

Future Use of Agricultural Cottage in Llanvair Discoed

SINGLE-STAGE BUSINESS CASE

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1 INTRODUCTION

Estates and Housing & Communities seek approval to renovate a vacant MCC agricultural cottage in Llanvair Discoed. The cottage, the address of which has been redacted to protect the potential occupiers, has been identified as suitable as Temporary Accommodation for homeless families. Once renovated the property would need to be managed and maintained by the Council, the renovation works would need to be funded through a combination of Council borrowing and TACP Funding. Photographs of the property are available to see in **Appendix 1**.

The provision of high quality, self-contained Temporary Accommodation (TA) owned by the Council will assist to reduce the number of households in bed and breakfast accommodation and aligns with the Community and Corporate Plan's objectives of creating a 'fair place' to live.

This business case seeks approval to:

- Agree to a schedule of refurbishment works to improve the standards and energy efficiency of the accommodation to meet Welsh Housing Quality Standards where possible.
- Agree to the future use as Temporary Accommodation for homeless families.
- Estates and Housing & Communities propose to undertake the required improvements and ongoing maintenance 'in-house' through the support of Property Services and framework contractors. Alternatively, a decision can be taken to enter agreement with a Registered Social Landlord (RSL) for the ongoing maintenance.

This business case is set out within the context of an options appraisal to assess the potential options in relation to the future use of the property.

2 STRATEGIC CASE

2.1 Context

The property is a three-bedroom property located centrally in the village of Llanvair Discoed. The property is retained to support MCC tenant farmers upon expiry of their retirement tenancies or dependents of lifetime tenants following the tenant's passing. The property has been vacant for some time, and there is an increasing movement of tenant farmers and families to make alternative arrangements that would remove any necessity for the property to remain unoccupied.

The property needs renovation to bring it up to a standard suitable for TA. MCC Estates will seek competitive quotes to refurbish the property to meet Welsh Housing Quality Standards (WHQS) required for social housing. The initial refurbishment works identified include: redecoration; bathroom and kitchen replacement; energy efficiency improvements including increased insulation, low energy light fittings, new heating system and solar PV; replacement doors and windows.

This proposal is to renovate the property to provide TA for a homeless family. This proposal aligns with the priorities of Monmouthshire's Cabinet around Homelessness, Social Housing and Affordable Housing. In addition, the proposal contributes towards the Council's strategic housing priority: *"To respond to increasing levels of homelessness and work towards rapid rehousing ambitions"*.

Levels of homelessness continue to be a major concern for the Council, the use of bed and breakfast accommodation is extensive at present with a gross budget pressure of approximately £1.865m accommodated within the revenue budget for 2023/24. As of September 2023, there were 189 households in TA, including 59 households in bed and breakfast accommodation. The Council is seeing an increase in the number of families at risk of homelessness, there is a lack of suitable, self-contained accommodation for larger families within the Council's provision of TA.

2.2 Case for Change

2.2.1 Spending objectives

The key objectives for this business case are:

- To provide a good quality additional unit of self-contained TA suitable for families
- To improve the well-being of a homeless family through the provision of high quality, self-contained TA
- To respond to levels of homelessness through the provision of Council-owned accommodation
- To contribute to the Council's Rapid Rehousing Transition Plan
- To reduce revenue costs associated with the use of bed and breakfast accommodation, the average cost of accommodating a household with a three bed need in bed and breakfast accommodation is £27,793.48 per year (see **Appendix 2**)
- To start providing Council-owned TA
- To procure local businesses where possible to carry out the refurbishment works.
- To improve the general condition and energy efficiency of the Council's housing stock

2.2.2 Existing Arrangements

The Council's current provision of TA is mainly through leased privately-owned accommodation along with some owned by Registered Social Landlords. A range of accommodation is provided including bed and breakfast, shared and self-contained. The current reliance on privately-owned accommodation leads to inconsistencies in the standards of accommodation and a lack of long-term security. A number of landlords are terminating their leases as the Council is unable to compete with market rental values or selling their properties due to the additional requirements associated with the Renting Homes (Wales) Act 2016 and/or the current status of the housing market. Whilst the number of private leased properties is increasing gradually, the growth of the scheme is still not sufficient to meet the required accommodation need.

Waiting times in TA are extensive, with households taking more than 10.2 months on average to be rehoused in social housing. With such lengthy stays in TA it is essential that the accommodation provided

is affordable, safe and secure environments for people to live in, this is not consistent with bed and breakfast accommodation. The Council wishes to address this issue through increasing the provision of high quality, self-contained TA.

2.2.3 Business Needs

Where we are now	ESSENTIAL Objectives of Business Case
The Council's current provision of TA is through leases with private landlords and RSLs, including extensive use of bed and breakfast accommodation.	This proposal is to renovate a Council-owned property to provide TA for a homeless family, thereby reducing the reliance on bed and breakfast accommodation.
There is a lack of self-contained temporary accommodation	This proposal would provide one 3 bed unit of self-contained TA.
The property has been empty for some time	This would bring the property back into use and up to standards, whilst providing the opportunity to increase the energy efficiency of the property.
The current financial implications of the current use of B & B accommodation is unsustainable	The proposal contributes to the Council's Rapid Rehousing Transition Plan

2.2.4 Main Benefits / Funding and Affordability

The provision of affordable accommodation benefits Monmouthshire residents in housing need by providing safe and secure accommodation through which lives can be rebuilt, thereby improving individual's health, well-being, financial situation, employment opportunities etc. The proposal contributes indirectly towards public sectors such as health, social care, community safety and police/public protection and contributes towards wider society benefits including reducing homelessness, poverty and anti-social behavior. In addition, there is the potential to increase the energy efficiency of the property, thereby contributing to the low carbon agenda and reducing energy bills for low-income households.

It should be noted that Social Housing Grant (SHG) cannot be accessed for this property as the viability modelling shows the rental income will be greater than the outgoings over a 50-year period. WG announced a new funding stream in 2022, Transitional Accommodation Capital Programme (TACP), which is available for void works to existing properties. An expression of interest has been submitted for TACP funding which has been indicatively approved at a rate of 70% i.e. £77,040 of the total estimated works cost of £110,058.

Cost modelling has been undertaken both with and without TACP funding and is available in **Appendix 3**. This predicts there will be a slight surplus to the Council of £839.80 per annum with TACP funding or an annual revenue cost of £5,018.20 without TACP funding.

When comparing the total cost of this proposal to the existing option of placing a family in 3 bed B&B accommodation, this results in an estimated net cost avoidance to the Council's revenue budget of £28,633 per annum with TACP funding or £22,775 without funding, as illustrated in the Table below:

	With TACP funding	Without TACP funding
Indicative refurb cost	£110,058	£110,058
TACP Funding	£77,040	N/A
Annual cost to the Council	-£839.80 pa	£5,018.20 pa
Bed and breakfast costs	£27,793.48 pa	£27,793.48 pa
Net cost avoidance	£28,633.28 pa	£22,775.28 pa

2.2.5 Main Risks

Risk	Mitigation
1. Housing management issues/Anti-social behaviour	The property will be managed directly by a Housing Options Team Accommodation Officer. Households will be provided with Housing Support
2. Property maintenance and management	The accommodation would need to be maintained and managed by the Housing Options Team who will manage day to day repairs and cyclical maintenance. Property Services Team will support the refurbishment and planned maintenance of the property.
3. Viability	Cost modelling has been provided in this report. Social Housing Grant is not available to support this renovation as the rental income is higher than the costs over a 50-year period (this is the model that WG use to calculate grant funding). However, TACP funding is available and has been provisionally approved for approximately £77k.
4. Financial risks in relation to cost of refurbishment works	Work closely with Property Services to agree the scope of works and opportunities for value engineering/savings, with due consideration for the lifespan of any improvements to ensure they are durable given the potential high turnover of tenants.
5. Procurement of professional Services to complete refurbishment works to required standards	Availability of contractor and other professional services may delay the preferred programme for completion of the project. It is proposed that a contractor will be appointed via either existing MCC framework agreements or via alternative external framework providers such as the Welsh Procurement Alliance and mini competition

2.2.6 Constraints

Internal financing will be required – SHG is not available to support this renovation, however TACP funding has been provisionally approved for approximately £110k.

Housing market – Current and future conditions predicted to fall.

Construction market - Availability of contractors and building materials.

3. OPTIONS ANALYSIS

3.1 Critical Success Factors

Table 1: Summary of Options Appraisals

OPTION 1	BUSINESS AS USUAL (BAU)
Description	The cottage remains vacant
Net Costs	Minimal costs required to maintain the site, however there is the potential for significant costs if the building becomes unsafe
Advantages*	Minimal capital or revenue implications associated with this option. The property could be sold to generate a receipt, the property was valued at £350,000 in April 2022.
Disadvantages*	This option does not contribute towards the Council’s strategic housing priorities and objectives. This option does not help mitigate ongoing pressures such as bed and breakfast expenditure and the shortage of affordable accommodation. The property is likely to fall into further disrepair if left vacant.
Conclusion	It is not an option to leave vacant and under-utilised as this is a Council asset that could benefit the Council or the local community
OPTION 2	Renovate the property and use as temporary accommodation.
Description	To renovate the property to meet WHQS and use as temporary accommodation for a homeless family
Net Costs	As per 2.24 and Appendix 4
Advantages*	Contributes towards strategic priorities around addressing homelessness, reducing the reliance on bed and breakfast accommodation, provides the Council with more control over its provision of temporary accommodation
Disadvantages*	Resourcing implications as the property would need to be maintained and managed, capital funding implications e.g. the need to monitor and manage stock condition and having a programme of planned maintenance in place
Conclusion	This is the recommended option.
OPTION 3	The Council disposes of the property to generate a Capital Receipt

Description	To Market the property for disposal to generate a Capital Receipt. This would be undertaken by the Estates Development Team.
Net Costs	There would be a small fee involved with this process which would include for any costs relating to the marketing of the unit. A recent valuation report of the property estimated the property could achieve £350,000 on the Open Market.
Advantages	The advantages of disposing the property would be the Council wouldn't be required to contribute to any further improvement costs or maintenance liabilities. The receipt generated could be allocated to other needs such as 21 st Century Schools projects.
Disadvantages	The disadvantages for selling the property would be it doesn't assist the Council's objectives of providing temporary accommodation for homeless families and the Council would still incur the high costs of placing these families in Hotels and B&B's.
Conclusion	It is considered utilising the property for temporary accommodation is the preferred option as it allows the Council to reduce the costs incurred for placing the families in temporary accommodation while retaining the asset.

3.3 Recommended option

The recommended option is Option 2: To renovate the property to meet WHQS and use as temporary accommodation for a homeless family. This is recommended due to its contribution towards Council objectives and priorities and increase the provision of temporary accommodation.

4. RESOURCE IMPLICATIONS / PROCUREMENT ROUTE

It is proposed that existing framework contractors will be utilised wherever possible. Should capacity or cost be prohibitive following receipt of quotations, an invitation to tender will be issued via Sell2Wales and/or an alternative framework (e.g. SEWTAPS or WPA) to identify locally based contractors who can support the refurbishment.

There are resourcing implications associated with purchasing temporary accommodation, including:

- Housing would need to be maintained and managed, including a programme of planned maintenance.
- Void processes and works would need to be undertaken.

Subject to the determined procurement method, Property Services or a nominated project manager will oversee the proposed refurbishment works.

Appendix 1 – internal photographs of the agricultural cottage at Llanvair Discoed



Appendix 2 - Average Bed and Breakfast Costs

	Weekly Charge	Weekly Amount Covered by Housing Benefit	Weekly Cost to Council	Monthly Cost to Council	Annual Cost to Council
One bedroom	£420	£95.51	£324.23	£1,406.12	£16,859.96
Two bedroom	£490	£95.51	£394.49	£1,709.46	£20,513.48
Three bedroom	£630	£95.51	£534.49	£2,316.12	£27,793.48
Four bedroom	£770	£95.51	£674.49	£2,922.79	£35,073.48

As of 03/04/2023

Appendix 3 - Financial Case

Cost modelling with TACP

Purchase Price:	N/A
Purchase costs (surveys, land registry)	N/A
Land transaction tax	N/A
Initial refurb works	£110,058
TACP funding	£77,040
Net cost:	£33,018

	Annual Cost
Mortgage/Borrowing Costs*	2,511.00
Management & maintenance	3,000.00
Void Loss Rent	388.92
Arrears	388.92
Utilities, CT and Legal	400.00
Service Charge on leasehold	N/A
Safety - Gas, Electric, EPC	250.00
Safety - Fire testing	0.00
Furniture	0.00
Total	6,938.84
Rental Income	-7,778.64
Service Charge Income	0.00
Client Recharge	0.00
Total	-7,778.64
Grand Total	-839.80

Borrowing Costs

<i>Repayment Period</i>	<i>Rate</i>	<i>Annual Repayment</i>	<i>Capital</i>	<i>Interest</i>	<i>Total Repayment</i>
25	5.77%	2,511	1,321	1,190	62,769

Rates as of 19th October 2023

Cost modelling without TACP

Purchase Price:	N/A
Purchase costs (surveys, land registry)	N/A
Land transaction tax	N/A
Initial refurb works	£110,058
TACP funding	N/A
Net cost:	£110,058

	Annual Cost
Mortgage/Borrowing Costs*	8,369.00
Management & maintenance	3,000.00
Void Loss Rent	388.92
Arrears	388.92
Utilities, CT and Legal	400.00
Service Charge on leasehold	N/A
Safety - Gas, Electric, EPC	250.00
Safety - Fire testing	0.00
Furniture	0.00
Total	12,796.84
Rental Income	-7,778.64
Service Charge Income	0.00
Client Recharge	0.00
Total	-7,778.64
Grand Total	5,018.20

Borrowing Costs

<i>Repayment Period</i>	<i>Rate</i>	<i>Annual Repayment</i>	<i>Capital</i>	<i>Interest</i>	<i>Total Repayment</i>
25	5.77%	8,369	4,402	3,967	209,226

Rates as of 19th October 2023