

# CAPITAL INVESTMENT BUSINESS CASE

Council Loan support to PATH: Temporary Accommodation



## 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.*

PCC is facing increased demand from people who are homeless or threatened with homelessness and in turn is spending a lot of money on providing emergency and temporary accommodation.

This project will support this by delivering access to good quality and affordable temporary accommodation in Plymouth.

Plymouth City Council will support Plymouth Access to Housing (PATH) to purchase 30 to 35 bedspaces for people who are homeless in Plymouth to move into as temporary accommodation, through the provision of a capital loan.

- PATH aims to buy 4 or 5 properties totalling 30 to 35 bedspaces
- PATH requires £1.5 million capital investment
- This will provide 30 to 35 units of accommodation for people who are homeless in Plymouth for temporary accommodation
- Loan will be secured by way of first legal charge on properties purchased

## SECTION I: PROJECT DETAIL

<b>Project Value (indicate capital or revenue)</b>	£1,500,000 capital	<b>Contingency (show as £ and % of project value)</b>	N/A
<b>Programme</b>	Homelessness Recovery Programme	<b>Directorate</b>	People
<b>Portfolio Holder</b>	Cllr Penberthy	<b>Service Director</b>	Matt Garrett
<b>Senior Responsible Officer (client)</b>	Gary Walbridge, Interim Strategic Director for People	<b>Project Manager</b>	Ruth Tune-Holmes, Technical Lead
<b>Address and Post Code</b>	Citywide	<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)*

The Private Rented Sector (PRS) accounts for 22.60% of the housing stock in Plymouth. Private sector rents and property values in Plymouth have increased significantly in the last 12 months and look set to continue to rise which is making the market increasingly unaffordable for residents. The following factors are exacerbating the issue:

- **Local Housing Allowance (LHA) rates** are too low to meet the cost of renting in Plymouth. This means that there are no properties available to let at the LHA rate. As a result, those people currently staying in temporary accommodation are having to remain there for longer with reduced options of longer term affordable accommodation to move into.

- **Increasing mortgage rates** mean that it is more likely that a proportion of people will have their homes repossessed because of mortgage arrears. Due to the lengthy process involved in repossessing a home, there is currently a time lag on number of people presenting to the Council due to repossession. However, we have already seen some of these cases presenting and believe that this is likely to increase over the next 12 months.
- **The Renter's Reform Bill** is likely to add further volatility into the PRS in Plymouth, as landlords adapt to new building quality standards and a new regime for tenancy breaches and eviction.

The broader economic context is resulting in the following actions from many private sector landlords who are:-

- Taking the opportunity to increase the yield from their investments through higher rents
- Passing on their increasing costs to tenants
- Selling their properties
- Converting to a more lucrative income model through holiday accommodation and/or Air B&B.

In response to this PATH wants to support PCC by intervening in the market and converting leased properties by outright purchase.

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 ensure that people are not placed in emergency nightly paid accommodation, PATH will purchase property that it will let as temporary accommodation.

**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?)*

PCC is committed to reducing homelessness in Plymouth and through the Homelessness Recovery Programme board is working on a number of schemes to support additional provision across the City.

This scheme will support PATH in its commitment to purchase 4 or 5 units of accommodation over the next two years, as temporary accommodation for people moving on from emergency nightly paid accommodation.

It is clear that overall affordability of any scheme is better through outright purchase when seen against leasing alone.

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 25 years and will be secured by way of first legal charge over the properties. Interest is payable on the loan repayments at a rate of 6.75% per annum.

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 loan.

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	Low	Medium	Low
<b>Mitigation</b>	Project will not go ahead	Low	Low	Low
<b>Risk</b>	Ability to repay loan	Low	Medium	Low
<b>Mitigation</b>	Property will be sold and capital repaid	Low	Low	Low
<b>Calculated risk value in £ (Extent of financial risk)</b>	£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:
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>	Yes	
<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>Is this business case a purchase of a commercial property</b>	No	
<b>If yes then provide evidence to show that it is not 'primarily for yield'</b>	N/A	

Which Members have you engaged with and how have they been consulted (including the Leader, Portfolio Holders and Ward Members)	<b>Portfolio Holder for Housing, Cooperative Development, and Communities</b>
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#### 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 £
Loan		500,000	1,000,000					1,500,000
<b>Total capital spend</b>		<b>500,000</b>	<b>1,000,000</b>					<b>1,500,000</b>

#### 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		500,000	1,000,000					1,500,000
<b>Total funding</b>		<b>500,000</b>	<b>1,000,000</b>					<b>1,500,000</b>

<b>Which external funding sources been explored</b>	PATH will be using some of their own capital to support this project
<b>Are there any bidding constraints and/or any restrictions or conditions attached to your funding</b>	N/A
<b>Tax and 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. The interest received by the Council will be exempt from VAT. Since the amount of VAT incurred and attributable to this exempt income will be insignificant, however, there will be no adverse impact on the Council's partial exemption position arising from this project.

<b>Tax and VAT reviewed by</b>	Sarah Scott
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### 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>	Y/N
<b>Budget Managers Name</b>	

#### Ongoing Revenue Implications for Service Area

	Prev. Yr. £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. £
<b>Service area revenue cost</b>							
<b>Other</b> (eg: maintenance, utilities, etc)							
<b>Loan repayment</b> (terms agreed with Treasury Management)							
<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>	Y/N
<b>Name of budget manager</b>							
<b>Loan value</b>	£ 1,500,000	<b>Interest Rate</b>	6.75%	<b>Term Years</b>	25	<b>Annual Repayment</b>	£125,830.34
<b>Revenue code for annual repayments</b>							
<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)



Author of Business Case	Date	Document Version	Reviewed By	Date
Matt Garrett	27/09/2023	v 1.0		
Anna-Leigh Selvester	27/10/2023	v 2.0		

**SECTION 6: RECOMMENDATION AND ENDORSEMENT**

**Recommended Decision**

**It is recommended that the Leader of the Council:**

- Approves the Business Case
- Allocates £1,500,000 of Corporate borrowing for the project into the Capital Programme
- Authorises £1,500,000 as a loan to PATH funded by loan repayments from PATH subject to due diligence and a loan agreement

<b>Cabinet Member: (Councillor Tudor Evans OBE (Leader</b>		<b>Matt Garrett (Service Director, Community Connections)</b>	
<b>Either email dated:</b>	<i>date</i>	<b>Either email dated:</b>	<i>date</i>
<b>Or signed:</b>  		<b>Or signed:</b> 	
<b>Date: 20/02/2024</b>		<b>Date: 13/02/2024</b>	