

BRIEFING REPORT ON THE ACQUISITION OF A FREEHOLD PROPERTY

Community Connections, Housing Delivery Team and Finance



1. INTRODUCTION

On the 11 December 2023 a business case was approved by Cabinet for the purchase of accommodation to meet the demand for family temporary accommodation, to provide alternative suitable temporary accommodation for families, and reduce budget pressures.

The business case set out the increasing demand and cost of the provision of unsuitable, high cost, nightly paid accommodation and the cost avoidance that could be achieved to support budget pressures, as well as the improved standard of provision for families, that could be achieved as a result of the purchase of alternative suitable temporary accommodation for families.

In progressing the business case, an offer has been made and accepted on a building, which is currently a student accommodation provision. The cross departmental Strategic Housing Acquisition Steering Group has provided governance and oversight of the activity of this acquisition and expert project coordination has been commissioned to support the purchase and related reports.

2. PURPOSE

This paper outlines the development and planning of a new Council owned supported homelessness assessment and accommodation service aiming to provide 30 self-contained flats for homeless families and office space for services.

In response to the homelessness crisis and to support temporary accommodation budget pressures the Council has implemented a relentless focus around increasing cost-effective, affordable, and quality temporary housing for homeless households.

There is an evidenced need for a supported housing service that provides supported temporary accommodation for homeless families. A key function of the service will be to develop a holistic and tailored plan around the assessment of housing, support and other related needs.

The proposal is to utilise service borrowing and capital grant from Homes England to acquire the building and set up this service.

The purchase negotiations and due diligence on the building were initiated in March 2024. Extensive due diligence surveys and reports have been acquired to ensure the suitability and viability of the building.

Expert financial modelling has also been commissioned to reassure the purchase and refurbishment costs will realise the cost avoidance revenue savings to support the Councils budget pressures.

Cost avoidance has been modelled at between £412,417 and £795,335 per year if the building provides 30 units of accommodation as an alternative to nightly paid accommodation.

3. BACKGROUND

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. The private rented sector in Plymouth has historically provided affordable housing. This provision has shrunk significantly as landlords exit the market or increase rents to the point where there is very little affordable private sector accommodation available. This is at the same time as the number of available social housing lets has also

declined, reducing by 36% over the last 5 years. In 2022/23, the number of households in significant need of an affordable home (Band B and C) outstripped supply by 2,575.

Plymouth City Council has a statutory duty to provide temporary accommodation to homeless families.

There are an increasing number of households presenting as homeless or at risk of homelessness and staying in statutory temporary accommodation for longer as existing temporary accommodation has become silted up. Subsequently households are increasingly placed in high cost nightly paid accommodation. These demand pressures have a significant financial impact, with an overspend of £2.4 million reported in 2023/24.

The business case to purchase accommodation agreed by Cabinet in December 2023 responds to this challenge and supports reduction in budget pressures.

4. PROPOSAL

It is proposed that Plymouth City Council acquires a building in Plymouth City Centre for refurbishment to provide thirty 1, 2 and 3-bedroom self-contained flats for homeless families and an office base for services.

There have been extensive surveys into the condition of the building as well as outline drawings for the residential units and a concept drawing for the downstairs office space.

Updating the building to make it compliant with regulations and standards, as well as remodelling into 2-3 room self-contained flats will need to be undertaken, once planning permission has been granted. The Council's requirement is for mostly two bedroomed, self-contained flats with some one and three beds.

Detailed estimates of related costs have been compiled. A specialist company has provided project management and co-ordination support to Council staff around the acquisition process, including negotiation and contact with the vendor and leading on the planning process requirements.

Identified refurbishment costs have been estimated and included in the financial viability modelling.

It is anticipated that this building will be ready to let in 2025.

A managing agent is expected to oversee the building and provide an Intensive Housing Management service to families.

5. HOUSING ACQUISITION PROCESS

A cross departmental Strategic Housing Acquisition Steering Group has been established to oversee the acquisition of accommodation for temporary accommodation provision and meets on a regular basis, reporting to Portfolio Holders, Corporate Management Team, and the Homelessness Recovery Programme Board.

As the Council has not bought any residential housing properties in recent years, having undergone a full Voluntary Stock Transfer of its homes to Plymouth Community Homes in 2009, and in recognition of the capacity challenges across departments, a specialist consultant has been procured to support the acquisition process.

6. PLANNING REQUIREMENTS

The current planning consent restricts the use of the building to the provision of student accommodation. The Council will apply to the Local Planning Authority for a new planning consent for the provision of supported family temporary accommodation for homeless families.

Evidence will be provided regarding the current lack of affordable temporary accommodation supply and the Council's statutory duties in respect of homeless households to show that there is a need for temporary accommodation.

The timeline of the purchase is agreed for completion in September 2024.

As the planning process and permission decisions will be post purchase, the purchase will be made at risk. This is mitigated in: the positive pre application advice received; the option of continued delivery of current use; and the future opportunity options the building brings.

The full planning application is currently being progressed.

To submit a planning application for the flats in the building, the following will be provided.

- A completed planning application form.
- A completed Community Infrastructure Levy (CIL) form.
- A completed Climate Emergency Compliance (CEC) form and associated statement.
- A Site Location Plan.
- Existing and proposed floor plans and elevations of the property.
- Crime and Disorder Statement.
- Fire Statement.
- Flood Risk Assessment and Drainage Strategy (can be combined);
- Details of existing on-site waste management and any proposed changes.
- Community Involvement Statement.

Major applications have a statutory determination period of 13 weeks from validation. A Public Consultation will be carried out prior to submitting the planning application.

7. SERVICE OFFER

The service will work closely with families to provide temporary housing and practical support, including help to set up their new home during their stay and subsequent move into permanent accommodation. Families often experience a sense of loss caused by homelessness and moving away from family, friends, schools and communities, increasing stress and anxiety and trauma. Feeling safe and having access to quality accommodation to rebuild routines and resilience as a family is central to the new service model and offer.

The Council currently funds a family support service through the Plymouth Alliance, which will be extended to support the families living in the flats. This service is expected to meet the full training requirements so that the building will also meet provision of Safe Accommodation under the recent Domestic Abuse Act.

The Housing Options Service and related Alliance staff can be based on the ground floor, and this will enable staff to work closely with families with compound needs living in this provision.

8. FINANCIAL MODELLING AND VIABILITY

Extensive surveys have been undertaken to understand the estimated upgrade and refurbishment costs required to the building.

Based on all known and estimated costs, detailed financial viability modelling has been commissioned to ensure viability of the purchase and upgrade.

The modelling has included a social rent plus 10% model demonstrating that this is an affordable option for homeless families, including working families.

The purchase is expected to produce revenue savings to the budget by providing a more financially viable solution for homeless families and reducing the reliance on expensive nightly paid accommodation. The building will also provide office space for services who would otherwise need to rent or purchase alternative office space.

Financial modelling shows annual savings in cost avoidance of between £412,417 and £795,335. This would not be realised in this financial year as, once acquired, the building requires upgrading and remodelling work (refurbishment) to be completed prior to occupation.

There have been extensive surveys into the condition of the building as well as outline drawings for the residential units and a concept drawing for the downstairs office space. Updating the building to make it compliant with regulations and standards, as well as remodelling into self-contained family flats will be undertaken, once planning permission has been granted.

As is always the case, refurbishment costs could increase higher than the current estimated costs and as a result, the financial modelling has taken account of increased costs in this area to the extent that should the acquisition, related costs and refurbishment costs rise to £2 million more than anticipated, the modelling shows that the Council would still make savings.

Furthermore, detailed estimates of costs related to planning and refurbishment have been compiled to make the financial modelling robust.

There is a low risk that capital grant funding from Homes England may not be awarded. There have been initial discussions with Homes England and these have been supportive. One of the financial scenarios modelled involves not receiving capital grant. If this were to happen there would still be a significant overall saving to revenue budgets.

9. RISKS AND MITIGATION

Risk	Mitigation
Delays to the building acquisition	At the current time the project is proceeding on schedule with completion scheduled for 2 September 2024.
As the planning process and permission decisions will be post the vendor-imposed purchase date, the purchase will be made at risk of not receiving a positive outcome from the full planning application	<p>Positive pre application advice received</p> <p>There is an option of continued delivery of current use as student accommodation</p> <p>There are potential alternative uses for the building</p> <p>The financial viability modelling identifies this as a good purchase for the Council.</p>
Lower level of capital grant funding	Early conversations have been had with Homes England who are supportive of the project. The financial modelling shows that savings are made without capital grant.

Planning Delays	A Planning Consultant has been appointed to manage the process
As this is a complex project, not having a detailed plan in place at handover stage could result in a breach of the regulatory or health and safety standards, and/ or create financial loss and reputational risk	<p>A rapid procurement exercise is being undertaken to identify a managing agent and how to award contracts needed to meet all day-to-day building standard requirements, health and safety compliance, and other related contracts</p> <p>A detailed project plan to be put in place to ensure full regulatory compliance, effective handover of the building and to minimise rent loss through voids</p>
Not being able to source/ engage a managing agent	PCC could potentially directly manage this provision however are in talks with a partner Registered Provider who is willing to do this. Whether PCC directly manages, or a managing agent is engaged, it is subject to the same regulatory structure as it is a Registered Provider and the costs will be covered in the rents.
Delays in families moving into the building	Families to be identified to move in prior to handover
Once families are placed, they are unable to move on due to a lack of affordable longer-term accommodation	<p>The support service will be focused on move on and resettlement of families into longer-term accommodation</p> <p>Devon home Choice currently has 50% preference to homeless households to support move on for homeless families</p>
Cost of works higher than anticipated due to increased prices or unexpected works	Modelling has been carried out using works costs that are considerably higher than anticipated and this still shows a significant annual revenue saving.