

CAPITAL INVESTMENT BUSINESS CASE

Young Devon – Capital Loan



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 Young Devon to purchase 5 units of accommodation for people who are homeless in Plymouth to move into as settled housing, through the provision of a capital loan.

- Young Devon will buy 1 property totalling £300,000
- Young Devon requires £210,000 capital investment
- This will provide up to 4 units of accommodation for young people who are homeless in Plymouth for settled housing
- Loan will be secured by way of legal charge on the property

The key risks are around Young Devon being able to buy the property at a reasonable cost and that that the rental income stream does not exceed budgeted costs. These risks have been considered and are considered low in impact.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£210,000 Capital Loan	Contingency (show as £ and % of project value)	N/A
Programme	Housing	Directorate	People
Portfolio Holder	Councillor Chris Penberthy	Service Director	Matt Garrett
Senior Responsible Officer (client)	Andy Moreman Young Devon Chief Exec	Project Manager	N/A
Address and Post Code	10 Erme Road, Ivybridge, PL21 OAB	Ward	Sutton and Mount Gould

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 there is a growing gulf between LHA rates and the market.

Plymouth has very high numbers of 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.

Young Devon is using some of its own financing for this but require a top-up loan to enable them to buy the property to offer as settled accommodation for homeless Young People.

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 Young Devon in its commitment to support more young people out of homelessness.

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 Young Devon 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 240 months and will be secured by way of legal charge over the properties. Interest is payable on the loan repayments at a rate of 6.1% 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
	N/A	November 2023

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
Risk	Not being able to find properties at a reasonable price	Medium	Low	Low
Mitigation	We will not go ahead it is unaffordable	Low	Low	Low
Risk	Ability to repay the loan	Low	Low	Low
Mitigation	Property could be sold and capital repaid	Low	Low	Low
Risk	If PCC cannot sell the property	Low	High	Medium
Mitigation	Develop an arrangement where the property is given to PCC to cover the capital loan repayment	Low	Low	Low
Risk	Bad debts (maintenance, voids and arrears exceeds overall rent and service charge income)	Medium	Low	Low
Mitigation	Costs can be managed by Young Devon with contingency in place	Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0			

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)

Financial outcomes and benefits:	Non-financial outcomes and benefits:
Young Devon is able to purchase a property with the help of a loan from PCC.	Vulnerable young people supported out of homelessness into long term permanent homes
Reduce spend on temporary accommodation.	Reducing time spent in temporary accommodation

Low Carbon

What is the anticipated impact of the proposal on carbon emissions	Young Devon will ensure that the property will be brought up to an EPC level C by 2025, if not sooner.	
How does it contribute to the Council becoming Carbon neutral by 2030		
Have you engaged with Procurement Service?	No	
Procurement route options considered for goods, services or works	N/A	
Procurements Recommended route.		
Who is your Procurement Lead?		
Is this business case a purchase of a commercial property	No	
If yes then provide evidence to show that it is not 'primarily for yield'		
Which Members have you engaged with and how have they been consulted (including the Leader, Portfolio Holders and Ward Members)		

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. Exact amounts only throughout the paper - not to be rounded.

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	Prev. Yr.	23/24	24/25	25/26	26/27	27/28	Future Yrs.	Total
	£	£	£	£	£	£	£	£
Provide Loan for Property Purchase		210,000						210,000

Total capital spend		210,000						210,000
----------------------------	--	----------------	--	--	--	--	--	----------------

Provide details of proposed funding: Funding to match with Project Value								
Breakdown of proposed funding	Prev. Yr. £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. £	Total £
Corporate Borrowing		210,000						210,000
Total funding		210,000						210,000

Which external funding sources been explored	Young Devon will be putting in £90k of capital funding towards the project. Young Devon also have funding towards development of the project from a combination of income and a charitable grant
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	No
Tax and VAT implications	The payment to Young Devon 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
Tax and VAT reviewed by	Sarah Scott

REVENUE COSTS AND IMPLICATIONS

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

Total Cost of developing the project	
Revenue cost code for the development costs	
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	
Budget Managers Name	

Ongoing Revenue Implications for Service Area

	Prev. Yr. £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. £
Service area revenue cost							
Other (eg: maintenance, utilities, etc)							
Loan repayment (terms agreed with Treasury Management)							
Total Revenue Cost (A)		0	0	0	0	0	0

Service area revenue benefits/savings							
Annual revenue income (eg: rents, etc)							
Total Revenue Income (B)			0				
Service area net (benefit) cost (B-A)							
Has the revenue cost been budgeted for or would this make a revenue pressure							
Which cost centre would the revenue pressure be shown		n/a	Has this been reviewed by the budget manager			Y	
Name of budget manager							
Loan value	£210,000	Interest Rate	6.1%	Term Years	20	Annual Repayment	£18,199.74
Revenue code for annual repayments							
Service area or corporate borrowing		Corporate Borrowing					
Revenue implications reviewed by							

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)

Author of Business Case	Date	Document Version	Reviewed By	Date
Jackie Kings	30/05/2023	v 1.0		00/00/2023

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approve the Business Case for a loan to Young Devon
- Allocate £210,000 for the project into the Capital Programme funded by Corporate Borrowing and repaid through a loan to Young Devon
- Delegates the finalisation of the terms of the loan and allows them to enter into it to the Service Director for Community Connections where they would not already have the authority to do so.

Cllr Penberthy, Cabinet Member Homes and Communities		Service Director	
Either email dated:	Date: 01/06/2023	Either email dated:	date
Or signed:		Signed:	
Date:		Date:	
		Service Director for People	
		Matt Garrett	
Either email dated:		Date	11/07/2023
		Signed:	

Date: