

**CABINET – 3 November 2015
EXECUTIVE SUMMARY OF AGENDA ITEM 7**

Report title: Homeless Property Investment
Wards affected: Citywide
Strategic Director: John Readman – Strategic Director People
Max Wide – Strategic Director Business Change

Report author: Carmel Brogan/ Jon Clayton

RECOMMENDATION for the Mayor’s approval:

1. Grant project approval for the Real Lettings initiative as set out in this report to enable the Council to enter into agreements with Resonance and St Mungo’s Broadway.
2. Delegate authority to Strategic Director, People and the Service Director – Finance to enter into contractual agreements once these have been finalised, meet procurement regulation requirements and agreed by Service Director - Legal and Democratic Services.
3. Approval to the investment of £5m into a Property Fund to support Homelessness

a. Purpose of the report:

To seek approval to secure an additional supply of settled accommodation for homeless households through council investment into a dedicated property fund.

b. Key details:

This proposal is to increase the supply of affordable housing in Bristol available for previously homeless households (up to 80 additional properties at Local Housing Allowance rates).

The initiative utilises 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 accommodation in the private market.

The properties will be managed as private lets; Real Lettings (a management arm of St Mungo’s Broadway) will provide a management and supported lettings service. There will be 100% nominations rights to enable the Council to:

- Nominate families to two bed homes, as an alternative to emergency accommodation.
- Refer households ready to move from our commissioned homelessness ‘pathways’ accommodation into the one bed homes.

REPORT TITLE: Homelessness Property Investment

Ward(s) affected by this report: Citywide

**Strategic Director: John Readman – Strategic Director People
Max Wide – Strategic Director Business Change**

Report author: Carmel Brogan/ Jon Clayton

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3. Approval to the investment of £5m into a Property Fund to support homeless households into settled accommodation

Summary of Real Letting initiative:

4. The aim of this proposal is to increase the supply of 'affordable' housing in Bristol available for previously homeless households (up to 80 additional one and two bedroom properties at Local Housing Allowance rates). The properties will be managed as private lets. There will be 100% nomination rights to enable the Council to:
 - Refer households ready to move from our commissioned homelessness 'pathways' accommodation into the one bed homes.
 - Nominate families to two bed homes, as an alternative to emergency accommodation, to be used to prevent homelessness where the Council is likely to otherwise have a statutory duty and/or to households that it has accepted a duty for (in order to discharge that duty).
5. The initiative utilises a dedicated property fund (run by Resonance – a fund

management company) to secure a capital fund from a social investor (approximately £5M) and equivalent council investment to acquire a mix of one and two bedroom accommodation in the private market. Real Lettings (a management arm of St Mungo's Broadway) will provide a management and supported lettings service.

6. The purpose of this proposal is to address the issue of lack of affordable housing for homeless households and reduce the use of costly spot purchased emergency accommodation (where average cost for one/two bedroom households is £48.54 night). The investment will also generate a higher return above medium-term bank deposits, the higher return includes an element of capital appreciation generated from the property fund.

Background Information:

7. A recent cabinet report (July 2015) set out the council's statutory duty to ensure households that are believed to be homeless, eligible for assistance and in priority need (primarily if the household is vulnerable or has dependents) are provided with interim accommodation. Following investigations the Council may accept that it has a statutory duty to find suitable permanent accommodation for that household.
8. The previous report looked at the emergency end of this provision – and the high costs associated with finding emergency accommodation where capacity in commissioned services (e.g. hostel type accommodation and temporary supported housing) is exhausted. That report detailed the steeply rising number of households over the last two years requiring emergency accommodation and set out a procurement process and oversight proposals to create better control of emergency provision.
9. However that report also highlighted some of the embedded factors impacting on the capacity of commissioned services to meet needs. There is a major difficulty around households moving on because of the shortage of affordable housing in Bristol and rising rents in the private sector. The proposal in this current report will positively impact on the capacity in commissioned accommodation services by addressing move on at the end of the pathway.

Commissioned Pathways accommodation

10. Housing Solutions currently has 1,174 units of commissioned pathway accommodation (includes family and single hostels, specialist and dispersed accommodation). All are short-term provision where the housing provider works with households to address their support needs and build resilience and enable them to move on into more settled accommodation.
11. However, the increasing demand on the rented sector overall combined with a reducing supply of both social housing and more affordable private rented accommodation (i.e. within housing benefit eligibility levels) is having a dramatic impact on the availability of more settled accommodation options.
 - Reduction in social lettings – over the past 3 years there has been a 30% reduction in the availability of social rented housing, as both re-lets and new

build have dropped.

- Reduction in number of private landlords letting within Local Housing Allowance (LHA) limits, and willing to take formerly homeless households.

12. There has been sustained pressure on the private rented sector (PRS) in the city for some years as landlords have been able to select tenants not in receipt of benefit over those in receipt of benefits or those with poor or non-established tenancy histories. The Council has worked hard to recruit private landlords who will take nominations from us and operate at rent levels within LHA rates. However, as the difference between market rent and LHA widens and there is high demand for rented properties generally it is inevitable that many landlords seek to secure higher rents. Rented properties assessed last year by the Valuation Office Agency (one and two bedroom rented properties), had mean monthly rents of £639 and £830 a month respectively - significantly higher than LHA - and the gap is increasing. Appendix 1).

13. The increasing difficulty in moving people out of commissioned pathway provision into more settled accommodation blocks the pathway and impacts at all levels:

- on households themselves – stuck in temporary accommodation
- reduces the overall yearly number of placements possible in commissioned services
- lengthens the waiting lists and waiting times for those facing homelessness
- increases street homelessness as people wait longer for a place in a hostel
- increase in use of spot purchased emergency accommodation for those where a duty is likely or has been agreed. There has been a 42% increase in the overall use of temporary accommodation compared with last year.
- Current households with one and two bedroom need in emergency accommodation (July 2015) -
 - 1 bed need 11 cases, average cost £46.45 per night
 - 2 bed need 125 cases, average cost £48.72 per night

Possible Solutions

14. A range of measures have been employed to try and increase the supply of affordable accommodation but these have only had a limited impact on the availability of affordable housing for homeless households. There is clearly a need to achieve a more significant increase in affordable housing that is directly accessible to homeless households.

Real Lettings proposal

15. Recently the council has been in discussions with Real Lettings – comprising Resonance (a Fund Management Company specialising in social impact investments) and St Mungo's Broadway (a homelessness charity and housing association) which the council currently commission to provide supported housing. The Real Lettings scheme uses a property fund to lever in additional investment to match local authority investment, to then procure accommodation in the PRS that can be used as move on accommodation for homeless households.

16. Until recently the fund has only been available to authorities in the greater London area. The London scheme has operated since 2013 and is now valued at £56.8M. The LB of Croydon has invested in several tranches. Whilst it is early days the first social impact reports showed 100% tenancy sustainment to date.
17. In February of this year Resonance formally put forward a proposal for an out of London fund and has been in discussions with several local authorities. The anticipated returns on the proposed new scheme have been informed by the experience of the London scheme. The fund requires a minimum of two local authorities to be involved to initiate it. Oxford City Council has recently given approval to invest in this scheme.
18. From a Bristol perspective the initiative would increase the supply of affordable private rented housing (up to 80 additional properties at LHA rates) directly available to homeless households. There would be 100% nominations agreement to enable these one and two bedroom homes to be provided to households that the council owes a statutory duty to and/or enables the household to move out of our commissioned pathways accommodation. Most other aspects of the fund are firmed up however the service provision aspects are subject to further discussions on involvement of peer volunteers and on a placement fee to cover running costs once the scheme is established.
19. The council will invest in this dedicated property fund generating a competitive rate of return, whilst also gaining the added value that it offers in terms of increasing the supply of 'affordable' housing for homeless households (freeing up places in our commissioned services). and reducing the pressure on the need for emergency accommodation (the most expensive option for the council).
20. This will be a three-way agreement between the council, the property fund manager (Resonance) and the housing management provider (St Mungo's Broadway – one of the council's existing support providers) to provide this additional rented accommodation.
21. Resonance will operate a Property Fund under a Fund Management Agreement comprised of a number of investors including councils. The investors become Limited partners of the fund.
22. The property fund will purchase properties of the type required by St Mungo's Broadway (St. MB) based on a Framework Agreement. St.MB will then operate the properties and manage the tenancies. Rental income is passed to the Property Fund by St MB less a fixed percentage which is retained to cover their operating costs (a reasonable managing agent arrangement).
23. The Council will agree a Service Level Agreement (SLA) with St.MB. This will define the terms of their service. The SLA will specify the mix of properties (i.e. 20% one bedroom and 80% two bedroom) and for the properties acquired to be within specified geographic areas, and for the Council to have full nomination rights to them.
24. The council would be required to pay a placement fee to St.MB for the letting and support service. This is primarily for staffing costs and to cover risk elements of potential void costs and bad debt. The precise arrangement is still being negotiated

and there is an active dialogue with other St.MB initiatives in Bristol to utilise peer engagement and mentoring to reduce staffing resources/focus in the future. However the initial agreement will be a maximum payment of £2.7K fee for each nomination. This fee level has been used to assess the financial impact to the Council.

The Fund

25. The Council would commit £5M over an initial seven year term for flats to be purchased by the fund and would be extendable for up to two years by agreement.
26. The Fund has already attracted some in-principle match funding from Big Society Capital of up to £15M. The match funding is only available to the first three councils investing in the Fund. There would therefore be additional benefits to the Council for being an early investor in the scheme. The commitment will be drawn down over an initial 2 to 3 year period. The target size for the fund is £60m
27. The Fund has a net target return of 6% overall achieved through a combination of rental income and capital appreciation, although this is not guaranteed. From year three investors start to receive an interest return through the rental income, targeted to be 3% p.a. Any capital appreciation will likely be realised in the final two years of the Fund, given that the structure of the fund is based on 5 year rental agreement periods. After the initial seven year term there is an option for extension of the Fund by up to 2 year periods assuming agreement.

Exit Options

28. At the end of the investment the preferred exit route for the fund is the development of a second fund which will scale up from current £60million to over £100million. The planned increase in size of the fund has already attracted interest from potential large scale investors, such as pension funds, once a track record has been established during the next seven years and the size of the fund is increased.
29. At this point Bristol City Council would have an option to re-invest or divest and realise the capital appreciation.
30. At end of the current fund, nomination rights would be re-negotiated, for example it is possible, Bristol City Council could withdraw their investment but maintain nomination rights. Any nominations already in place at the end of the fund would simply retain their tenancy into the second fund, irrespective of who has nomination rights in the second fund.
31. The worst case scenario would be that the development of a second fund is compromised. This situation is unexpected due to prudent planning assumptions and experience of Resonance in this market. The fall-back position would be a coordinated sale of the property portfolio to likeminded social housing providers. This would be coordinated over the last two years of the fund.

Current Budget position

32. The 2015/16 budget for pathway provision is £8,356,950. This includes 1,174 units

of commissioned pathway accommodation (includes family and single hostels, specialist and dispersed accommodation) as well as a range of floating support services to help prevent households becoming homeless. The current contract commitments can be covered within this figure. However there is no allocated budget for emergency accommodation and the predicted net overspend for 2015/16 is currently forecast at over £1M (based on number of placements remaining at current level).

33. A homelessness reserve/s has been set aside for potential use for a sustainable option to address a rise in homelessness. It is proposed that this should be earmarked for use to cover the nomination costs for the proposal set out in this report.

Business case

34. Average annual placement cost for the Real Lettings initiative is likely to be around £92K relating to 16 one bedroom properties and 64 two bedroom properties, assuming that each tenancy lasts about 2 years (and that no new placements are made in the last year of the contract).

35. The annual cost saving to the Council of the corresponding reduction in the number of households in emergency accommodation is £99K. This is a conservative estimate for modelling purposes that includes an assumption that emergency accommodation units costs do not increase over the next seven years (which is extremely unlikely). See appendix 2 for more details.

36. The council's investment in this dedicated property fund will also generate a return on investment above medium-term bank deposits whilst also creating added value by increasing the supply of 'affordable' housing for homeless households

Heads of Terms - summary

- Approximately 80 properties would be acquired (subject to match funding availability) in the Bristol area.
- The property portfolio would be split between one and two bedroom properties on a ratio of 20% / 80%
- Properties will meet or exceed the Decent Homes Standard and will be let on Assured Shorthold Tenancies
- The Council will nominate persons ready to move from commissioned pathways accommodation into the one bed homes.
- Two bed homes will be used to prevent homelessness of households the Council is likely to otherwise have a statutory duty to (alternative to emergency provision) and/or to households that it has accepted a duty to (as Private Rented Sector Offer) in order to discharge that duty to.
- Rental payments will be set at the Local Housing Allowance rates, with no requirement for deposits, bonds, or rent in advance payments
- Maintenance, risk of voids and provision to cover for bad debt will be the responsibility of St. MB under lease terms and conditions.
- Tenancy sign-up and on-going tenancy management will be the responsibility of St. MB under lease terms and conditions.
- St. MB will engage with clients with a view to progressing their independence usually through gaining employment, and through the promotion of savings

schemes. Tenants will be expected to move on from the tenancy into independent private rented accommodation in the third year of their tenancy, thus creating an opportunity for another nomination to the property.

Investment

37. The Investment has both, a treasury investment and service aspect and the Council could, in theory choose either. Both would be capital expenditure and the effect on the Council through the accounting treatment has a similar effect.
38. The investment will be treated as a Treasury investment as on balance the transaction is predominately a Treasury investment that supports service delivery.
39. The Local Government Act 2003, section 12, provides a local authority with the power to invest for "any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs". The subsequent guidance issued by the DCLG forms part of the statutory guidance, which Local Authorities must have regard to.
40. There are certain conditions attached to the use of the investment power. Section 15 of the 2003 Act requires an authority to have regard to Investment Guidance issued by the Secretary of State, and the Investment Guidance re-issued in 2010 specifies that each authority should prepare an investment strategy, and that this strategy should set out policies for the prudent management of its investments, giving priority to the security of those investments and, secondly, their liquidity, before focusing on yield.
41. The Authority having regard to the legislation and conditions above will be using its investment powers to enter into these agreements and through purchasing units within the Fund would be purchasing share capital in a body corporate which would constitute capital expenditure as per s25(d) of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
42. The Fund is an Unregulated Collective Investment Scheme for the purpose of Financial Services and Markets Act 2000 which means that it is not afforded FCA protection

Consultation and scrutiny input:

a. Internal consultation:

Brenda Massey – Assistant Mayor. Very supportive of the proposal.

The following officers have also been consulted and their comments included within report:

Olly Alcock – Accommodation Services Manager

Alison Slade – Service Manager, Procurement

Richard Bakewell, Jane Johnson – Solicitors, Legal Services

Peter Gillett – Service Director, Finance

Scrutiny input not sought because the proposal is not viewed as contentious and a speedy decision was required in order to benefit from matched funding available to boost the level of accommodation that can be achieved.

b. External consultation:

The concept has been discussed and supported at the Preventing Homelessness Board and at stakeholder events focussing on the revision of Bristol’s Housing Strategy.

Other options considered:

43. Oxford Council has recently given approval to invest in this scheme. In Oxford’s report they compared investment in this property fund against two other options:

- Purchase properties direct and manage in-house, and
- Invest in a more general property fund

Oxford Council found the Real Letting initiative a more attractive proposal when factoring in savings from a reduction in emergency accommodation costs. The Real Lettings proposal also levers in matching investment (particularly from Big Society Capital), which would not otherwise be available.

44. From Bristol City Council’s perspective an option that includes managing the properties in-house has been discussed with Housing Delivery (the council landlord arm) and they are not in a position to be able to support that option.

45. Oxford Council’s other comparison option – of investing in a more general property fund is purely an investment decision and gives none of the added value of direct use of the properties for move on accommodation for homeless households.

46. A further option that Bristol City Council has considered, if the investment opportunity is disregarded, is the alternative use of the placement fees required for Real Lettings to cover a support contract for additional pathways accommodation instead. Over the seven year period anticipated the average annual cost for the Real Lettings initiative is likely to be around £92K. In terms of additional units within the pathways accommodation at an average unit cost of for the low support accommodation of £2.69K per unit this would provide access to 34 units. This is significantly fewer units than the Real Lettings initiative and potentially adds to the pressure of more households within the ‘pathway’ looking for move on into settled accommodation.

Risk management / assessment:

FIGURE 1							
The risks associated with the implementation of the <i>(subject) decision</i> :							
No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Lettings and management failure leading to prevention and support outcomes not achieved – households present as homeless again	High	Med	Real Lettings have a very good track record in sustaining tenancies. The service will also be closely monitored to ensure a high quality service is maintained.	High	Low	Nick Hooper

2	Anticipated investment returns are not achieved - for example: <ul style="list-style-type: none"> No increase in LHA over life of Fund Capital growth may falter – property prices fall 	Med	Med	Regular monitoring reports will be required. <ul style="list-style-type: none"> The Fund is modelled at zero growth in LHA to account for this. Capital growth is modelled at a prudent rate. Updates on performance of fund includes the capital value of the overall asset. Any fluctuations would be spread across the life of the fund, which may be extended from 7 to 9 years by agreement of its stakeholders. Property prices tend to rise over the medium to long term so could re-invest in a follow-up fund until the market conditions improve 	Med	Low	Michael Pitcher/Jon Clayton
3	Inability to find affordable accommodation for initial placements to move on into	Med	High	Placement fee structure set up so that reduced savings in SPEA will be balanced by reduced overall placement costs. Still leaves issue of problems accessing the private sector A key social impact target for this fund is training tenants to save for deposits and supporting them into the PRS.	Low	Med	Nick Hooper
4	Homelessness demand goes down – impacting on both demand for properties and anticipated savings	Med	Low	Unlikely that demand for 1 and 2 beds will go down. Will be monitored to identify trends early. The SLA will contain ability to wider criteria for nominations if needed.	Low	Low	Carmel Brogan
5	Slow Property Acquisition. The fund cannot find properties within the price ranges needed to develop the portfolio within the original timescales	Med	Med	Resonance maintain monthly updated local market analyses and have identified that there should be enough properties available (c. 80 in a 12-24 month purchase window) that fulfils its criteria within the Bristol BRMA. Resonance's purchase strategy is to deploy in-house team using the experience and systems successfully developed for the London fund May need to relax criteria on wide geographical distribution . A key location specification for stock selection is that tenants should have good access to local services including public transport.	Med	Low	Carmel Brogan

FIGURE 2

The risks associated with not implementing the (subject) decision:

No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Cost of emergency accommodation continues to rise	High	High	Other projects are on-going to try and limit the use of SPEA but limited compared with the scale of current proposal	High	High	Nick Hooper
	A reducing number of properties to rent in the private sector at LHA	High	High	Could look at re-distributing placement fee costs to increased incentives for private landlords but would not provide direct link into those landlords accepting homeless households.	Med	High	Olly Alcock
2	Households unable to move on from temporary supported	Med	Med	Difficult to see that there are other significant measures to help move on	Med	Med	Carmel Brogan

housing			without actively increasing the supply of affordable housing to nominate into			
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Public Sector Equality Duties

The proposal creates more move on accommodation but there are no proposed changes to current processes and no change to the eligibility criteria for these households accessing accommodation through the private renting team. This proposal will increase access for homeless families to affordable, well managed properties within the private rental sector. This will have a positive impact on lone mothers, people from BME communities, particularly those of Black African descent, and younger people aged 16-24 who are over represented within people who are homeless within the city. The proposal will also be open to women needing to move on from refuge accommodation. The proposal has an additional benefit of freeing up hostel and refuge spaces for other people needing to move through homelessness pathways. There are no anticipated negative impacts on people from protected characteristics from this proposal. This proposal will be monitored on a regular basis. Agreements and SLA will be formally monitored at least quarterly, and nominations will be reviewed monthly through operational monitoring and management arrangements.

Anne James – Equality and Community Cohesion Team Leader 7 October 2015

Eco impact assessment

There are no significant direct environmental impacts relating to this proposal, however ensuring that the new properties meet the Decent Homes Standard means they will be energy efficient as this standard requires:

“Efficient heating & effective insulation” which will reduce carbon emissions from the properties.

In addition, we recommend that to ensure that this energy efficiency opportunity is maximised, the Project Managers link into the ‘Warm Up Bristol’ - Bristol City Council Energy Service scheme. This has been set up to support the private rental sector in improving the city’s buildings energy efficiency.

Claire Craner-Buckley, Environmental Project Manager

Resource and legal implications:

Finance

1. The forecast revenue costs over the seven year term are forecast to be £648,000, incurred over a six year period (as there will not be any new placements in the last year) and will be funded by accessing the Housing Support General Homelessness Reserve, which currently stands at £1.1m.
2. During this same period, it is anticipated that Emergency Accommodation costs of £694,758 will be avoided, thus providing a possible saving of £46,758 or £6,680 per financial year (See Appendix 2)

3. The Council will make an investment of £5m in tranches into a UK Homelessness Property fund matched with Private sector investment for the duration of 7 years. The investment is part of a greater UK wide fund with anticipated portfolio of £60m across several locations.
4. The targeted internal rate of return of the fund is 5.8% representing a mixture of rental income and capital appreciation. Capital appreciation is assumed to be 4.4% p.a. based on Jones Lang Lasalle five year forecasts.
5. During the first two years of the fund there will be no return to investors as this is the deployment period when properties are sourced and refurbished where necessary. From year three investors start to receive an interest return, which is targeted to be on average 3%, i.e. £150k p.a. on a £5m investment.
6. If the fund achieves a return higher than 5% there is 5% carried interest split 50/50 between the fund managers and the charity partner. There are also social impact targets that must be met for this carried interest to be paid.
7. A current Investment return in bank deposits for a comparable period is lower than the projected target rate for this fund. There is a risk to the authority that the portfolio will not achieve the target return.
8. The money advanced to the Fund is undertaken through reliance on investment powers and would be deemed capital expenditure. It would be an investment into an Unregulated Collective Investment Scheme for the purpose of Financial Services and Markets Act 2000. Where the Council incurs capital expenditure funded by borrowing, it needs to consider whether a Minimum Revenue Provision (MRP) is necessary to pay for the capital cost incurred.
9. In the case of the investment proposed it is considered that there is no requirement to make an MRP over the term of the investment because the capital receipt would be used to repay the debt liability at the end of the investment period. This approach needs to be agreed with the Council's auditors.
10. Should the value of the capital investment reduce and not be sufficient to repay the entirety of the "borrowing"; an MRP charge would need to be made to make up the shortfall.
11. As investment powers will be used to purchase units in the Fund they will be recognised as a long term investment. Initial distributions will be recorded as investment income in the Income & Expenditure account and a reserve will be used throughout the life of the Fund to manage any fluctuations in the valuation of the investment until a capital gain or loss is realised on disposal of the properties.
12. Calculation of the net present value, based on the Resonance fund assumptions and target returns and also taking account of nominations fee and savings in emergency accommodation costs, generates a positive net present value and therefore on a financial basis is recommended.

Sensitivity Analysis

13. The sensitivity of the recommendation has been tested against key assumptions. This is the change at which the financial recommendation would change. In modelling the sensitivity all other variables are assumed to stay the same.

Capital Appreciation

14. If the capital appreciation was to be lower than expected it would take a drop to 0.4% p.a. to make the investment not financial viable. The risk of this is mitigated by the fund being a UK wide fund and locations have been targeted based on social impact needs and attractive property markets.

Cash Yield

15. There is a risk that the fund will not achieve the 3% assumed cash yield from rental income. If annual cash yield dropped to an average 0.4% this would make the investment not financially viable. This risk is mitigated by the fact that St. Mungo's Broadway are responsible for any voids or bad debt in collecting rental income and there is a clause to allow up to 20% of the properties to be let to the private market if there is insufficient demand for social housing.

Emergency Accommodation Saving

16. Investment in the fund gives a high enough return that the saving generated from reduction in use of emergency accommodation could be nil for the investment to remain financial viable.

Advice given by Michael Pilcher, **Finance Business Partner, People**
Date 7.10.2015

a. Financial (revenue) implications:

The forecast revenue costs over the seven year term are forecast to be £648,000, incurred over a six year period (as there will not be any new placements in the last year) and will be funded by accessing the Housing Support General Homelessness Reserve, which currently stands at £1.1m. During this same period, it is anticipated that Emergency Accommodation costs of £694,758 will be avoided, thus providing a possible saving of £46,758 or £6,680 per financial year between Housing Benefits and Housing Solutions and Crime Reduction.

Advice given by Phil Romain, Finance Manager
Date 2.09.2015

b. Financial (capital) implications:

The £5m investment into the Property Fund will be classified as a Treasury investment and accounted for as capital expenditure.

Advice given by Jon Clayton
Date 7.10.2015

Comments from the Corporate Capital Programme Board:

N/A

c. Legal implications:

1. For the purposes of the Public Contracts Regulations 2015 (**PCR 2015**), the proposed arrangements with Resonance and Real Lettings (St Mungo's Broadway) are unlikely to be deemed to be "objectively separable" by a court, and where the predominant purpose of the proposal (as detailed above) is to increase the number of affordable privately let properties available for previously homeless families in the Bristol area (on the basis of exclusive nominations by the council), the exclusion found in Regulation 10(1)(a) of PCR 2015 should apply, which provides that "the acquisition or rental, by whatever financial means, of land, existing buildings or other immovable property, or which concern interests in or rights over any of them" falls outside the scope of PCR 2015. The fact that the sub-tenants of Real Lettings will be the families and not the council is not a material factor as the arrangement between the council and Real Lettings (including the payment of a fee in relation to each nomination) amounts to an interest in or rights over rental properties.
2. In light of the application of the above exclusion, the risk of a successful challenge under PCR 2015 is likely to be fairly low, for example, where a challenger alleged that a direct award of contracts to Resonance and in particular Real Lettings, breached the requirement for award through a competitive procurement process under PCR 2015. However, if there are concerns regarding such risk, an option available to the council would be to publish a 'VEAT' notice in the OJEU and to observe a 10 day standstill period before the contract documents are entered into. This approach would prevent the contracts being rendered ineffective by a court (following a successful challenge), limiting the challenger to a claim for damages.

Advice given by Richard Bakewell, Solicitor, Legal Services
Date 24.09.2015

d. Land / property implications:

We support the innovative approach here which should deliver a better quality of accommodation, in a more cost effective manner than the current options available.

Property will provide market knowledge and technical support to the project going forward.

Advice given by Richard Fear, Service Manager, Property Management
Date 20.10.2015

e. Human resources implications:

There are no HR implications.

Advice given by Lorna Laing, People HR Business Partner
Date 7th October 2015

Appendices:

- Appendix 1 – Bristol Market Rent Information
- Appendix 2 – Revenue finance business case
- Appendix 3 – Equalities Impact Relevance Check
- Appendix 4 – Support provided from St Mungo's Broadway – Real Lettings

Access to information (background papers):

Real Lettings Property Fund – Information Memorandum.

Real Lettings Property Fund – Social Impact Report 2015.

Emergency Accommodation Procurement – Cabinet Report, July 2015, Agenda Item 5

https://www.bristol.gov.uk/committee/2015/ua/ua000/0706_5.pdf

Appendix 1

Bristol Market Rent Summary

Our rental price analysis for Bristol summarises the advertised rents for homes to let, calculated daily from the rental properties found by the Home.co.uk Property Search Engine

Bedrooms	Home.co.uk Rental price Analysis (July 2015)	Bristol LHA rates 2015/16 - Monthly rate
1 Bedroom	£650 pcm	£526.60
2 Bedrooms	£1049 pcm	£658.30

Summary of [Properties for Rent in Bristol](#)

Total properties for rent in Bristol:	994
Properties for rent in Bristol listed in the last 14 days:	417
Average* property rents in Bristol:	£942 pcm
Median* rent:	£793 pcm

[Properties for Rent in Bristol by Price](#)

	No. of properties
<u>Rent under £250 pcm</u>	12
<u>£250 to £500 pcm rent</u>	228
<u>£500 to £1,000 pcm rent</u>	422
<u>£1,000 to £2,000 pcm rent</u>	280
<u>£2,000 to £5,000 pcm rent</u>	51
<u>Rent over £5,000 pcm</u>	1 -

Property Rents in Bristol by Number of Bedrooms

	No. of properties	Average rent	Median rent	LHA
<u>One bedroom</u>	242	£701 pcm	£650 pcm	£526.60
<u>Two bedrooms</u>	244	£1,096 pcm	£1,049 pcm	£658.30
<u>Three bedrooms</u>	122	£1,135 pcm	£1,098 pcm	
<u>Four bedrooms</u>	73	£1,604 pcm	£1,499 pcm	
<u>Five bedrooms</u>	21	£2,123 pcm	£2,002 pcm	

Appendix 2 – Revenue finance business case

Revenue Costs/Savings			
Estimated Real Lettings costs compared to cost of placing households in spot purchased emergency accommodation (SPEA)			
Assumes average tenancy length of	2 years	with no placements in final year	
Average length of time households placed in temp accommodation	4.5 months		
Estimated management (Placement) Fee		£2,700	
Estimated cost of Emergency Accommodation	1 bed	2 bed	Total
Cost per month SPEA (based on average cost)	£1,413	£1,482	
Housing Benefit (from Central Government)	(£734)	(£847)	
Total saving pm	£678	£635	
Saving pm x number of months	£3,052	£2,855	
Multiplied by number of placements	£146,512	£548,246	£694,758
Estimated Cost of Placements			
Charge per placement	£2,700	£2,700	
Total Placement Charge	£129,600	£518,400	£648,000
Total Net cost/(saving) 7 years			(£46,758)
<i>Cost/ (saving) per placement</i>	(£352)	(£155)	
<i>Estimated cost of SPEA per year saved</i>			£99,251
<i>Estimated costs of Placements per year</i>			£92,571
<i>Net average annual cost/(saving)</i>			(£6,680)
Gross savings split 50/50 between Benefits Section and Housing Support			
St Mungos Estimated Placements over 7 years			
Number of units 80: 16 One Bed and 64 Two Beds			
<u>Assumptions:</u>			
50 units allocated in the first year and 30 units allocated in the second Year			
Units reallocated every two years			
No allocations in final year			
	1 bed	2 bed	Total
Year 1	10	40	50
Year 2	6	24	30
Year 3	10	40	50
Year 4	6	24	30
Year 5	10	40	50
Year 6	6	24	30
Year 7	0	0	0
Total Placements	48	192	240

Bristol City Council Equality Impact Relevance Check

This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required. Please read the guidance prior to completing this relevance check.

What is the proposal?	
Name of proposal	Homelessness Property Investment
Please outline the proposal.	<p>This proposal will increase the supply of 'affordable' housing for homeless households (an additional 80 one and two bedroom properties at Local Housing Allowance rates) through the council investing in a dedicated property fund.</p> <p>There will be 100% nominations to the Council, with a nomination fee for each placement. Real Lettings (an arm of one of our existing supported housing providers) will provide a management and supported lettings service.</p> <p>In addition the dedicated property fund should generate a return on investment to the council at least equivalent to other medium-term investments.</p>
What savings will this proposal achieve?	<p>The housing will provide an alternative to the use of spot purchased emergency accommodation. There is a small saving in terms of the cost of the nominations fee compared with the net cost of emergency accommodation for each household. This saving will increase as government subsidies claimable for emergency accommodation reduces.</p>
Name of Lead Officer	Carmel Brogan

Could your proposal impact citizens with protected characteristics?

(This includes service users and the wider community)

Please outline where there may be significant opportunities or positive impacts, and for whom.

People who are eligible, unintentionally homeless and in priority need have a lower age profile than the population of Bristol. 20% of people who are homeless are aged 16-24 which is higher than the percentage of younger people in the city. This initiative should benefit younger people by providing more move on opportunities on leaving homeless housing pathways.

People from Black and minority ethnic communities are over represented in homelessness pathways and an increased supply of suitable and affordable private rented accommodation will therefore particularly benefit people from BME communities.

25% of people on the housing register do not have dependent children living with them, more single men than women are in need of property and will benefit from the one bedroom accommodation which will become available. 45% of homeless families are headed by a lone parent who is a woman. This initiative will increase the number of two bedroomed property but not larger accommodation. Nevertheless there is a high unmet need for two bedroomed accommodation and lone parents households headed by women will also benefit from an

increased supply of affordable, private rented accommodation.
 Effective equalities monitoring of allocations should be reviewed quarterly by the housing options team to ensure allocations are fair and equitable

There will be no change to the eligibility criteria for households accessing accommodation through the private renting team. The proposal will increase the supply of suitable and affordable private rented accommodation in the Bristol locality.

Please outline where there may be significant negative impacts, and for whom.

Women living in refuge accommodation are not recorded on the supported housing register because the register is shared with a wide range of providers which is unsafe for women in refuge accommodation. Allocations processes will ensure that equal consideration will be given to women in refuge accommodation to be allocated this move on opportunity, alongside people on the Housing Support Register.

Could your proposal impact staff with protected characteristics?

(i.e. reduction in posts, changes to working hours or locations, changes in pay)

Please outline where there may be significant opportunities or positive impacts, and for whom.

No impact on staff

Please outline where there may be negative impacts, and for whom.

No impact on staff

Is a full Equality Impact Assessment required?

Does the proposal have the potential to impact on people with protected characteristics in the following ways:

- access to or participation in a service,
- levels of representation in our workforce, or
- reducing quality of life (i.e. health, education, standard of living) ?

Please indicate yes or no. If the answer is yes then a full impact assessment must be carried out. If the answer is no, please provide a justification.

No (see appendices pages 4-7)

No adverse impacts, relating to protected characteristics, have been identified.

There is no proposed change to current processes:

Persons approaching the authority as homelessness, or at risk of homelessness, will continue to be assisted under legislation, guidance, relevant case law, and best practice. Appropriate assessments will be undertaken for persons and their households that are eligible for assistance and where the authority has reason to believe they are homeless and in priority need. Consideration as to protected characteristics of

	<p>customers will be considered within this process, and action taken to provide the most appropriate advice and assistance to that customers circumstances and needs.</p> <p>There will be no change to the eligibility criteria for these households accessing accommodation through the private renting team.</p> <p>This proposal will be monitored on a regular basis. Agreements and SLA will be formally monitored at least quarterly, and nominations will be reviewed monthly through operational monitoring and management arrangements.</p>
Service Director sign-off and date:	Equalities Officer sign-off and date: Anne James Equality and Community Cohesion Team Leader 7 October 2015

Appendices;

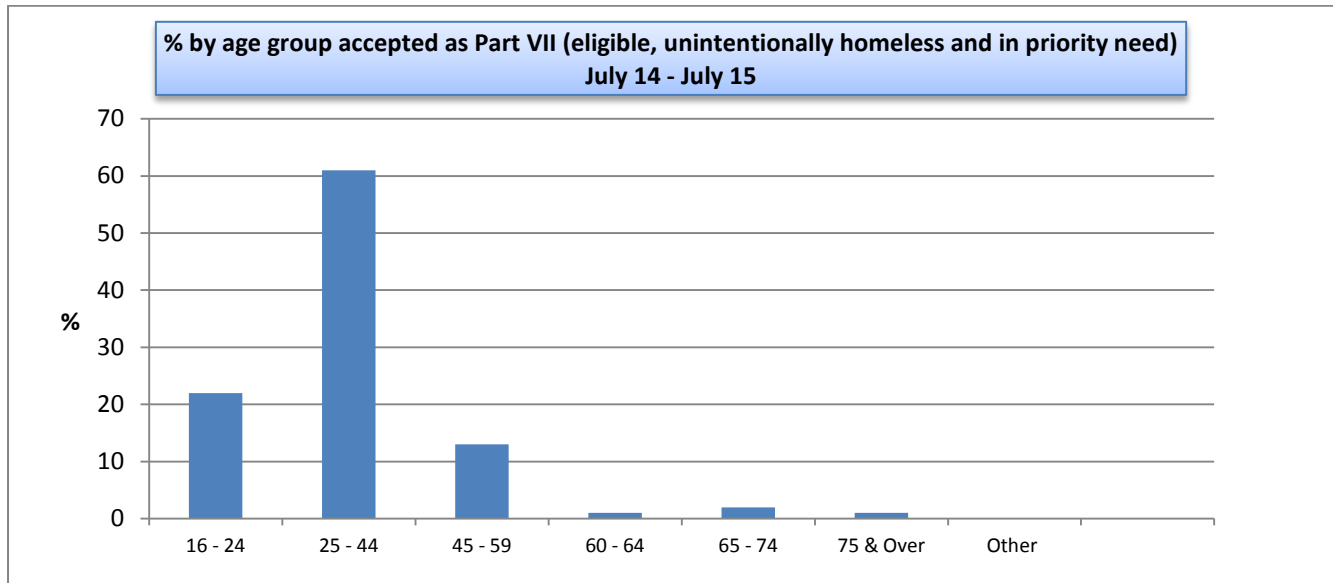


Figure 1

P1E return breakdown age groups as shown 25-44 has been seen the largest number of acceptances by age group during this period.

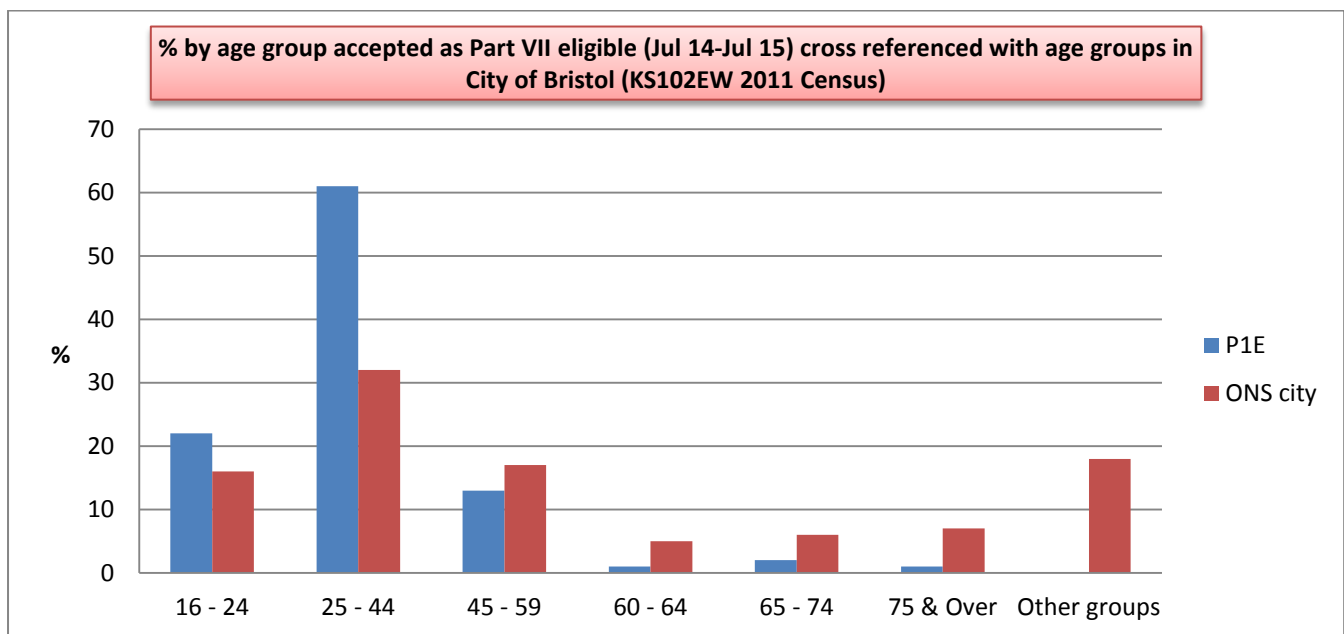


Figure 2

Largest age group in Bristol as recorded by the 2011 census return (KS102EW) was 25-44 but the number of PVII acceptances in this group for this period appears to be overrepresented (age).

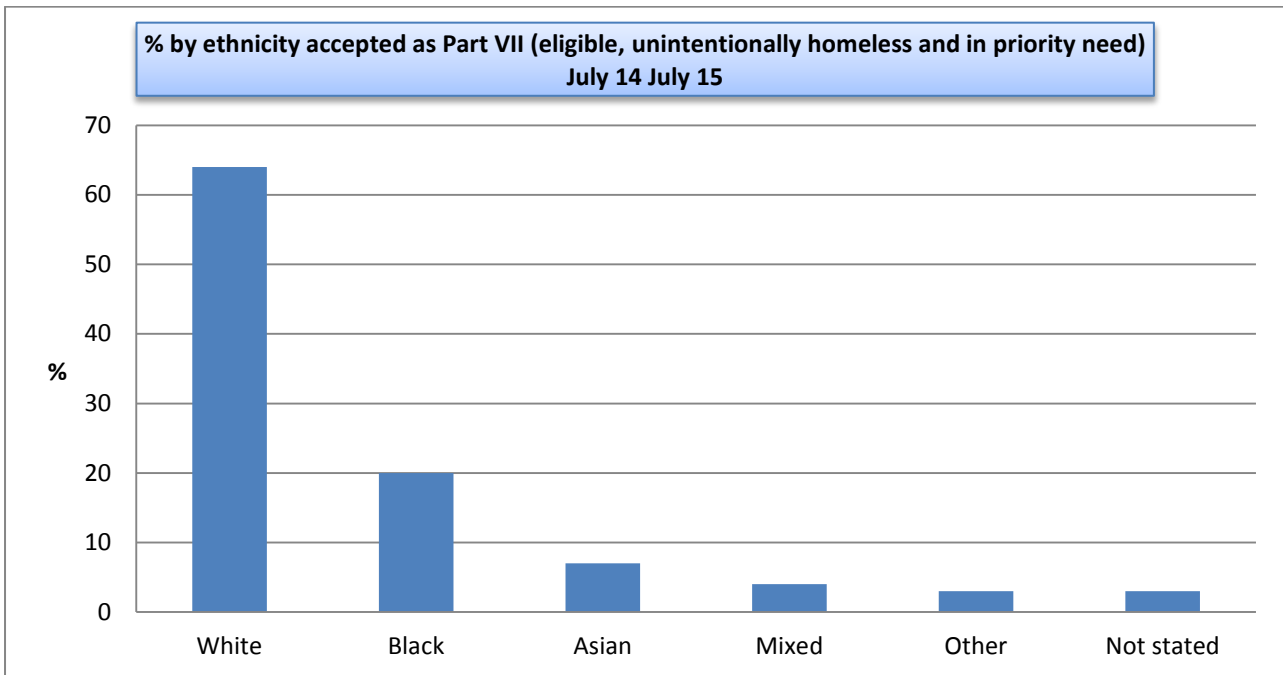


Figure 3

Breakdown by ethnicity (P1E categories) during period

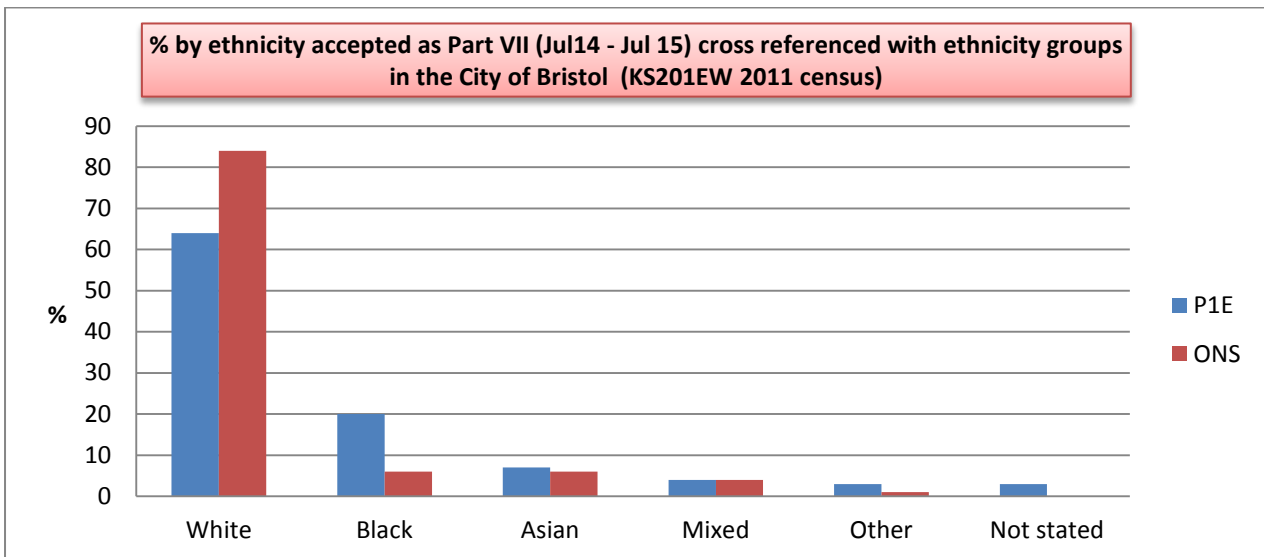


Figure 4

Breakdown by ethnicity (P1E categories) during period cross referenced with same categories using KS201EW 2011 census data (race).

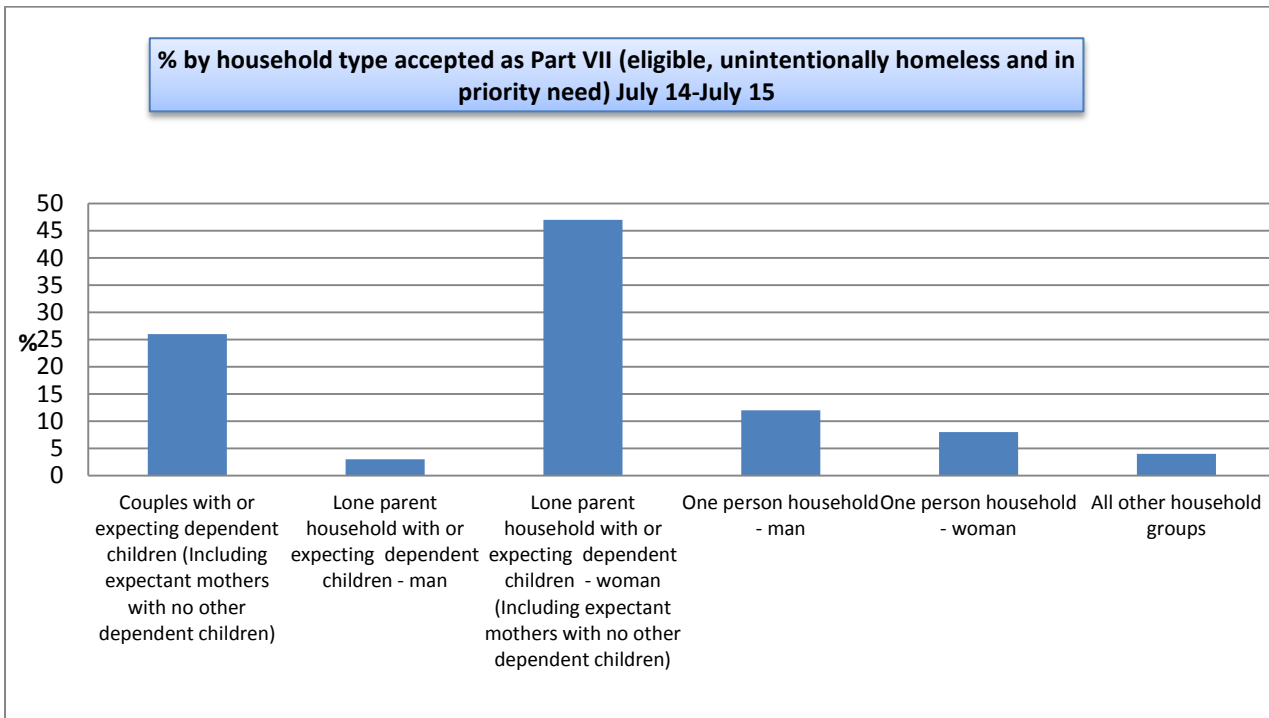


Figure 5

P1E return for period Part VII acceptances by household type.

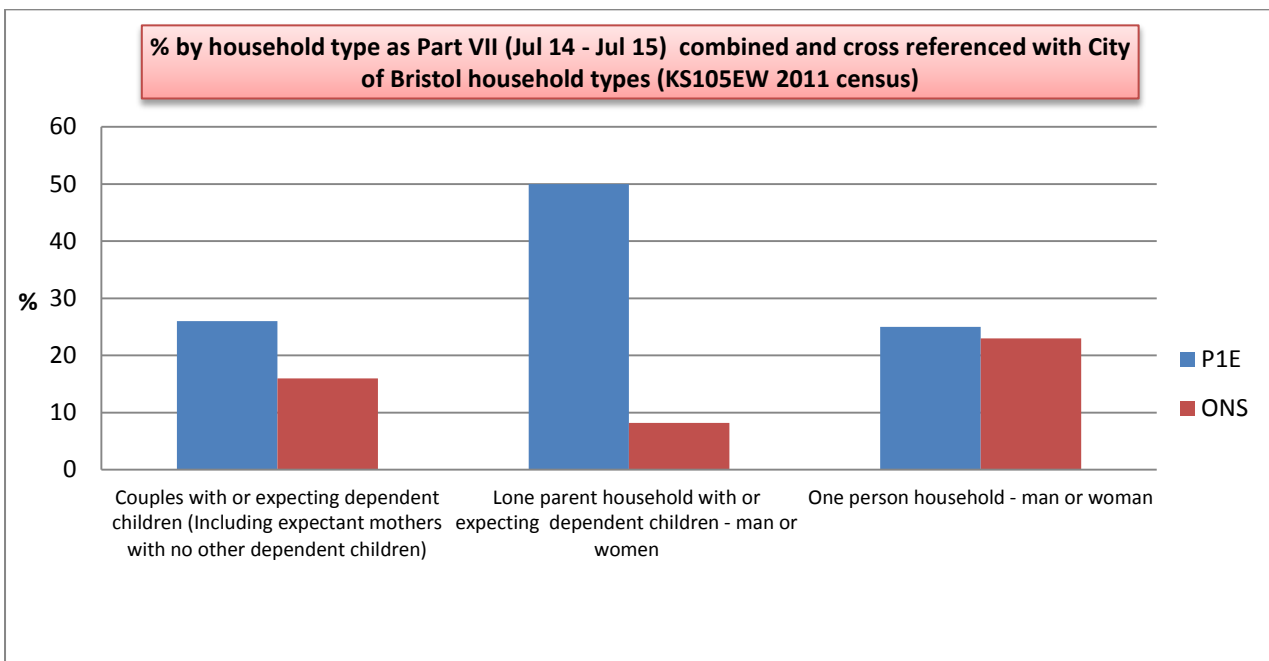


Figure 6

By merging household type and using the data from census data KS105EW is possible to get some comparison in household types (marriage & civil partnership).

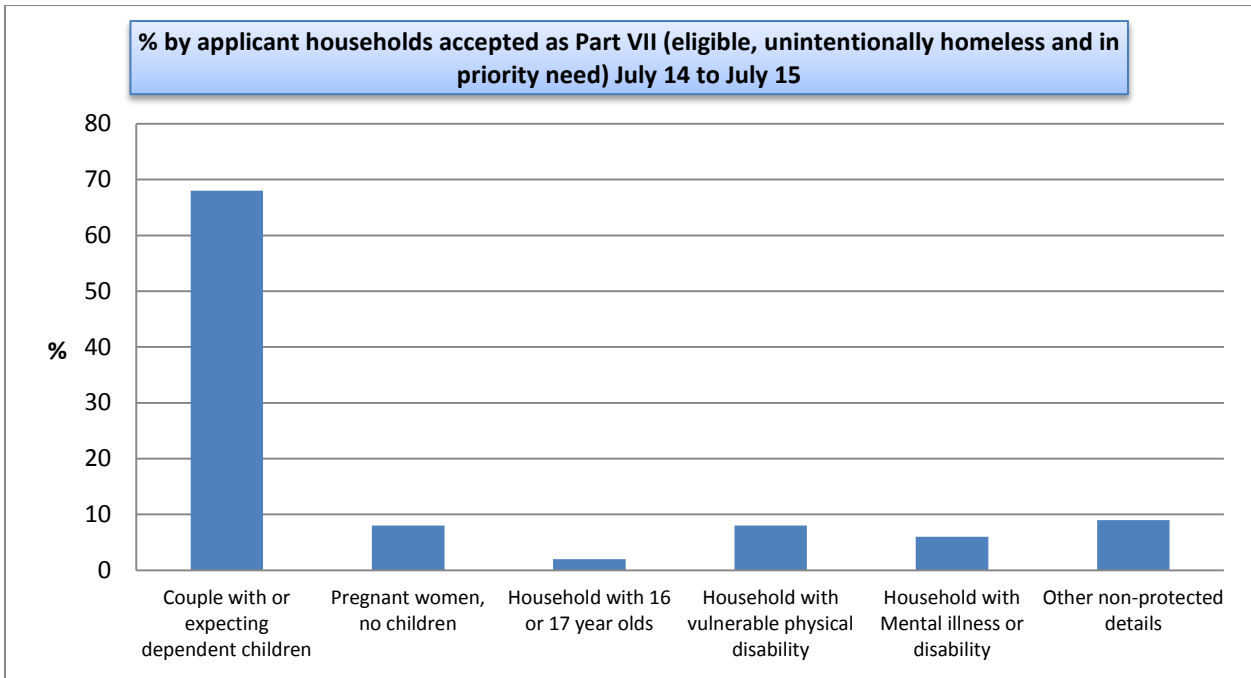


Figure 7

Applicant household Part VII acceptances offer some detail on disability. However this could not be compared accurately with census data (disability/pregnancy and maternity).

Real Lettings will be required to purchase self-contained properties that at least meet the Decent Homes standard. St Mungo's Broadway, a Registered Provider landlord (Housing Association) will manage these in accordance with best practice principles, with advice and guidance provided to tenants to enable tenancies to be sustained, and to assist tenants to move on into the wider private rented sector within three years. They will have a locally based housing management presence in Oxford.

St Mungo's Broadway (SMB) will engage with clients with a view to progressing their independence, usually through gaining employment, and through the promotion of savings schemes. Clients will be given a one year AST tenancy by St Mungo's Broadway (SMB) with the intention of renewing this for a further one year term. SMB have extensive experience of working with vulnerable clients, and proven success of moving many of them towards independence. This is the driving ethos of the organisation.

Clients will be given clear information and support prior to the start of the tenancy and throughout the first year, to ensure that they realise this is transitional accommodation, and that the aim is to help them move on after the two years. SMB view this as primarily being achieved through the clients securing work, and gaining confidence in themselves and in managing money and saving. A formal end of year one review will take place with each customer, leading into year two, which is seen as the key year for behavioural change.

The average length of stay in the London scheme is 2.5 years. If clients have not moved on by the end of the third year, SMB will be taking assertive action to more directly intervene with the client, and to secure possession of the property if they are not engaging and have exhausted all other options. Below are some high level conclusions against the 3 criteria measured from the second year of operation of the Real Lettings London Fund:

1. Improving housing opportunities - tenancy sustainment remains very strong (c 96% sustaining tenancy for over 6 months), offering evidence that those at risk of homelessness are capable of managing a household given the right context and support
2. Progressing towards work - the percentage of tenants in work and seeking work has remained constant even as the Fund has grown rapidly (38 in work / 7% training / 22% education)
3. Improving resilience against homelessness - majority (c 90%) of homes are kept in good / very good condition and majority of tenants are confident of meeting new people in the local area.

The agreement between the Council and SMB will specify a number of responsibilities, including the following in relation to support:

Tenant Support Services

- Detailed assessment of the client's suitability for the PRS
- One point of contact for the Tenant for both assessment and resettlement

- Tenancy sign up (including explanation of rights and responsibilities)
 - Tenancy set up (utilities, benefits, council tax, grant applications, furniture sourcing)
 - Six months core resettlement support including 3 planned contact
 - Referral to employment, training and education services
-
- In maintaining the properties, our staff pick up on un-reported issues
 - Ongoing 'low level' support as and when required
 - Signposting to external agencies where appropriate
 - Monday – Friday Tenant helpline (with out of hours service)
 - Encourage to access a peer support scheme as appropriate
 - 12 monthly tenancy checks to ensure Tenant is still managing in tenancy/home
 - Tight void/arrears management – Provision of support for Tenants in arrears

Outputs and Outcomes

- Tenancy sustainment
- Saving for a deposit
- Progress towards work
- Positive move on
- Showing signs of social integration
- Improved financial management
- Taking care of home
- Paying rent when on Universal credit
- Tenancy sustainment 12 months+
- Improved self-confidence and self esteem