

Executive Decision Report

Proposed purchase of a 134-unit City Centre Building

Decision to be taken by: City Mayor

Decision to be taken on: 3 March 2025

Lead director(s): Chris Burgin
Matthew Wallace

Useful information

■ Ward(s) affected: Castle

■ Report authors:

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1. Summary

- 1.1 The Council seeks to acquire the freehold interest in Yoh, York Street, Leicester LE1 6BJ to support housing need in the City.
- 1.2 It is the Council's intention to acquire the asset to support fulfilment of the city's housing need.
- 1.3 The Subject Premises purchase price is included within the confidential Appendix A. The acquisition represents value for money for the Council.
- 1.4 The Subject Premises has been valued via two independent external valuations and internally by the Council's own Estates valuer – a summary of these valuations is listed in the confidential Appendix A.
- 1.5 Heads of Terms have been negotiated (and listed in the confidential Appendix E) with the Seller's team that enable the transaction to occur as soon as possible on receipt of a positive decision, which allows the Council to benefit from vacant possession and to realise savings on temporary accommodation costs as early as possible.
- 1.6 Based on the terms as agreed, the acquisition of the Subject Premises would save the Council around £2.6m a year in temporary accommodation costs, starting with immediate effect of occupation.

Should the Council not proceed with the acquisition, it will have to seek to acquire alternative accommodation to alleviate this financial burden, which will take additional time and cost and increased pressure on the housing budget in the short-term and medium-term.

If we determine not to purchase the building, then the Council will likely be unable to comply with statutory obligations that states people should not remain in unsuitable accommodation for more than six weeks. People will continue to live in unsuitable temporary accommodation, impacting on their lives. Each week for which equivalent alternative accommodation is not sourced will cost the Council in the region of £50,000 a week.

2. Recommendation

- 2.1 It is recommended that the City Mayor approves the acquisition of the building for the value laid out in the confidential Appendix A, plus Stamp Duty Land Tax and a further £250k for professional fees. This would be financed from Prudential Borrowing under the £45m budget approved by Full Council on 21st March 2024 for property acquisitions into the General Fund.

3. Background

- 3.1 The Subject Premises was built in 2019. The building, which is 7 storeys, consists of 134 units in a single, modern, purpose-built student accommodation block. The building comprises 132 self-contained ensuite bedsits and two 1 bedroomed flats, all of which have ensuite facilities, fully fitted kitchens with integrated appliances and fitted furniture. The building also has a reception and ground floor seating area, onsite laundry facilities, secure bike storage, offices and study space. There are also two wheelchair accessible self-contained studio flats with widened doors and large wet rooms. The optimal city centre location of the building enables occupiers to capitalise from all of the benefits of city centre living, being close to all amenities, transport hubs and health and leisure facilities, making it an ideal acquisition for the council's housing need.
- 3.2 There is a need for self-contained one bed units, and the purchase of this block will meet the current number of single households that require initial temporary accommodation.
- 3.3 It will be used for singles who are either homeless, at risk of homelessness, or otherwise have critical housing needs that render their current home unsuitable. It is planned that people placed in this unit would reside here for between 3 months and 18 months maximum as temporary accommodation.

Having access to self-contained accommodation would enable clients to cook and clean for themselves, as well as develop other independent living skills, in readiness for settled accommodation. When comparing the fact that we have people that are placed in B&Bs because the Council cannot find any accommodation options for them, these units which are self-contained with their own kitchen and bathing facilities, give people their own safe space.

Those placed in hotels without their own independent facilities for long periods of time result in worsening outcomes. Often these individuals have very poor life skills around maintaining their own home. The smaller size therefore provides them with a chance to have a manageable space they can cope with maintaining in readiness for permanent settled accommodation.

The building does not adhere to Nationally Described Space Standards (NDSS). However, temporary accommodation, hostels and supported housing does not have to adhere to NDSS. The building and flats are of a very high modern standard with inclusive facilities that provide for an attractive and light environment. With a self-contained kitchen and separate bathroom this

provides for greater opportunities for independent living and a large progression domestically from B&B or hotel accommodation.

3.4 The acquisition of the YoHo building will substantially meet the needs of temporary accommodation. It is recognised that B&B type of accommodation is unsuitable for this function, beyond very short emergency stays, and can have a detrimental impact upon those that reside in it.

3.5 Like many councils across the country, due to a lack of available suitable move on accommodation, currently Leicester City council is struggling to comply with its statutory obligations under the 2003 Homelessness Regulations which state that people should not remain in B&B accommodation for greater than 6 weeks. Buying the building will enable the Council to move almost all singles out of unsuitable B&B accommodation into suitable, temporary accommodation.

3.6 Valuation

The property, excluding furniture and white goods, was valued by the Council's internal RICS Registered Valuer, and has been confirmed with two further external valuations based on private rented sector and existing use as student accommodation. All valuation details are included in the confidential not for publication Appendix A and Appendix C (1-3) attached. The current purchase price represents excellent value for money for the Council.

The current purchase price includes all furniture, fixtures, fittings, white goods and equipment and is justifiable within the range of the market valuations. Subject to Executive Approval to proceed with the acquisition, the Council would complete all residual financial, technical, and legal due diligence.

The unit price included in the confidential Appendix A represents excellent value, provides best consideration, and favourably compares to the purchase price of this type of acquisition that are currently being acquired in the City.

4. Details of Scrutiny

None

5. Financial, legal and other implications

5.1 Financial implications

The total cost of the acquisition is set out in Appendix A, including the purchase price, Stamp Duty and fees. The budget for the purchase is already approved within the General Fund capital programme, following the report on exceptional homelessness pressures which added £45m through the Council meeting on 21st March 2024. The purchase and all associated costs of acquisition would be financed using prudential borrowing over a 50-year period.

Through the acquisition of an additional 134 units of accommodation, it is anticipated that there will be financial benefits to the General Fund through reduced expenditure on temporary accommodation. The net benefit to the Council is expected to be in the region of £2.6m per year.

Stuart McAvoy – Head of Finance

19.02.2025

5.2 Legal implications

Acquisition

1. Ordinarily, the Council would acquire land and property for the provision of housing accommodation pursuant to Sections 9 and 17 of the Housing Act 1985 (as amended). However, the Full Council decision in February 2024 authorised acquisition utilising General Funds for homelessness and SAP purposes. The acquisition of this building would therefore be proposed under the Council's general powers under the Local Government Act 1972 supported by the Localism Act 2011.
2. A full title investigation and due diligence exercise have been initiated but would require to be finalised with a satisfactory report on title prior to exchange of contracts and completion of any purchase.
3. From the terms of the report, the property is currently unoccupied, and the intention is for the Council to acquire the freehold title with vacant possession.
4. Student accommodation and temporary accommodation both fall within the Sui Generis planning category, although planning permission will be required for a change from student to temporary accommodation. The Heads of Terms have made provision for this.
5. The Council has a fiduciary duty to its taxpayers in relation to proper stewardship of public monies. It is noted that Red Book valuations have been obtained for the Property.

Zoe Iliffe, Principal Lawyer (Property, Highways & Planning)

19.02.2025

5.3 Climate Change and Carbon Reduction implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of emissions. Following the city council's declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing the emissions from housing is vital to the council's efforts to reduce carbon emissions. This is particularly important within the council's own housing stock where it has the greatest level of control.

Opportunities to ensure that this purchase will provide energy efficient low carbon housing should be investigated as relevant, which is likely to depend on the status of the building at the time of purchase. This could include consideration of the levels of insulation, use of low energy lighting and appliances and the installation of low carbon heating and renewables and potential improvements that could be made.

Achieving a high level of energy efficiency would reduce the energy bills and carbon emissions of the property and could also increase its value and the level of comfort for occupants.

Aidan Davis, Sustainability Officer
19.02.2025

5.4 Equalities Implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not.

In doing so, the council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Provision of good quality affordable homes for local people that help to address current provision, both in terms of lack of availability and suitability are likely to have positive impacts in terms of the aim of the PSED to advance equality of opportunity for people from across all protected characteristics. In order to demonstrate that the consideration of equalities impacts has been taken into account in the development of the proposals and as an integral part of the decision-making process, an Equalities Impact Assessment has been undertaken which is attached at **Appendix D**.

By providing affordable housing where peoples' needs are met in a community setting there is also potential to better foster good relations between those who

share a protected characteristic and those who do not. It is important that inclusive design principles are adhered to in any development of the property.

Surinder Singh, Equalities Officer

19.02.2025

5.5 Other Implications

None

Background information and other papers:

6. Summary of appendices:

Not for Publication – Appendix A – Confidential financial information

Appendix B – Location Plan

Not for Publication – Appendix C1-3 – Internal/External Valuations

Appendix D – Equality Impact Assessment

7. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No. However, Appendix A and C (1-3) are marked “Not for Publication” because they contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended: i.e., “Information relating to the financial or business affairs of any particular person (including the Authority holding that information)”.

8. Is this a “key decision”?

Yes

9. If a key decision, please explain reason

Expenditure on an individual site (acquisition of land/buildings and/or construction) for Affordable Housing which exceeds £1m.

Appendix B – Location Plan

