

Record of Decisions

Implementation of the Accommodation Re-purposing Project ("Hotels to Homes") and acquisition of Scheme 1

Decision Taker

Cabinet on 11 September 2024.

Decision

That Cabinet recommend to Council:

1. That the Capital Programme be uplifted by £3m, wholly funded by capital grant received from MHCLG, to commence delivery of the Accommodation Repurposing Project (also known as 'Hotels to Homes');

That subject to 1. above, Cabinet:

2. Approve the turnkey acquisition of Scheme 1 for use as social housing, in accordance with business case provided at Exempt Appendix 1 (and funded by the MHCLG grant award);

That subject to 1. and 2. above:

3. Delegation be provided to the Director of Pride in Place, in consultation with the Cabinet Member for Housing and Finance and Director of Finance, to agree final terms to purchase Scheme 1, and following satisfactory completion of all necessary due diligence, proceed to acquire the scheme as set out at Exempt Appendix 1.
4. The Head of Strategic Housing & Delivery present a report to Cabinet at the appropriate time, to outline and recommend the financial and delivery arrangements necessary to move from a single scheme to a long-term, (largely) self-sustaining programme utilising all grants and external funding available.

Reason for the Decision

The Council was awarded a capital grant of £3m to commence delivery of the first project ("Scheme 1"), with conditions to demonstrate substantial delivery progress by March 2025. Whilst the new homes created by this scheme would be let through Devon Home Choice to eligible households with a local connection to Torbay, there was an intention to make these sites attractive to households where at least one adult works in a key industry (what has historically been called "keyworkers"). This was to seek to specially address the chronic recruitment issues faced by parts of the public sector such as the NHS, where a lack of good quality housing that was affordable was having a direct impact on recruitment and retention, creating a major implication for the health service and ultimately the health outcomes of Torbay residents. Providing homes for local workers was essential to ensure the long-term sustainability and health of our population.

Implementation

The decision in respect of 2. will be considered at the Council meeting on 12 September 2024. The decision in respect of 2. and 3. will come into force and may be implemented on 20

September 2024 unless the call-in procedure is triggered (as set out in the Standing Orders in relation to Overview and Scrutiny).

Information

Torbay currently has very low levels of new housing supply. With the majority of affordable homes provided through s106 by private sector developers, issues that affect private sector development have a direct implication on the proportion of new affordable homes provided.

Many Registered Providers are also scaling back their delivery programmes, with financial capacity further affected by the significant regulatory issues faced by the sector at present. The cumulative impact of these factors being house price increases; a decline in the quality of private rental stock; diminished supply; and ultimately, a reduced ability for the Council to provide housing options for those in need.

The Council was focussed on increasing the amount of affordable housing delivered in Torbay. One of the delivery streams planned was the Hotels to Homes programme. The programme sought to increase new social housing through the acquisition and conversion of former hotel-type buildings into new, high-quality homes. The Council has been awarded a capital grant of £3m to commence delivery of the first project ("Scheme 1"), with conditions to demonstrate substantial delivery progress by March 2025. The anticipated long-term proposal was to develop a self-sustaining, cyclical investment fund that was capable of using the initial grant funding to purchase and redevelop sites, occupy as affordable housing in the medium-term, and then facilitate an onward disposal to a partner Registered Provider (once a portfolio of homes had been completed), generating a capital receipt for reinvestment into the next project ad infinitum.

At the meeting, Councillor Tyerman proposed and Councillor Bye seconded a motion that was agreed unanimously by the Cabinet, as set out above.

Alternative Options considered and rejected at the time of the decision

Option 1, the preferred option, was to acquire the scheme as set out in Exempt Appendix 1 to the submitted report on a turnkey basis with stakeholder deposit and completion payment in the normal way. This was a relatively low risk way to deliver new homes and would ensure that the Council's investment was protected throughout the build as completion funds would only be released once assurance had been provided that the scheme had been completed appropriately and the contract terms met.

Option 2 would be to withdraw from the current opportunity and attempt to identify another hotel that already has a suitable planning consent, and to directly commission construction by March 2025. However, this would require the Council to take a considerable degree of commercial risk in respect of both commissioning construction of an inherited design and planning consent. The expectation was that this would also cost more than an equivalent turnkey option and would significantly delay delivery; whilst it is hoped that a degree of flexibility could be negotiated with the Ministry of Housing, Communities and Local Government (MHCLG), this would put the Council in direct conflict with the grant award terms. Therefore, this option was discounted.

Option 3 would be to hand back the grant and decline to proceed any further. This would be detrimental to the Council's relationship with MHCLG (and the new government). This may also cause wider implications for other Council delivery programmes and funding streams, too.

Ultimately and very importantly, this would also mean that the additional affordable housing supply that was urgently need, would not materialise. This option was discounted.

Is this a Key Decision?

No

Does the call-in procedure apply?

Yes

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None

Published

12 September 2024

Signed: _____ Date: _____
Leader of Torbay Council on behalf of the Cabinet