

Cabinet Report / Key Decision Date: 19/9/17

Title: Real Lettings – scheme extension	
Ward: City wide	Cabinet lead: Councillor Paul Smith
Author: Gillian Douglas	Job title: Head of Housing Options

Revenue Cost: £ 243,000	Source of Revenue Funding: Flexible Homelessness Support Grant
Capital Cost: £5m	Source of Capital Funding: Prudential borrowing
One off <input checked="" type="checkbox"/>	Saving <input checked="" type="checkbox"/>
Ongoing <input type="checkbox"/>	Income generation <input type="checkbox"/>

Finance narrative: The National Homelessness Property Fund operates on a seven year cycle where properties purchased using the fund will be disposed of after seven years and proceeds shared between investors based on the amount put into the fund. Considering the revenue implications, over the life of the scheme the cost of 90 placements would be £243,000. In the same period, based on the current average cost for temporary accommodation and length of stay, the cost incurred is estimated to be £411,000. Due to timing in the start-up of the scheme i.e. placements commence from January 2018, it is estimated that there will be a net cost in year 1 (2017/18) of £11,479, then a saving in year 2 (2018/19) of £67,429 with this pattern repeating itself until 2022/23. The table below sets this out.

Year	Cost of Real Lettings Fee £	Cost of Temporary Accommodation £	Revenue Saving Real Lettings v TA £
2017/18	27,000	15,521	(11,479)
2018/19	54,000	121,429	67,429
2019/20	27,000	15,521	(11,479)
2020/21	54,000	121,429	67,429
2021/22	27,000	15,521	(11,479)
2022/23	54,000	121,429	67,429
Total	243,000	410,850	167,850

It is proposed that the Flexible Homelessness Support Grant be used to cover the net cost in year 1 and £11,479 of the savings delivered in year 2 will be placed in an earmarked reserve set up to ensure revenue costs for placements are covered in year 3. This process will be repeated in year 4. The £5m investment will be financed by borrowing and met from within the existing general fund housing capital programme. The estimated interest costs are £125k per annum, assuming no Minimum Revenue Provision, offsetting borrowing costs is the expected yield on the investment of £5m. Based on reported figures by Resonance the yield could be as much as 3% per annum, and is unlikely to be less than 2.5%, amounting to a yield of £150,000 per annum from year 2. Over the seven year life of the fund it is projected the interest payments will be covered by the yield and potentially generate a small surplus of £25,000. The table below sets this out

Year	PWLB interest on £5m £	Estimated Yield @3% £
2017/18	31,250	-
2018/19	125,000	37,500
2019/20	125,000	150,000
2020/21	125,000	150,000
2021/22	125,000	150,000
2022/23	125,000	150,000
2023/24	125,000	150,000
2024/25	93,750	112,500
Total	875,000	900,000
Surplus		25,000

When the fund closes at the end of the seven years and the properties are disposed of, assuming property prices continue to grow, BCC would expect to realise the £5m originally invested plus any increase in property value achieved over the life of the fund.

Finance Officer: Neil Sinclair, Finance Business Partner, Housing Services

Summary of issue / proposal:

To provide follow on investment in the National Homelessness Property Fund (NHPF Real Lettings Scheme). The original scheme was agreed at Cabinet in November 2015. The follow on investment will result in an additional 27 to 30 properties being acquired by Resonance (a fund management company) on behalf of Bristol City Council (via the NHPF) to be used as affordable private rented tenancies for homeless households.

The properties will be managed by St Mungo's Real Lettings (a management arm of St Mungo's) with Bristol City Council having 100% nomination rights in order to be able to place families directly or move homeless families very quickly on from temporary accommodation to properties suitable for their needs let at local housing allowance (LHA) levels.

Summary of proposal & options appraisal:

The proposal is to invest a further £5m in the NHPF in order to acquire up to 30 properties that can be used for a total of 90 two year tenancies for homeless households. The proposal is to add to the existing fund, building on the investment made and properties acquired since November 2015 and extending the life of the scheme to 2025. The first round of investment is delivering 72 properties (with 57 already acquired and tenanted, with the remainder due by October 2017). A second phase would bring the number of properties up to a maximum of 102.

The purpose of NHPF 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 being placed in temporary accommodation (TA). It is a challenge to meet their needs due to the lack of affordable housing in the social sector, and 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. (See appendix A1 for further background on numbers of households in TA in Bristol. In August 2017 we have started to see a slowdown in the number of families booked in to TA each week as a result of intensive prevention and early intervention work).

NHPF is an important contribution to the supply of affordable rented housing in Bristol. The current investment has been well received by homeless households, with tenancies being successfully sustained and households assisted to manage their tenancy, build skills and knowledge and maximise their incomes through access to training, employment and welfare benefits. All properties acquired comply with the Decent Homes Standard. Properties are refurbished prior to being let to homeless households.

In addition to the Council providing capital investment in the scheme there are revenue costs associated with the placement fees paid to St Mungo's to manage the properties and support tenants. The cost per placement is £2,700. Revenue costs would be £27,000 and £54,000 in years 1 and 2 respectively and it is proposed that the new Flexible Homelessness Support Grant allocated to Bristol City Council for 2016/17 and 2017/18 be used to fund the placement costs. The grant is ring-fenced for 2 years and 'during that time may be used only to prevent or deal with homelessness'.

Recommendation(s) / steer sought:

- 1) To agree to make a second investment of £5m into NHPF with the £5m coming from the housing capital programme.
- 2) To agree that part of the Flexible Homelessness Support Grant allocated to BCC in 17/18 be used to fund the net cost in year 1 of the scheme.
- 3) To agree to enter in to a nomination agreement with St Mungo's for the delivery of 90 additional placements in Real Lettings at a cost of £2,700 per placement

City Outcome: A city: 1) In which everyone benefits from the city's success and no-one is left behind 2) where people have access to decent jobs and affordable homes and 3) in which services and opportunities are accessible

Health Outcome summary: Homelessness and health are strongly linked. Living in temporary accommodation can have damaging health effects, both physical and mental. Surveys conducted by Shelter England have found that: 58 per cent of families in temporary accommodation said their health had suffered as a result of where they were living. People who had been living in temporary accommodation for over a year reported increased health problems and greater use of health services. Almost half of parents with children and 71 per cent of childless people said they were depressed.

Sustainability Outcome summary: no material link

Equalities Outcome summary: The homeless households that will benefit from Real Lettings are

predominantly single parents (over 80% women) with children and are on low income. There is a significant proportion of BME households c 35%. Real Lettings will meet some of the need for homes which are more affordable, thereby reducing the inequality faced by homeless households who struggle to access affordable housing.

Impact / Involvement of partners: There is potential to explore whether other investors in Bristol could be attracted to the scheme which would increase the level of investment and thereby increase the number of homes brought into the Real Lettings scheme. The City Office may be able to assist with this.

Consultation carried out: with Resonance and St Mungo's, Housing Options management team, Neighbourhoods Leadership Team.

Legal Issues: : It is understood that the second investment scheme is effectively a continuation of the first scheme, i.e. where the predominant purpose is increasing the number of affordable privately let properties available for previously homeless families in the Bristol area. As such, the exclusion found in Regulation 10(1)(a) of The Public Contracts Regulations 2015 (PCR 2015) should continue to apply to the new investment scheme, 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. It is anticipated that the new scheme will be documented through amendments to the original agreements, where appropriate, e.g. the Partnership Agreement with Resonance and the Nomination Agreement with Real Lettings (St Mungo's). The precise nature of any new documentation required and/or any changes required to the existing documentation will need to be considered in due course, but should be fairly minimal.

Legal Officer: Richard Bakewell, Solicitor, Legal Services

Policy/Comms Officer: Kirsty Stilwell

DLT sign-off	SLT sign-off	Cabinet Member sign-off
8/6/17	8/8/17	15/8/17

Appendix A1 – Background information on Real Lettings and Homelessness	YES
Appendix A2 – Market Rents in Bristol	YES
Appendix A3 – Performance of Current Real Lettings Scheme	YES
Appendix A4 – NHPF AGM Presentation	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Exempt Information	NO