 12 months. In addition to this the number of homeless households living in temporary accommodation continues to increase.
- 3.6. Islington Council accepts the provision of 310 additional properties purchased through the Ex Right to Buy property programme will not the address all urgent needs. However, these properties will ensure homeless people have safe and secure accommodation locally in Islington to help with health improvements,

education attainment for children and reduce the time spent in expensive and inappropriate temporary accommodation.

- 3.7. This funding will secure 310 Ex Right to Buy properties for homeless households and households from Afghanistan and Ukraine living in Islington and the surrounding areas as part of the council's humanitarian response, with all purchases resulting in the acquisition of Ex Islington Council Right to Buy properties.
- 3.8. The acquisition of these properties will ensure homeless households and people fleeing Ukraine and Afghanistan are provided with good quality accommodation locally in Islington to enhance community well-being.
- 3.9. The current crisis underlines the importance of this funding. But it is not only needed for those in expensive emergency temporary accommodation as a result of homelessness and the financial effects of the cost-of-living crisis. It is also required to provide longer-term homes for those who need, to live in Islington for employment reasons or to provide or receive support from family and friends.
- 3.10. The aim of the programme is to boost delivery of affordable accommodation for homeless households locally in Islington.

4. Implications

Financial Implications

- 4.1.1. The DLUH&C Property Acquisition Grant Offer totalling £81,725,260m is broken down into 3 separate allocations in line with their MOUs - as follows:
 - LAHR1(1) 150 properties no specified bed sizes £31,800,000
 - LAHR1(2) 20 4 beds £9,885,260
 - LAHR2 140 properties £40,040,000

This is caveated as follows:

LAHR1(1) The grant across the portfolio cannot exceed 40% of the purchase price + legal fees + refurbishment costs + £20k per property.

LAHR1 (2) The grant across the portfolio cannot exceed 50% of the purchase price + legal fees + refurbishment cost + £20k per property.

LAHR2 The grant across the portfolio cannot exceed 40% of the purchase price + legal fees + refurbishment costs + £20k per property.

The financial modelling has been based on indicative likely purchase prices by bed size and estimated rents at 80% of market rent.

This indicates that we would be able to utilise the available grant funding which would require HRA Borrowing of £85,304,000 of HRA borrowing.

Table 1

BEDS	UNITS Purchased	Purchase Price	EST. 80% of Market Rent	BORROWING	GROSS GRANT
2	75	462,500	£377.33	-£19,855,900	-£15,705,000
3	75	475,000	£540.00	-£20,778,400	-£16,095,000
	150			-£40,634,300	-£31,800,000
4	20	625,000	£744.00	-£6,022,900	-£6,810,000
2	75	462,500	£377.33	-£19,855,875	-£15,705,000
3	55	475,000	£540.00	-£15,138,475	-£11,902,000
4	10	625,000	£744.00	-£3,652,450	-£2,764,000
	140			-£38,646,800	-£30,371,000
				-£85,304,000	-£68,981,000

4.1.2. Financial Viability Assessments:

The financial viability modelling has been based on a 30-year NPV approach using the following key criteria:

A discount rate of 5.65% aligned to the Council's cost of borrowing based on the PWLB 30-year rate at 12-09-23 5.73% less the certainty rate 0.20% less the HRA concession available to June 24 plus a buffer of 0.50%.

Purchase Prices based on the current market plus £10k-£15k refurbishment allocation.

Estimated rents at 80% of market rent; these are based on a desk top review of ex RTB market rents in Islington carried out by valuers at the end of Aug.23

Table 2

BEDS	Home.Co UK Ave Islington Market Rents (bst 14 days at 13-09-23) PCM	Home.Co UK Ave Islington Market Rents (bst 14 days at 13-09-23) P-WK	80% of Market Rent	Ave. (Bottom-Mid-Top) Ex RTBs Valuers Desk Top Review 80% of Market Rent	LHA Rate 23-24
1	£2,668	£616	£493	£297.33	£295.49
2	£3,832	£884	£707	£377.33	£365.92
3	£5,376	£1,241	£992	£540.00	£441.86
4	£8,116	£1,873	£1,498	£744.00	£593.75
5	£8,509	£1,964	£1,571		

- A one-off cost in relation to additional staffing resource to support valuers/legal & housing management in the sum of £200k.
- Running costs based on 23-24 budgets 100% Housing Management unit cost, caretaking & estate services loss of leaseholder income, £1k per property White

goods every 5 years, Repairs 100% unit cost 2 beds, 110% 3 beds & 120% 4 beds, MWs 0.8% of the building value.

- Inflation at +2% rents & running costs.

The financial viability NPV assessments indicate that the 2 beds viabilities are under pressure and produce negative (deficit) NPVs. However, if the proportion of 2 beds vs 3 & 4 beds purchases are managed appropriately, each portfolio generates an overall positive (surplus) NPV.

Table 3

BEDS	UNITS Purchased	Purchase Price	EST. 80% of Market Rent	NPV at 5.65% CR(red) = POSITIVE (Surplus) NPV & DR(black) = NEGATIVE (Deficit) NPV
2	75	462,500	£377.33	£4,100,000
3	75	475,000	£540.00	-£5,436,000
	150			-£1,336,000
4	20	625,000	£744.00	-£4,299,000
2	75	462,500	£377.33	£4,100,000
3	55	475,000	£540.00	-£4,086,000
4	10	625,000	£744.00	-£1,509,000
	140			-£1,495,000
				-£7,130,000

Based on delivering the purchases at the prices & rents set out in table 3 above, table 4 below sets out the cashflow position over 30 years if (as is the norm) the HRA takes out maturity borrowing at 5.65%.

All years generate a surplus cashflow and at year 30 all things being equal there should be a balance of £65m to repay 75% of the borrowing.

Table 4

YEAR	RENT	RUNNING COSTS	INTEREST Charges at 5.65%	NET C.Flow to Repay DEBT
	£'000	£'000	£'000	£'0000
5	-£38,440.9	£11,501.0	£24,098.4	-£2,841.5
10	-£42,441.9	£12,698.1	£24,098.4	-£5,645.4
15	-£46,859.2	£14,019.7	£24,098.4	-£8,741.2
20	-£51,736.4	£15,478.9	£24,098.4	-£12,159.1
25	-£57,121.2	£17,089.9	£24,098.4	-£15,932.8
30	-£63,066.4	£18,868.7	£24,098.4	-£20,099.3
	-£299,665.9	£89,656.3	£144,590.3	-£65,419.3

4.1.3. Rents & Tenancy Type

As per Table 2, rents will be set at 80% of market rent in accordance with the rent standard and DLUH&Cs MOU's. The properties will be held in the HRA & let under licence i.e., not as secure tenancies.

Given the rent levels intended to be charged the Housing Department will need ensure that the clients placed in these properties are able to attract full housing benefit (UC does not apply if placed under homelessness legislation under licence), i.e., we need to ensure that the hours worked do not result in a withdrawal of HB.

The Corporate Director of Homes & Neighbourhoods has provided assurance that there is sufficient current and projected demand within the cohort of clients that will be entitled to full HB to fill this accommodation.

4.1.4. Budgets HRA & GF

The full year budget is set out below:

HRA

An increase in the HRA **Capital Exp. Budget** provision is required in 2023-24 totalling £154.285m for the purchase of 310 ex RTBs – it is unclear at this stage how many purchases will complete by 31-03-24.

HRA EXP. Budgets

Housing Management £977k
 & Response Repairs £658k
 Major Repairs £576k
 Interest Charges at 5.65% £4.820m

HRA INCOME Budgets

Rent £7.387m
 NET surplus first FULL YR1 23-24 £357k

The above will be included in full as part of the 2024-25 budget setting cycle however depending on the timing of the purchases during 2023-24 a percentage of all the Revenue budgets maybe required.

GF Savings

These purchases should “in theory” contribute towards the delivery of HGF savings or the reduction in HGF homelessness over spends in future years in the sum of around £775k (based on a net cost of Temp. Accommodation of on average £2.5k per year per household x 310 properties).

- 4.1.5. To avoid DLUHC grant claw back & for the Council to retain the full capital grant for the purchase of the 310 properties the service needs to be provided for 30 years. At the end of the 30-year term, if the service is no longer required or we wish to redeem the outstanding debt and there was NO surplus set aside as referenced at 4.1.2 the Council would need to sell an estimated 97 properties to repay the debt. The remaining 213 properties could be retained for general needs purposes & let at social rents.
- 4.1.6. There remains a risk that we cannot sustain the delivery of the service for the full 30-year period, this could arise for example if the demand for temporary accommodation declines over time or there is no longer a need for these properties.
- 4.1.7. In this event we would potentially have the option to sell. House prices in Islington have risen by around 15% over the last 5 years (to 2022) so it is not unreasonable to assume we could sell the properties if necessary, repay the proportion of the grant claw back and redeem the outstanding debt. Alternatively, there is also the potential option to convert the 3 & 4 bed dwellings into smaller sized temporary accommodation provision for which ongoing long-term demand is anticipated.

4.2. Legal Implications

- 4.2.1** The Council may meet housing need by acquiring properties within Islington (section 9 of the Housing Act 1985).

S208(1) of the Housing Act 1996 provides that so far as reasonably practicable the Council shall secure accommodation within Islington for people who are homeless or under threat of homelessness.

Part 7 of the Housing Act 1996 sets out the local authorities' duties to prevent homelessness and provide assistance to homeless people or those threatened with homelessness.

The Allocation of Housing and Homelessness (Eligibility) (England) Regulations 2006 prescribe the classes of persons who are eligible or ineligible for homelessness assistance.

Regulation 5(m) sets out the eligibility criteria for Afghan refugees who have fled the Taliban and Regulations 5(n) and (o) sets out the eligibility criteria for Ukrainians who have fled the Russian invasion.

This property programme will increase the availability of accommodation within Islington that the Council can use to meet this statutory duty.

This Report seeks authority to enter into the following Grant Agreements.

The Refugee Housing Programme (RHP) Capital Grant Agreement between the LBI and the GLA for £81,725,260 million pounds.

The total of the capital funding is for £81,725,260 and therefore is an Executive decision.

Procurement rule 2.5.1 states that contracts exceeding £500,000 or were directed by the Director of Law and Governance, must be signed as a deed by Director of Law and Governance or their authorised representative.

Procurement Rule 19.1.7 states the Council's corporate seal is placed on any document that needs to be 'sealed and executed' as a deed, and that where a document does not need to be sealed, it is signed by two authorised officers.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

- 4.3.1. Purchasing 310 existing will contribute positively to the council's environmental commitment, by purchasing existing properties and improving/reducing the carbon outputs through the capital works programme and reducing the use of natural resources.

4.4. Equalities Impact Assessment

- 4.4.1 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.

- 4.4.2 S149(3) provides that having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 4.4.3 This programme will contribute positively to the council equality of opportunity principles, the Human Rights of individuals and the elimination of rough sleeping in Islington.
- 4.4.4 A Resident Impact Assessment was completed on the 21st of May 2021, and is attached to this report as Appendix one.
- 4.4.5 As a public authority, the council must take account of the provisions of the Human Rights Act 1998 and not act in a way, which is incompatible with a Convention right. Under Article 8, any interference with the right to respect for a person's private and family life and home must be proportionate and Article 14 requires that there must be no unjustified discrimination within the scope of human rights on any grounds, such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth, or other status.

5. Reasons for recommendations

- 5.1. To assist the council's commitment of ending homelessness in Islington whilst concurrently ensuring a robust humanitarian response to support refugees from Afghanistan and Ukraine.
- 5.2. The council have considered all options to deliver this programme and we have concluded the most appropriate framework to deliver these acquisitions is the existing framework.
- 5.3. The council considered partnering with a Registered Social Landlord to deliver this programme, but this would not offer greater benefits compared to the business as usual model.
- 5.4. The council will shortly be commencing a communications plan to contact all Leaseholders who own a former Islington Council property to ensure this programme is delivered.
- 5.5. As of the 14th of September 2023, the council have secured 19% of this programme

Final report clearance:

Authorised by:

Executive Member for Homes and Communities and
Executive Member for Equalities, Culture, and Inclusion

Date: 9 October 2023

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