

Executive Board
20 July 2021

Subject:	Loan to Nottingham City Homes Registered Provider to enable the acquisition of Laura Chambers Lodge, Clifton
Corporate Director(s)/Director(s):	Wayne Bexton, Corporate Director for Growth and City Development
Portfolio Holder(s):	Councillor Linda Woodings, Portfolio Holder for Housing, Planning and Heritage
Report author and contact details:	Margaret Coward, Senior Regeneration Officer margaretcoward@nottinghamcity.gov.uk
Other colleagues who have provided input:	Mark Lowe, Head of Housing and Regeneration
Subject to call-in: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Key Decision: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Type of expenditure: <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital	
Total value of the decision: See Exempt Appendix	
Wards affected: Clifton East	
Date of consultation with Portfolio Holder(s): 09/2/2021	
Relevant Council Plan Key Theme:	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
This report proposes the sale of Laura Chambers Lodge (LCL) to Nottingham City Homes Registered Provider (NCH RP) at market value (price detailed in the Exempt Appendix) for use as temporary accommodation for families, and the provision of a General Fund loan to finance this. The loan will be part asset-backed and part spend to save, based on the projections set out in the Exempt Appendix. Provision for this loan is part of the Capital Programme that was agreed by Executive Board on	

23/02/21.

Exempt information:

An appendix to the report is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to financial and business affairs of the Authority and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because a competitive tender process will be started shortly, and making public the budget could prejudice contractual negotiations.

Recommendation(s):

- 1** To delegate authority to the Corporate Director of Finance and Resources to approve a loan to NCH RP, subject to due diligence, as detailed in the Finance comments in the Exempt Appendix.
- 2** To sell the LCL to NCH RP at market value, at the price detailed in the Exempt Appendix.
- 3** To contribute £40,000 of Section 106 Affordable Housing Contribution to NCH RP to acquire the surrounding land at LCL, upon which to develop additional affordable housing units in the future.

1 Reasons for recommendations

- 1.1 This proposal will allow NCH RP to provide much-needed support to the Council in meeting its duty to provide suitable accommodation for families who are classified as homeless, or in the process of applying for homelessness relief. Alongside providing well-managed and suitable facilities, there will be a financial saving to the Council by reducing the burden on the General Fund of providing Bed and Breakfast or Nightly Paid temporary accommodation. All referrals for the properties will be taken directly from Housing Aid.
- 1.2 Most other temporary accommodation facilities are in the central areas of the city, but this is often difficult for families from Clifton to access while retaining links to family support networks. This location will provide a more diverse geographical spread of temporary accommodation.
- 1.3 The need for temporary accommodation for families is projected to increase in the next year as the temporary ban on evictions due to the pandemic is lifted. Homeless applications are expected to increase due to a combination of greater number of evictions, a backlog of applications that have not come forward during the pandemic lockdown and the wider impacts of recession. It is expected that this would stabilise

in future years, but at the enhanced level requiring additional temporary accommodation to be available to meet the need.

- 1.4 The proposal will deliver a capital receipt to the Council, comparable with what would be achieved on the open market. It will also avoid the risk of abortive costs of work done to date, following a Leader's Key Decision in April 2020 to sell the site to NCH RP, which gave the assurance to carry out these works. The Council will need to reimburse NCH RP for these costs if the project did not proceed.
- 1.5 NCH RP need to access adequate finance to allow them to carry out the capital works to the building. This loan will be subject to Chief Finance Officer's approval following receipt of a satisfactory business case demonstrating the ability to repay the loan, supporting documentation and loan security. It will be paid back through rental payments from NCH, based on market-comparable interest rates which are State Aid compliant and fixed by the Chief Finance Officer at the time of the transaction.
- 1.6 NCH RP wish to acquire the land surrounding LCL and locate new affordable homes there in the future. There is £40,000 of Section 106 money available for the Council to grant to NCH RP to allow them to acquire the land. This is linked to planning application 13/01703/POUT, Woodhouse Park. The condition of this contribution was that it must be used "towards the provision of Affordable Housing within Nottingham City". The proposed usage is therefore eligible for this funding.

2 Background (including outcomes of consultation)

- 2.1 LCL is a former purpose-built elderly persons' care home on Swansdowne Drive in Clifton. The building has been empty since 2016 and has been declared surplus to service requirements.
- 2.2 NCH RP have carried out early design and feasibility work. This shows that around 29 self-contained family units could be accommodated in the existing structure of the building. The units would be used to provide temporary accommodation for families. This loan will allow NCH RP to buy the site, and go out to market to tender the opportunity for a contractor for a JCT Design and Build contract.
- 2.3 There are currently 348 units available for the Council in which to place homeless families temporarily until their homeless applications are determined and more settled accommodation can be secured. This is a mix of hostel and leased dispersed accommodation. Although deemed highly unlikely, in the event of a radical reduction in homeless demand at some point in the future (e.g., due to legislative changes) then the exit strategy for the Council's supply of temporary accommodation means that a total of 308 leased units can either be quickly removed from the accommodation pool or phased out to reduce costs associated with over-supply. In the event that hostel accommodation was not needed for temporary accommodation, NCH RP would let this on an affordable rent basis to singles and couples on the waiting list.

3 Other options considered in making recommendations

- 3.1 Reutilise the site as a care home. This option was discounted as there is not demand for this use and the Council's Better Lives, Better Outcomes strategy is to maximise the ability for older people to remain independent for longer.
- 3.2 Not to refurbish LCL for temporary accommodation. This would not help to alleviate the current pressures and projected increase in the need for temporary accommodation in Nottingham, so this option was rejected.
- 3.3 Sell the building on the open market. Based on the independent valuation figures set out in the exempt appendix, the Council does not expect to achieve a higher capital receipt through an alternative disposal for the site. This was rejected as the building is needed to provide temporary accommodation for families. Insufficient provision of temporary accommodation has a draining effect on the Council's revenue budgets.
- 3.4 Sell the site to another RP to deliver the provision. This was rejected as yet no other RP has indicated that they would be willing and able to provide a new hostel and the timescale for continuing to pursue this route would lead to an unacceptable delay in the provision.

4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 See Exempt Appendix.

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

- 5.1 This report seeks authority to provide a loan to NCH RP to provide temporary housing following redevelopment of the former LCL care home. The Council has power to lend money pursuant to Section 12 of the Local Government Act 2003 as the loan for the provision of temporary accommodation would be an investment for a purpose relevant to its function of providing accommodation for the homeless and/or affordable housing.
- 5.2 It is necessary to consider whether the loan to NCH RP provides a subsidy to NCH RP. As a consequence of the UK's Trade and Cooperation Agreement entered into with the European Union and given effect as domestic law by the European Union (Future Relationship) Act 2020, the UK is required to have a domestic subsidy control regime which, subject to certain transitional arrangements, replaces the previous rules on State Aid. The loan is potentially a subsidy if the interest rate and other terms are more advantageous than what would be available to NCH RP in the open market. However, as this loan is for the provision by NCH RP of temporary housing for homeless families, it is a permitted subsidy under the new regime as it is assistance for Services of Public Economic Interest (formerly SGEI under the previous state aid regime) and exempt from notification provided the subsidy to NCH RP is less than 750,000 SDR (approximately £790,000). A loan agreement should be entered into with NCH RP stating the purpose of the loan. Legal Services will discuss with the Development team as to whether security should be taken over the property as part security for the loan.

5.3 The report also seeks authority for the sale of additional land to NCH RP, which was previously authorised in Delegated Decision 3852 - the legal advice in that report is restated here as applicable to the revised sale.

5.4 The provision of the Section 106 funds to NCH RP should be documented in an agreement with NCH RP to ensure the funds are used for the purpose set out in the Section 106 Agreement.

Advice provided by Andrew James (Team Leader – Commercial, Employment and Education) on 27 May 2021.

6 Strategic Assets and Property colleague comments (for decisions relating to all property assets and associated infrastructure)

6.1 It is recommended in this report that LCL is sold to NCH RP at market value, which has been negotiated and agreed with NCH RP by Property. The price agreed is supported by a valuation instructed by NCH RP and carried out by an independent firm of Chartered Surveyors as detailed in the Exempt Appendix.

Advice provided by Beverley Gouveia (Development and Disposals Manager, Property and Strategic Assets) on 23 June 2021.

7 Social value considerations

7.1 The proposed development will contribute to meeting the need for temporary accommodation generally, but in particular for homeless families in the south of the city rooted in the community that may have children schooling in the area. It would also ensure a mix and balance of housing options across the city, rather than an over or under provision in certain areas.

8 Regard to the NHS Constitution

8.1 Not applicable.

9 Equality Impact Assessment (EIA)

9.1 An EIA is not required because the report does not contain proposals for a new or changing policy, service or function.

10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

10.1 LCL Site Plan, including the extra land.

11 Published documents referred to in this report

11.1 Delegated Decision 3852: Sale of Laura Chambers Lodge former care home, Clifton, April 2020 (<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=5192>).