

Appendix A1

Real Lettings Background

Following the development of proposals with Resonance and St Mungo's Real Lettings in 2015 the Cabinet agreed that a Real Lettings scheme be developed in Bristol in order to deliver a number of affordable private rented properties for homeless households in Bristol.

The Cabinet report, dated 3 November 2015, can be found at :

https://democracy.bristol.gov.uk/Data/Cabinet/201511031800/Agenda/1103_7.pdf

The initiative utilised a dedicated property fund (run by Resonance, a fund management company) to secure a capital fund from a social investor (approximately £5M) and £5M council investment to acquire a mix of one and two bedroom properties in the private market.

The current service agreement with Resonance and St Mungo's for Real Lettings is 75 units (1 and 2 bedroom properties). Resonance acquires the properties at market value and the Real lettings arm of St Mungo's manages the properties on our behalf. Housing Options has 100% nomination rights on all properties which means we offer them to homeless households that we have agreed a homelessness duty to and where we have a responsibility to relieve the homelessness through an offer of settled accommodation (defined as a tenancy of at least 12 months duration). By June 2017 57 properties had been tenanted with a further 15 properties due to be delivered in 2017. This will bring the total number of properties purchased to 72 (slightly below the originally agreed number due to rising property costs in Bristol).

The life of the current scheme is 7 years, 2015 - 2022 with all units to be acquired and occupied by October 2017. Units are reallocated every 2-3 years as households are assisted to move on, ideally to other private rented sector accommodation.

Real Lettings was first run in London. The existing fund has been used to deliver schemes in Bristol, Oxford and Milton Keynes, all areas where there is an acute shortage of affordable properties to rent in the private sector.

Bristol's Real Lettings scheme is cited as good practice in a LGA report on Temporary Accommodation and Private Rented Sector Solutions published in July 2017.

Purpose

The purpose of Real Lettings is to increase the supply of affordable housing in order to meet the housing needs of homeless households. Bristol has high numbers of homeless households presenting to the council and many are placed in temporary accommodation (TA). We are not able to meet housing need adequately due to the lack of affordable housing, particularly in the private rented sector. This means there

are high numbers of households in TA, often for prolonged periods, at significant cost to the council.

The council has statutory homelessness duties under the Housing Act 1996 (as amended) to ensure that advice and information about homelessness, and preventing homelessness, is available to everyone in their district free of charge. The legislation also requires authorities to assist individuals and families who are homeless or threatened with homelessness and apply for help. Households that are found to be homeless, eligible for assistance and in priority need are provided with interim accommodation. Following investigations the council may accept that it has a statutory duty to found suitable long term accommodation for that household.

In addition, in order to tackle homelessness, we aim to achieve the following through Real Lettings :

- Speed up move on from temporary accommodation and through the homelessness pathway (by making a direct offer and discharging the council's homelessness duty, thereby avoiding prolonged use of temporary accommodation)
- Introduce households to the private rented sector (PRS) via this form of PRS (effectively PRS+ because of the housing management function delivered by St Mungo's and the help to move on at the end of the 2 year tenancy)
- Build confidence and ability to manage a PRS tenancy with a view to moving on to a future tenancy in the private sector
- Change perceptions of the PRS among homeless households, many of whom have lost a PRS tenancy in the past and have a negative perception of the sector in terms of affordability and security of tenure
- Minimise void times and ideally keep void times below 2 weeks
- Able to use a small number of the Real Lettings properties for intentionally homeless families accommodated by Early Help – who are dependent on PRS for a housing outcome (due to being low priority on Homechoice or even suspended from Homechoice for a fixed period in some cases)
- Properties within Bristol conurbation but outside BCC boundary are acceptable, as long as they are within commuting distance and on the public transport network (suitability checks are made before a Real Lettings property is offered as per any offer of accommodation that enables BCC to discharge its homelessness duty).

How the Fund Works

The £10M in the current fund has been used to purchase 1 and 2 bedroom properties. Housing Options has full nomination rights to these properties. At the end of the 7 year scheme the properties are sold and the scheme ends. Investors make a financial return from the scheme.

The current scheme is expected to deliver a return of 4% to BCC at the end of the 7 years.

Current Scheme

Resonance and St Mungo's have delivered on target with 57 properties set up and occupied by June 2017.

Although some households have been initially resistant to the idea of a PRS tenancy satisfaction has been high due to the effective housing management function and sign up process delivered by St Mungo's and the condition/location of the properties offered.

A small proportion of units have been 1 bedroom properties with the majority being 2 bedroom. In any new scheme we would propose that the majority be 2 bedroom as this is by far the greatest need that we see among households in TA. We are currently better able to meet 1 bed need than 2 bed with other PRS becoming more available to us at close to Local Housing Allowance (LHA) rates. Of all families in spot purchased emergency accommodation (SPEA) at 31/12/16 two thirds had a 2 bedroom need. 3 bedroom properties are not within scope of Real Lettings because of the purchase price.

St Mungo's provides a tenancy sign up and support service to each household which includes : detailed assessment of the tenant's suitability for the PRS, a single point of contact, sign up to Real Letting (including explanation of rights and responsibilities), setting up the tenancy (utilities, housing benefit, council tax, furniture sourcing), 6 months resettlement support, referral to employment and training services and property maintenance. The Nomination Agreement between BCC and St Mungo's sets out the full range of services and outcomes that St Mungo's is expected to deliver.

St Mungo's also own the risk around rent arrears and are currently bearing the cost of 7% rent arrears in the Bristol scheme.

Building on the Existing Scheme

BCC has the opportunity to enter in to a new scheme with Resonance and St Mungo's which would start in late 2017 and would build on the current investment pot. It would be a continuation of the current fund but with BCC investment only as further investment cannot be guaranteed from social investors. If our investment was again £5m this would deliver in the region of 30 properties which would amount to 90 placements over 7 years. The number of properties purchased would therefore total up to 102 (72 + 30).

The cost for each placement is £2,700. This is revenue funding that the council pays St Mungo's for each tenancy that is set up and managed for 2 years until the household moves on and is replaced by another. If we assume a total of 30 units

with 10 being acquired in year 1 and 20 in year 2 which are then renewed every 2 years this equates to spend of £27,000 in year 1 and £54,000 in year 2 which are then replicated in years 3 and 4 and again in 5 and 6 with no spend in year 7. The total revenue spend during the extended life of the scheme would therefore be £243,000.

In order to cover the revenue costs of the scheme extension it is proposed that the Flexible Homelessness Support Grant (FHSOG) be used. This grant replaced the previous subsidy arrangements for TA with DWP and DCLG allocating a combined grant to local authorities towards the cost of TA in 2017/18 and 2018/19.

The FSHG is £1,310,735 for 2017/18 and £1,380,448 for 2018/19.

BCC's capital investment in the scheme would be obtained through prudential borrowing at a level of £5m. Resonance estimates a financial return of 2.5 - 3% per annum net to BCC over the 7 years. This is the average annual return over the life of the scheme although the actual return is loaded towards the end of the scheme as the property portfolio is built up and grows in value. The cost to the council of prudential borrowing would be £125k pa.

The business case is based on the high cost of temporary accommodation and the fact that Real Lettings enables us to move households out of TA. While we cannot deliver a cash saving through Real Lettings we can avoid a level of spend that would otherwise have been spent on households remaining in TA.

The net cost to the council of a family in TA is approximately £30 per night. The 2016/17 outturn for TA spend (spot purchased) was £5.75m gross, £3.22m net i.e. BCC incurs 56% of the cost. A family with a 2 bedroom need is in the region of £60 per night so £30 per night is an average for the actual cost to BCC.

Homelessness Trends

The number of households presenting to the council because of homelessness remains at a high level with around 4,000 households presenting in 2016/17. 964 households presented to the council between 1 April and 30 June 2017. 78% of these households required help and assessment by the Homelessness Prevention Team.

The number of households being accommodated in temporary accommodation has continued to rise, peaking at 585 on 30 June 2017 compared to 537 the previous year, 474 in June 2015 and 159 back in June 2011.

More households are spending more than 6 months in temporary accommodation with 42% of the 585 households in TA on 30 June 2017 having been there for more than 6 months. Real Lettings is a key strand of our strategy to help households move on from TA.

We are also implementing an action plan to avoid families having to go in to TA through intensifying our prevention work. We are starting to see the first signs of a levelling off in the number of families going in to TA because they have lost their home.