

# CAPITAL INVESTMENT BUSINESS CASE

Council Loan support PATH : Settled Housing



## EXECUTIVE SUMMARY

*The Executive Summary is a short summary of the Business Case and should be the last section you complete, this will enable you to extract or only the key facts from relevant sections i.e. 'project on a page'. The summary is a 'snapshot' of the business case which will need to tell the story and sell the proposal.*

Access to good quality and affordable settled accommodation remains challenging in Plymouth. With LHA rates tied to the CPI rather than market rents; means there is a growing gulf between LHA rates and the market.

Plymouth City Council will support Plymouth Access to Housing to purchase 15 units of accommodation for people who are homeless in Plymouth to move into as settled housing, through the provision of a capital loan.

- Path aims to buy 3 properties totalling £625,000
- Path requires £220,000 capital investment
- This will provide 15 units of accommodation for people who are homeless in Plymouth for settled housing
- Loan will be secured by way of legal charge on properties

## SECTION I: PROJECT DETAIL

<b>Project Value (indicate capital or revenue)</b>	£220000 Capital Loan	<b>Contingency (show as £ and % of project value)</b>	
<b>Programme</b>	Housing	<b>Directorate</b>	People
<b>Portfolio Holder</b>	Cllr Vivien Pengelly	<b>Service Director</b>	Matt Garrett
<b>Senior Responsible Officer (client)</b>		<b>Project Manager</b>	
<b>Address and Post Code</b>		<b>Ward</b>	Citywide

**Current Situation:** *(Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)*

Access to good quality and affordable settled accommodation remains challenging in Plymouth. With LHA rates tied to the CPI rather than market rents; means there is a growing gulf between LHA rates and the market.

Plymouth has very high numbers of single people in temporary accommodation, in B&B's, hostels, and shared house type temporary accommodation, accessed through the Plymouth Alliance.

In order to continue to be able to move people through the system we need to have move-on accommodation that is offered as settled accommodation, with an assured shorthold tenancy for people to move into.

Path has funding from Crisis to take for staffing to take on 50 units of accommodation as settled housing, over the next 2 years, through a combination of leasing and buying HMO type

accommodation. PATH have some of its own financing in place for this but require a top-up loan to enable them to buy a third property to offer as settled accommodation for the homeless.

**Proposal:** *(Provide a brief, concise paragraph outlining your scheme and explain how the business proposal will address the current situation above or take advantage of the business opportunity) and (What would happen if we didn't proceed with this scheme?)*

Plymouth City Council is committed to reducing homelessness in Plymouth and through the Homelessness Prevention Partnership is working on a number of schemes to support additional provision across the City.

This scheme will support Path in its commitment to take on 50 units of accommodation over the next two years, as move-on for people moving on from temporary accommodation.

It is clear that overall affordability of any scheme is better through outright purchase when seen against leasing alone. The income margin for leased houses is much tighter, at a time when it's harder to negotiate lower lease prices due to the property market including in large part due to the stamp duty exemption fuelling a property price boom.

For that reason support from PCC to enable PATH to achieve its aim to purchase properties will support the City to increase the range of affordable housing in the City and make sure that we continue to have accommodation available for vulnerable people to move into.

The loan will be repaid over a period of 180 months and will be secured by way of legal charge over the properties. Interest is payable on the loan repayments at a rate of 3%pa.

In the event of default the Council will be able to enforce the legal charge to force the sale of the properties to recover the charge.

### Milestones and Date:

Contract Award Date	Start On Site Date	Completion Date

## SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

**Risk Register:** *The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).*

Potential Risks Identified		Likelihood	Impact	Overall Rating
<b>Risk</b>	Not being able to find properties at a reasonable price	Medium	Low	Low
<b>Mitigation</b>	We won't go ahead if it's not affordable	Low	Low	Low
<b>Risk</b>	Ability to repay loan	Low	Low	Low
<b>Mitigation</b>	Property could be sold and capital repaid	Low	Low	Low
<b>Risk</b>	If we can't sell the property	Low	High	Medium
<b>Mitigation</b>	Look at arrangement where the property is given to PCC to cover capital loan repayment	Low	Low	Low
<b>Risk</b>	Bad debt exceeds budget (repairs, voids, arrears)	Medium	Low	Low
<b>Mitigation</b>	Costs split over all Path properties, so risk shared over portfolio of properties, plus have contingency in place	Low	Low	Low

<b>Calculated risk value in £ (Extent of financial risk)</b>	£0		
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### Outcomes and Benefits

#### List the outcomes and benefits expected from this project.

(An **outcome** is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome)

(A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)

<b>Financial outcomes and benefits:</b>	<b>Non-financial outcomes and benefits:</b>
PATH are able to purchase properties with the help of a loan from PCC Reduce spend on temporary accommodation	Vulnerable people supported out of homelessness into long term permanent homes Reduce time spent in temporary accommodation

### Low Carbon

<b>What is the anticipated impact of the proposal on carbon emissions</b>	PATH will ensure that all properties bought as part of this scheme will be brought up to an EPC level C by 2025, if not sooner.
<b>How does it contribute to the Council becoming Carbon neutral by 2030</b>	It fits the government plan for all housing to be EPC level C by 2025.
<b>Have you engaged with Procurement Service.</b>	No
<b>Procurement route options considered for goods, services or works</b>	N/A
<b>Procurements Recommended route.</b>	N/A
<b>Who is your Procurement Lead.</b>	N/A
<b>Which Members have you engaged with and how have they been consulted</b> <i>(including the Leader, Portfolio Holders and Ward Members)</i>	None

## SECTION 4: FINANCIAL ASSESSMENT

**FINANCIAL ASSESSMENT** : In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole.

### CAPITAL COSTS AND FINANCING

<b>Breakdown of project costs including fees surveys and contingency</b>	<b>Prev. Yr.</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>Future Yrs.</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Property purchase	0		£110,000					£110,000
Property Purchase	0		£110,000					£110,000

<b>Total capital spend</b>			£220,000					£220,000

**Provide details of proposed funding: Funding to match with Project Value**

<b>Breakdown of proposed funding</b>	<b>Prev. Yr. £m</b>	<b>20/21 £m</b>	<b>21/22 £m</b>	<b>22/23 £m</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>Future Yrs. £m</b>	<b>Total £m</b>
As above								
<b>Total funding</b>								

<b>Which external funding sources been explored</b>	PATH will be putting in £405,000 of capital funding towards the project. PATH also have funding towards development of the project from a combination of income and a charitable grant.
<b>Are there any bidding constraints and/or any restrictions or conditions attached to your funding</b>	No
<b>VAT implications</b>	The payment to PATH relating to the granting of a loan by the Council, and the subsequent loan repayments, are outside the scope of VAT. Since the project will not generate any VAT-exempt income for the Council, there will be no adverse impact on the Council's partial exemption position
<b>Tax and VAT reviewed by</b>	Sarah Scott

**REVENUE COSTS AND IMPLICATIONS**

**Cost of Developing the Capital Project (To be incurred at risk to Service area)**

<b>Total Cost of developing the project</b>	
<b>Revenue cost code for the development costs</b>	
<b>Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria</b>	
<b>Budget Managers Name</b>	

**Ongoing Revenue Implications for Service Area**

	<b>Prev. Yr.</b>	<b>20/21 £</b>	<b>21/22 £</b>	<b>22/23 £</b>	<b>23/24 £</b>	<b>23/24 £</b>	<b>Future Yrs.</b>
<b>Service area revenue cost</b>							
<b>Other (eg: maintenance, utilities, etc)</b>							
<b>Loan repayment (terms agreed with Treasury Management)</b>							
<b>Total Revenue Cost (A)</b>							

<b>Service area revenue benefits/savings</b>															
<b>Annual revenue income</b> (eg: rents, etc)															
<b>Total Revenue Income (B)</b>															
<b>Service area net (benefit) cost (B-A)</b>															
<b>Has the revenue cost been budgeted for or would this make a revenue pressure</b>															
<b>Which cost centre would the revenue pressure be shown</b>								<b>Has this been reviewed by the budget manager</b>							
<b>Name of budget manager</b>															
<b>Loan value</b>	£220,000	<b>Interest Rate</b>	3%	<b>Term Years</b>	15	<b>Annual Repayment</b>	£18,429								
<b>Revenue code for annual repayments</b>								Monthly payments of £1,520.							
<b>Service area or corporate borrowing</b>								Corporate borrowing							
<b>Revenue implications reviewed by</b>															

**Version Control:** (The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)

<b>Author of Business Case</b>	<b>Date</b>	<b>Document Version</b>	<b>Reviewed By</b>	<b>Date</b>
Matt Garrett	01/11/2021	v 1.0		00/00/2021

## SECTION 6: RECOMMENDATION AND ENDORSEMENT

### Recommended Decision

It is recommended that the Leader of the Council:

- Approves the Business Case
- Allocates £220,000 for the project into the Capital Programme as a loan to PATH funded by loan repayments from PATH subject to due diligence and an loan agreement

<b>[Name, Portfolio] Cllr Pengelly, Cabinet Member Homes and Communities</b>		<b>Service Director</b>	
<b>Either email dated:</b>	Date 09/11/2021	<b>Either email dated:</b>	date
<b>Or signed:</b>		<b>Signed:</b> 	
<b>Date:</b>		<b>Date: 09/11/2021</b>	