

Appendix 1

Extract from the Temporary Housing Reform Plan Annex 1 section 8

7.0 Direct Access to own long-term affordable PRS accommodation

8.1 While the above options will help to secure access to accommodation in which to prevent homelessness or end a homelessness duty, it is likely that over time this will become progressively harder as the divergence between market rents and what Housing Benefit will pay increases.

8.2 If the Council relies on procurement of PRS accommodation in the market, then the likely trend is towards higher costs, and households being displaced further and further from Brent.

8.3 It is therefore proposed that the Council acquires access to a large portfolio of PRS accommodation which will be well managed in the long term and in which costs can be controlled, minimised and protected against rental inflation.

8.4 Purchase of existing Properties

8.4.1 The Council commissioned Social Finance in 2015 to investigate the options for the acquisition of a significant portfolio of PRS properties which would be available for the council to end a homelessness duty over the long term, which would be professionally managed and which would be pegged to LHA rents.

8.4.2 There are a number of possible ways this could be done ranging from the Council directly purchasing properties, entering into a joint venture to purchase properties, or entering into a long term agreement to guarantee occupancy and/or rental income with an external supplier.

8.4.3 As part of this analysis, Social Finance approached a number of organisations who are interested in working with Brent, including Cheyne Capital, Mears Omega, Aviva Investors, Notting Hill Housing Trust and the Real Lettings Fund. They have also drawn on their experience of working with LB Enfield to set up a local authority owned housing company for this purpose. A summary of Social Finance's report is shown at Annex C.

8.4.4 Following consideration of Social Finance's report and model (which has been externally audited for internal consistency) the most promising option is to establish a council-owned company which will acquire properties which will be let as long term PRS properties at LHA levels to prevent homelessness or end a homelessness duty. The properties would need to be either in Brent or sufficiently close to Brent to be able to end a homelessness duty in compliance with the Homelessness Suitability of Accommodation Order of 2011. Based on existing case law, it is currently envisaged that this means acquiring properties no further away than the Home Counties. The viability of acquiring properties in Brent and the Home Counties has been researched.

8.4.5 The advantages of establishing a company owned by the council outside the HRA include that it could let properties within the Private Rented Sector, while drawing on the council's borrowing capacity and give the council greater control of the investment compared to entering into a joint venture or contract with an external organisation, allowing better management of risk and potential reward.

8.4.6 Consideration is being given by the Council to setting up a wholly-owned company with a potentially broader remit for investment, development and regeneration. If such a company is established it is anticipated that the acquired PRS units would be held within that company, with management and maintenance services procured as appropriate.

8.4.7 There is a present opportunity to acquire PRS units in the areas mentioned but house price increases may narrow this opportunity even in the relatively short-term. It is therefore planned to directly proceed with a programme of acquisitions. In advance of a company being established any units will be used as Temporary Accommodation as this provision automatically sits outside the HRA, with these units then switching to PRS lettings on being transferred to the company once established.

8.4.8 It is anticipated that further funding for acquisitions would be through on-lending to the company. The terms of that on-lending will be restricted so as to ensure that the council's borrowing costs, including a reasonable premium for risk, are covered, and that state aid rules are not breached.

8.4.10 The initial intention is to procure around 300 units over 2 years at a cost of approximately £60M.

8.4.11 The council has also been in discussion with Registered Providers and others, who may be interested in purchasing accommodation within London to let to Brent nominees at LHA rates on condition that the council offers long term void guarantees (e.g. 10 years). It is not certain if this is viable at scale, as RPs borrowing is usually more expensive than the council's but would have the attraction of guaranteed properties at low risk to the council.

8.4.12 This approach, to complement the council's acquisition of its own portfolio, will be further explored.

