

CAPITAL INVESTMENT BUSINESS CASE

Purchase, Refurbishment and Delivery of Twelve Accessible Supported Homes utilising Capital and Revenue Grant from Homes England (Single Homelessness Accommodation Programme)



Community Connections, Finance and Housing Delivery Team

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.

This Business Case outlines Plymouth City Council's intention to purchase and refurbish twelve accessible supported temporary homes using capital grant from Homes England., Disabled Facilities Grant and Council Service Borrowing

The Department of Levelling Up, Housing and Communities' **Single Homelessness Accommodation Programme** provides a capital and revenue funding stream aimed at increasing supported housing provision for single people who are homelessness and/or rough sleeping, as well as young people who are care experienced, with medium to high support needs.

The Council has been awarded £2,450,000 in capital grant to fund the acquisition and refurbishment of twelve self-contained one-bed properties and £399,154 (2024-28) in revenue funding to provide a dedicated support service for single homeless individuals and couples with accessibility needs. The capital grant cannot cover 100% of the acquisition and refurbishment costs and so the Council is required to use a proportion of Service Borrowing and Disabled Facilities Grant.

Increasing temporary accommodation is required in response to the consequences of the national and local challenges faced in recent times leading to an increase in homelessness and use of expensive nightly paid accommodation to meet statutory duties. Notably there is: -

- A declined private rented sector as landlords exit the market/increase rents to unaffordable levels
- Declining social housing market due to disposals, delayed development and regeneration
- Increase in homelessness
- Increase in demand for temporary and short-term accommodation
- Silted up temporary accommodation provision as move on options are reduced
- Households are in temporary accommodation for longer periods
- Expensive nightly paid accommodation is accessed to meet statutory duties

The proposal is to utilise £440,000 of Service Borrowing, £100,000 Disabled Facilities Grant and £2,450,000 of capital grant from Homes England to: -

- Provide homes to meet current and future local need
- Deliver housing that is affordable

- Support Council strategic direction and priorities
- Reduce temporary accommodation costs by an estimated £271,461 per year

This project also supports the Council being compliant in meeting its statutory homelessness accommodation duties.

The target is to purchase and refurbish the twelve self-contained properties using a specialist organisation to purchase and renovate properties to handover in a turnkey condition. The cost of this can be taken from the capital grant received.

This is a good capital investment as it:

- Increases the assets of the local authority
- Reduces the revenue budget pressures of providing statutory temporary accommodation
- Meets the statutory duties of the Council
- Supports health and wellbeing needs of homeless individuals and couples with accessibility needs

Once the properties have been acquired, there will be a requirement to have a housing management and maintenance service. The costs of the management and maintenance services via a managing agent have been built into the financial modelling.

Homes England and the Department of Levelling Up, Homes and Communities will have funded a proportion of the purchase price. However, the houses will be 100 per cent council owned assets and there is no clawback of grant funding if the houses are transferred into general needs use. If they are transferred to general needs use, right to buy scheme will be applicable.

Should the housing be used for anything other than affordable housing, any Homes England grant will need to be recycled back into affordable housing provision.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£2,990,000	Contingency (show as £ and % of project value)	127,000
Programme	Housing	Directorate	People
Portfolio Holder	Cllr Chris Penberthy, Housing and Co-operative Development	Service Director	Matt Garrett (Community Connections)

Senior Responsible Officer (client)	Jackie Kings Strategic Manager Community Connections	Project Manager	Ruth Tune-Holmes Technical Lead Community Connections
Address and Post Code	Citywide	Ward	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)*

Nationally, homelessness continues to rise as a result of the global and national challenges faced in recent times, i.e. Covid, Ukraine War, Cost of Living crisis. These have significantly impacted the housing market and people's ability to meet day to day bills (rent, mortgage, utilities, food, travel etc). The health and wellbeing impact on people is also reflected in the level of need of those presenting as homeless.

This picture is directly reflected in Plymouth where the continued impact of rising inflation and the lack of affordable housing across all housing tenures has resulted in further demand for housing and homelessness services.

A snapshot of data from the 30th of March 2023 shows that there were 3,890 households with disability on the Devon Home Choice register who were not in suitable longer-term housing designed to meet their needs.

The Housing Needs of Physically Disabled People in Plymouth' report from 2015 identified that at least 330 additional fully wheelchair accessible units would be required in the city by 2024 to address unmet need. The report noted these properties should be affordable homes, alongside some provision in the private sector. 50% of need was estimated to be for one-bedroom homes.

Snapshot of the number of Plymouth households with a one bedroom need for accessible housing on Devon Home Choice (30/03/2023)

	1 Bedroom
Maximum of 3 Steps	724
Step Free	442
Wheelchair Accessible	93

Source: Devon Home Choice

- One-bedroom self-contained properties are in high demand.
- 1,757 households on DHC are waiting for an offer of accessible property.

Using information from the Plymouth Housing Options service working with households who are homeless or at risk of homelessness, there has been a rise in the numbers of those who have approached Plymouth City Council due to disability or health-related conditions:

Number of homeless approaches for disability or health related conditions

Year	Number
2020/2021	31
2021/2022	40
2022/2023	69

Source: Plymouth City Council, Housing Options Team

The purchase and refurbishment of twelve accessible homes will utilise the grant funding award of £2,450,000 (Single Homelessness Accommodation Programme), Council Service Borrowing of £440,000 and Disabled Facilities grant of £100,000

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?)

It is proposed that significant action is required to meet the statutory homelessness and temporary accommodation demand and reduce the related budget pressures.

Community Connections proposes to utilise the awarded Capital Grant, Disabled Facilities grant and undertake Service Borrowing to purchase twelve properties to provide temporary self-contained one-bedroom properties for homeless individuals with accessibility needs. The Department of Levelling Up, Housing and Communities will fund a support contract of £399,154 (2024-2028)

Homes acquired through the SHAP (Single Homelessness Accommodation Programme) will meet the statutory duties of the Council to provide temporary accommodation for homeless individuals who would otherwise have placements in Bed and Breakfast and other nightly paid accommodation.

The purchase of these properties directly and positively addresses the budget pressures faced by the Council as well as improving the health and wellbeing outcomes for homeless individuals with accessibility needs by providing them with affordable, accessible, self-contained accommodation with support to meet their needs until they move on to a suitable affordable home.

If we do not proceed, the spend on statutory temporary accommodation will continue to rise resulting in; unsustainable budget pressures, households being accommodated in unsuitable accommodation with the negative effects on health and wellbeing, and breach of statutory duties. The capital grant funding from Homes England would also be lost.

Why is this your preferred option: *(Provide a brief explanation why this option is preferred) and* *(Explain why this is a good capital investment and how this would be an advantage for the Council) and* *(explain how the preferred option is the right balance between the risks and benefits identified below).*

Acquiring homes is the preferred option as it is in line with the Council's strategic direction to meet the demand for temporary accommodation. The Council's strategic and operational goals are to:

- Provide homes to meet current and future local need.
- Deliver housing that is affordable.
- Support Council strategic direction and priorities

- Reduce temporary accommodation costs.

This is a good capital investment as it:

- Increases the assets of the Local Authority
- Utilises capital grant from Homes England
- Reduces the revenue budget pressures of providing statutory temporary accommodation
- Meets the health and wellbeing needs of homeless individuals with accessibility needs

The SHAP capital and revenue grant regime sets out to fund a proportion of the purchase costs, providing the opportunity to deliver temporary accessible homes. It aims to increase overall financial viability in both the short term and long term by reducing borrowing costs and increasing the Council's fixed assets.

Homes England will fund around 81% of the purchase price, and the houses will be 100% Council owned assets. There is no clawback of grant funding should the property be transferred into general needs use. In the long term it is expected that these properties will become available for general needs as the need for temporary accommodation reduces.

Where Homes England provides the grant, the properties are required to be either affordable general needs or affordable supported accommodation. The properties acquired as part of the Single Homelessness Accommodation Programme will be classified as supported temporary accommodation. The Department of Levelling Up, Housing, Communities have awarded a revenue contract for three years to provide a support service. There is an existing team provided by the Plymouth Alliance and this will be extended and funded through existing funding streams to.

There has been wide ranging consultation with registered providers and other similar organisations over the delivery of supported and temporary housing to meet the homelessness demand. There has been little appetite to fully deliver temporary or supported accommodation due to competing priorities and capacity within partner organisations already delivering extensive projects in the city.

An acquisition strategy supports this proposal with capacity and contingency built into the finance and rent modelling to support the end-to-end programme management and delivery.

Finance model based on estimated acquisition and delivery costs for one-bedroom properties: -

The Acquisition Strategy takes into consideration: -

- a. Grant funding bids
- b. Meeting reporting requirements for Homes England
- c. Development and agreement of specifications and schedules of work
- d. Development and agreement of key performance measures and milestones
- e. Engaging and monitoring of specialist company/ companies to acquire and refurbish as required

- f. Working across Council teams to secure legal, surveying, and procurement resource
- g. Budget reporting
- h. Development of management agreements and related schedules in partnership with the legal team
- i. Engagement and monitoring of the managing agent
- j. Development of key end to end processes and documentation, including letting of properties

A specialist organisation to be sourced to deliver the acquisition and refurbishment process:

- a. Sourcing properties that meet the agreed requirements of Plymouth City Council (all acquisitions being subject to Council approval)
- b. Undertaking viewings
- c. Negotiating offers on properties (subject to pre-approval from the Council)
- d. Undertaking all relevant due diligence, including, but not limited to, surveys (including, but not limited to, asbestos, fire risk assessment, building/structural, gas and electric)
- e. Providing comprehensive reports on properties prior to final acceptance to inform whether the Council progresses acquisitions
- f. Sourcing conveyancing services on behalf of the Council
- g. Liaising with the conveyancer to support the completion of transactions on approved properties
- h. Undertaking any required remedial or refurbishment works to ensure properties meet the Council's agreed standards (ensuring all regulatory checks and approvals are in place prior to commencing works)
- i. Providing all warranties, certificates, approvals etc. relating to each property to the Council on handover

The units must be delivered by March 2025. If this deadline is missed, a proportion of capital and revenue grant must be paid back.

Option Analysis: *(Provide an analysis of 'other' options which were considered and discounted, the options considered must be a 'do Nothing' and 'do minimum' and 'viable alternative' options. A SWOT – Strength, Benefit, Opportunity, Threat analysis could be attached as an appendix).*

Do Nothing Option	Do not utilise the capital grant award
List Benefits:	No borrowing required
List Risk / Issues:	Budget pressures will continue to rise as homeless households will continue to be accommodated in expensive nightly paid temporary accommodation and the Council will continue to fail to meet its statutory duty.
Cost:	Growing pressure on current £2.4 million budget pressure
Why did you discount this option	There is a requirement to respond to the increase in homelessness and the related budget pressure. To do nothing would not support the need to meet statutory homelessness duties or the need to reduce the related budget pressure.

Do Minimum Option	Borrow less and buy cheaper properties
List Benefits:	Less borrowing required
List Risk / Issues:	Budget pressures will continue to rise as homeless households continue to be accommodated in expensive nightly paid temporary accommodation and the Council will continue to fail to meet its statutory duty.
Cost:	At least existing £2.4 million pressure
Why did you discount this option	This would mean buying older properties which would have higher maintenance requirements in the medium –long term
Viable Alternative Option	
	Find another registered provider to acquire, refurbish and manage the properties
List Benefits:	It is efficient for a registered provider to lead and manage all aspects of delivery and management of the properties.
List Risk / Issues:	No registered providers have shown appetite to buy properties from the open market and are struggling with capacity
Cost:	PCC would not need to utilise service borrowing
Why did you discount this option	The capital grant has been awarded to PCC

Strategic Case:	
Which Corporate Plan priorities does this project deliver?	keep young people, children and adults protected
	focus on prevention and early intervention
	reduced health inequalities
	people feel safe in Plymouth

Milestones and Date:		
Contract Award Date	Start On Site Date	Completion Date
Executive Decision	As soon as possible	When full allocation has been spent

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	Stock conditions in Plymouth due to considerable volume of older stock	Low	Medium	Medium

	could be a challenge in acquiring suitable properties.			
Mitigation	Newer properties will be the preferred option within 10-year NHBC (National House Building Council) Surveys will be carried out prior to a decision to purchase. Approx £6700 per property across the properties purchased has been allocated to manage this risk.	High	Medium	High
Calculated risk value in £ (Extent of financial risk)	£80,400	Risk Owner	Jackie Kings	
Risk	Unable to identify sufficient properties capable of being refurbished to a high enough standard	Low	Medium	Medium
Mitigation	Newer properties will be preferred. Properties will be sought directly from development companies, if properties cannot be sourced on the open market	Medium	Medium	Medium
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	Jackie Kings	
Risk	Sales falling through near the final stages in acquisition resulting in abortive costs impacting revenue budget.	Low	Medium	Low
Mitigation	<ul style="list-style-type: none"> • Vacant properties and new to market properties are part of preferred option. • Costs will be absorbed into savings from capital delivery across this project and built into Service revenue budgets. • 5k per property on 20% 	Medium	Medium	Medium
Calculated risk value in £ (Extent of financial risk)	£12,000	Risk Owner	Jackie Kings	
Risk	House prices and/or borrowing costs increase	Low	Medium	Medium
Mitigation	Current indications are that house prices are falling, and interest rates have stabilised. If either prediction is incorrect this will result in fewer homes being purchased or a greater number of smaller, therefore cheaper, homes.	High	Medium	High

Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	Jackie Kings
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Risk	Housing have not been acquired and refurbished by March 2025	Low	Medium	Medium
Mitigation	PCC will need to pay back 5% of the capital grant and the revenue grant will be reduced in line with when first property has been acquired and ready to let.	High	Medium	High
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	Jackie Kings	

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:
Increase in PCC's fixed assets	Additional affordable, suitable temporary accommodation for homeless individuals and couples . In the future, these properties can be used for general needs.
Reduced nightly paid accommodation costs to meet statutory homelessness duties reducing the existing £2.4 million pressure	Households are in good quality temporary accommodation with support that meets their needs, whilst they wait for an offer of an affordable longer-term home

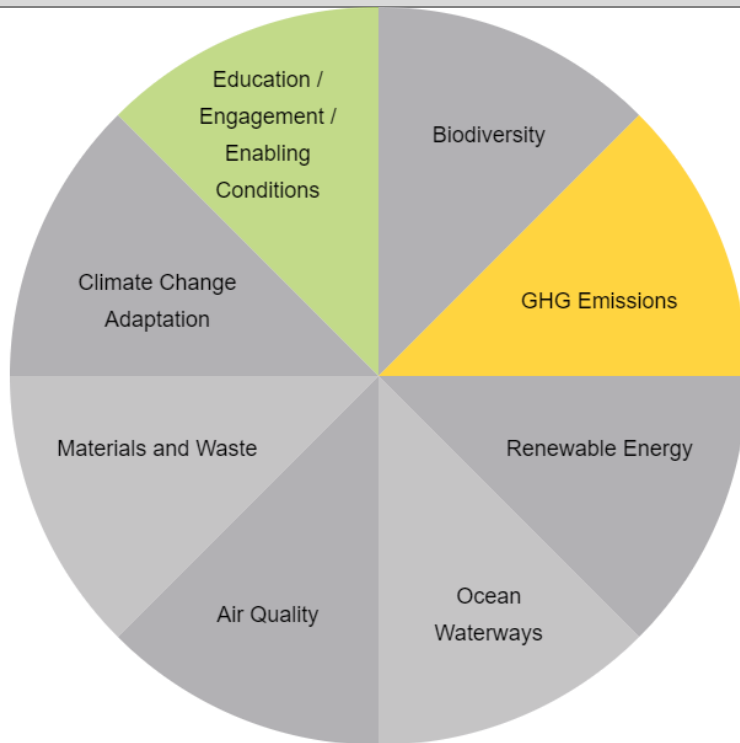
Increased health and wellbeing outcomes for households reducing impact on wider council and partner resources in the short, medium and long term	Freeing up hospitality accommodation to increase visitor spend in the city
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SECTION 3: CONSULTATION

Does this business case need to go to CMT	Yes	Date business case approved by CMT (if required)	
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Climate Impact Assessment

Upload Climate Impact Wheel



Summary of the anticipated impact of the proposal on the climate (including any proposed mitigations and impacts beyond 2030)

Bringing temporary accommodation within the Council's portfolio of assets will increase the Council's corporate carbon footprint in the short term. In the long term, this offers the opportunity to improve the energy efficiency of these properties and add renewable energy capacity which will support the city's net zero trajectory and reduce the impact on corporate emissions.

In the short term, the intention is to source A-C EPC rated accommodation, and we are mandated to improve that if properties fall below 'C'. At a city level, the climate impacts are likely to be minimal due to sourcing from existing housing stocks rather than new build. Steps will also be taken to ensure selected sites provide access to public and active modes of travel and are within walking distance of amenities as much as possible. Meanwhile - providing homeless residents with accommodation increases their agency to adopt climate friendly behaviours.

Have you engaged with Procurement Service?		Yes
Procurement route options considered for goods, services or works	Single Tender to support PCC to acquire and refurbish the properties	
Procurements Recommended route.	Procurement Exemption	
Who is your Procurement Lead?	Kim Kingdom	
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 <i>(including the Leader, Portfolio Holders and Ward Members)</i>	Cllr Penberthy, Portfolio Holder for Housing, Cooperative Development and Communities and Cllr Lowry, Portfolio Holder for Finance both through Portfolio Holder meetings and the Homelessness Workshop.
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Confirm you have taken necessary Legal advice, is this proposal State Aid compliant, if yes please explain why.	
Who is your Legal advisor you have consulted with?	Alison Critchfield

Equalities Impact Assessment completed <i>(This is a working document which should inform the project throughout its development. The final version will need to be submitted with your Executive Decision)</i>	Yes
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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
	£	£	£	£	£	£	£	£

Refurbishments			300,000					
Purchase Costs			2,280,000					
Surveys			60,000					
Project Management			52,800					
Legal Fees			24,000					
Transaction Costs			38,400					
Disabled Facilities grant adaptations			100,000					
Professional Fees			7,800					
Contingency			127,000					
Total capital spend			2,990,000					

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 £
Service Borrowing			440,000					
Grant (subject to bid)			2,450,000					
Disabled Facilities grant			100,000					
Total funding			2,990,000					

SI06 or CIL (Provide Planning App or site numbers)	N/A
Which alternative external funding sources been explored	There are no other applicable funding streams.
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	<p>RP (registered providers) Investment Partner Status with Homes England needs to be submitted and if successful, grants will require property purchased to be on an affordable or social rent model. This is in line with our approach and financial modelling.</p> <p>Homes England stipulate that a social rent or an affordable rent model must be applied to the rent and service charge of each of the</p>

	properties and that they must meet regulatory standards. If these properties are no longer used as affordable homes, the Council will be required to recycle or pay back the grant contribution.
Tax and VAT implications	The receipt of rental income from the residential properties will relate to a VAT-exempt activity of the Council. This means that the VAT incurred by the Council on costs relating to the purchase of the properties, and the future ongoing revenue costs, will need to be included in the Council's partial exemption review and so the expenditure will need to be identified and closely monitored to ensure that the VAT is fully recoverable by the Council. Since the properties will be used for a residential purpose, the Council will be unable to opt to tax the properties to be able to exclude the VAT on costs from the partial exemption calculation. It might be necessary, therefore, to obtain external VAT advice.
Tax and VAT reviewed by	Sarah Scott
Will this project deliver capital receipts? <i>(If so, please provide details)</i>	There will be no immediate capital receipts however the homes purchased could potentially be sold to provide capital receipts in the future should the need for them reduce. Any Homes England funding would need to be recycled into affordable housing provision.

REVENUE COSTS AND IMPLICATIONS

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

Total Cost of developing the project	£0
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	Y
Budget Managers Name	Jackie Kings

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 (e.g.: maintenance, utilities, etc)			19,003	35,206	35,206	35,206	ongoing

Loan repayment (<i>terms agreed with Treasury Management</i>)			0	30,878	30,878	30,878	ongoing
Total Revenue Cost (A)			19,003	66,084	66,084	66,084	ongoing
Service area revenue benefits/savings							
Annual revenue income (<i>e.g.: rents, etc</i>)			(42,720)	(73,408)	(73,408)	(73,408)	ongoing
Cost avoidance of temporary accommodation			(£153,714)	(264,137)	(264,137)	(264,137)	ongoing
Total Revenue Income (B)			(196,434)	(337,545)	(337,545)	(337,545)	ongoing
Service area net (benefit) cost (B-A)			(177,431)	(271,461)	(271,461)	(271,461)	ongoing
Has the revenue cost been budgeted for or would this make a revenue pressure	This would not cause a revenue pressure. Please note 24/25 above estimates the half year effect of newly purchased properties and there is no repayments on the service borrowing until Year 2.						
Which cost centre would the revenue pressure be shown	2887	Has this been reviewed by the budget manager				Y	
Name of budget manager	Jackie Kings						
Loan value	£440,000	Interest Rate	6.75%	Term Years	50	Annual Repayment	£30,878
Revenue code for annual repayments	0915						
Service area or corporate borrowing	Service Borrowing						
Revenue implications reviewed by	Nathan Franklin						

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	Document Version	Date
Ruth Tune-Holmes	v 1.	28 th February 2024

SECTION 5: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

1. Accept the capital and revenue grant from Homes England and the Department of Levelling Up, Housing and Communities;
2. Delegate authority to the Section 151 officer to sign the Memorandum of Understanding with DLUHC;
3. Approves the Capital Business Case and allocates £2,990,000 to the Capital Programme financed by £2,450,000 Homes England Grant, £440,000 Service Borrowing and £100,000 virement of Disabled Facilities Grant;

Councillor Tudor Evans		Service Director Matt Garrett	
Either email dated:		Either email dated:	
Or signed:		Signed:	
Date: 08/03/2024		Date: 05/03/2024	