

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 09 March 2021

TITLE	Imperial Apartments (Phase Two)		
Ward(s)	Hengrove and Whitchurch Park		
Author: Paul Sylvester	Job title: Head of Housing Options		
Cabinet lead: Cllr Helen Godwin	Executive Director lead: Stephen Peacock		
Proposal origin: BCC Staff			
Decision maker: Cabinet Member Decision forum: Cabinet			
Purpose of Report: To seek approval to enter a further nominations agreement with Caridon for Phase Two of Imperial Apartments, to provide an additional 100 units of accommodation on the site for a range of people with housing need.			
Evidence Base: <ol style="list-style-type: none">1. Imperial Apartments, the former office accommodation at Park View Campus, has been converted into residential accommodation by Caridon Property Group. In total there are 466 units of accommodation in Imperial Apartments. Roughly a third of the units are two bedroom flats, the remaining flats are mainly studios and a small number of one bedroom flats.2. The development is being delivered in two phases. Phase One completed in late August last year and more than three quarters of the accommodation in that phase has now been let. Works on Phase Two were completed in February 2021.3. In September 2020, Cabinet approval was given for BCC to enter a nominations agreement with Caridon for 216 properties in Phase One of Imperial Apartments. Phase Two, which is the other side of the building, is now ready for letting.4. There is an ongoing need in the city for affordable private rented accommodation for people who are at risk of homelessness or are currently homeless. Additionally, BCC remains committed to ensuring that Imperial Apartment has a positive impact on the people that live there and the local surrounding community. BCC is therefore seeking to enter another nominations contract, on broadly similar terms, for a number of units in this next phase.5. Over the past four months Housing Options staff have been nominating people to accommodation in Phase One of the development. As at the date of writing this report, there have been 146 new tenancies created, comprising 44 family lettings and 102 single person lettings.6. The two bedroom flats in Phase One have been popular and BCC have in fact been oversubscribed in terms of interest in these family units. Studios have been more challenging to fill, largely due to the fact that many of our single homeless clients have high support needs that are too high to enable them to be nominated. It is for this reason that we are seeking to take a larger amount of two bedroom flats, rather than single person flats, in Phase Two. Additionally, this extra family accommodation will prevent small families from having to spend unnecessary periods of time in emergency and temporary accommodation.			

7. In order to meet our objective of ensuring that Imperial Apartments is a positive and safe environment, and in line with our Lettings Plan for Phase One, we have been extremely careful about ensuring those who are nominated for a tenancy are deemed able to live independently with or without low level floating support. The same intention and strategy will apply to Phase Two. We are also therefore seeking a more formal commitment from Caridon to ensure that, for any properties in the block that BCC are not nominating to, these are not let to people who are higher risk, or have higher support needs than those living there already. This is to ensure the safety and security of all residents of Imperial Apartments and to support our aim of the development being a safe and positive environment where people want to live.

BCC nominated tenants for Phase Two Imperial Apartments come from the following main sources:

1. Move on from BCC commissioned supported housing pathways.
2. Move on from emergency 'spot purchased' accommodation.
3. Move on from other BCC-owned or commissioned Temporary Accommodation.
4. Direct nomination for new people approaching the council and eligible for assistance with their homelessness and housing need.
5. Individuals and families registered on Bristol Housing Register will continue to have an opportunity to apply for properties in Imperial Apartments.

Contract Negotiations:

We are in detailed negotiations with Caridon and expect to have agreed full contract terms by early March with a view to a contract being signed and executed during March 2021. The agreement would be broadly similar to the arrangements made in relation to Phase One.

Caridon will be the Landlord for the properties and shall carry out all rent collection and tenancy management. The properties will be let as Private Rented Accommodation; this is not temporary accommodation. Rents for BCC's allocation of units will be capped at Local Housing Allowance levels.

We intend to make the following agreements:

1. For BCC to enter into a three year fixed term nominations agreement with Caridon for an agreed allocation of flats in Phase Two.
2. BCC will nominate households into 100 of the 197 apartments (final exact allocation to be determined).

Expected costs –

1. Matching our arrangement for Phase One in relation to void properties, BCC is proposing to take on 100% void loss liability for the units to which we contract to in Phase Two.
2. Void loss liability is based on Caridon covering the period when re-let work is being carried out and BCC having 5 working days from a property being ready to let to nominate. Caridon takes on the void loss as soon as BCC nominates a household.
3. BCC has the benefit of grant funding to contribute to the costs of delivering Phase One Imperial Apartments, which we will not have for delivery of Phase Two. Additional revenue funding is therefore needed to deliver Phase Two as follows:

Staffing:

- 1 x Lettings Negotiator on a 12 month fixed term basis to facilitate the initial nomination of tenants. This post is anticipated to cost £37.5k in year one only.
- 1 x Welfare Rights and Money Advice Worker for the duration of the 3 year term, anticipated to cost £43k per year.
- 1 x 7 nights a week security officer – this will be offered as part of contract negotiations to support maintaining effective security and safety in the block. Caridon is already supplying further security personnel

as required, anticipated to cost £65k per year.

- £60k per year for three years to supply resettlement and tenancy support to approximately 30 households each year.

Other costs:

- Tenancy start-up funds in the region of £63k over three years. These funds support people with essential furniture items and moving costs. Many tenancies in Phase One would not have been able to go ahead without these funds being available.

The total expenditure over a 3 year term will be £656k; however in having this accommodation available for families, we will mitigate the cost of placing a significant number of families into emergency temporary housing. Therefore, net cost to BCC is expected to be £338k.

Cabinet Member Recommendations:

That Cabinet:

1. Authorises the Executive Director - Growth and Regeneration – to negotiate and enter into a nomination agreement as set out in the report with Caridon for Imperial Apartments (Phase Two) in line with the maximum budget envelopes outlined in this report.
2. Notes the revenue funding required.

Corporate Strategy alignment:

Empowering and caring - Reduce the overall level of homelessness and rough sleeping, with no-one needing to spend a 'second night out'.

City Benefits: These units will provide much needed affordable move-on accommodation, helping us in our efforts to tackle homelessness.

Consultation Details:

No external consultation required.

Background Documents: Imperial Apartments Phase One Decision Pathway Report

Revenue Cost	Net cost £25k for 2021/22, £338k over 3 years	Source of Revenue Funding	To be managed within Housing Options general fund budget
Capital Cost	N/A	Source of Capital Funding	N/A
One off cost <input checked="" type="checkbox"/>		Ongoing cost <input checked="" type="checkbox"/>	
		Saving Proposal <input type="checkbox"/>	
		Income generation proposal <input type="checkbox"/>	

Required information to be completed by Financial/Legal/ICT/ HR partners:

Finance Advice: The total gross annual rent to Caridon for the 100 units will be approximately £0.7m which will be paid directly to Caridon by tenants.

To secure nomination right into the accommodation the Council will enter into an agreement to bear the cost of voids for units into which BCC will nominate. The estimated cost to the council is as follows:

Description	Potential Cost				
	2020/21 (March onwards) £000	2021/22 £000	2022/23 £000	2023/24 (To end February) £000	Total £000
Revenue					
Employees	17	203	169	155	544
Tenancy Start up funds	3	38	10	9	60
Voids - 1.5 % of rent on most units	1	8	8	7	24
Nomination penalties and bond losses	1	8	10	9	28
Subtotal	22	256	197	180	656
Cost avoidance					
Reduction in temporary accommodation expenditure	-20	-220	-41	-37	-318
Net cost of Phase 2	2	36	156	143	338

Sensitivity scenarios					
TA savings 20% higher - net cost to General Fund	-2	-8	148	136	274
TA savings 20% lower - net cost to General Fund	6	80	164	151	401

Revenue costs

The indicative costs of voids are based on similar schemes and are realistic given the lettings policy. Support to tenants is intended to be maintained which will help to mitigate against the risk of people being unable to sustain tenancies, which otherwise would create more void risk. The service will incur penalties on the initial renting of the properties if these are not nominated within a timescale that is currently under negotiation with Caridon. There are currently 30 identified households that meet the nomination criteria, and the time period for nomination is expected to be sufficient for the service to nominate into the housing. However, there remains a risk that not all initial lettings will be nominated.

It is not anticipated that there will be a high level of turnover in the second year and third years of the contract hence the level of voids will be low. However, the Council will take on significant financial risk of funding voids if nominations to fill re-let units are not made. The service already have robust processes in place in relation to making nominations to Phase One and intend to further mitigate this risk by having a dedicated project manager in place to manage void and nomination performance. Contractual arrangements should be made in the contract to reduce the exposure to the Council if voids aren't filled in a timely manner or demand reduces, such as the ability to review the number of nominations if certain properties prove significantly and consistently hard to let.

Cost avoidance - temporary accommodation expenditure

For a proportion of the nominated tenants, nominations into accommodation will be used as an alternative to spot purchased temporary accommodation. BCC incur a subsidy loss on temporary accommodation costs (the costs are only partially recovered through Housing Benefit), therefore a reduction in temporary accommodation usage will reduce the council's subsidy loss exposure.

The service estimate that of the 100 units to be nominated, 35 will be for households who are using spot accommodation, and who the council would otherwise be incurring Housing Benefit subsidy loss. The service currently have 15 households already identified for nomination to Imperial Apartments from temporary accommodation. There is therefore a risk that the assumed level of households to move from spot purchased TA to Imperial Apartments will not be delivered. If only 15 households of the 100 are nominations sourced from spot purchase then the cost saving would be reduced by c. £136k, although this could be mitigated by more of the estimated re-let vacancies arising in years two and three being allocated to households moving on from spot purchased TA, or avoiding the need to enter into Temporary Accommodation altogether.

The temporary accommodation cost to BCC is variable, as it is influenced by both the cost of the accommodation and the level of subsidy loss incurred through the provision of the accommodation. The proposal is based upon the assumption of £37 a night cost to BCC, which is based upon 19-20 financial data, used as a proxy to exclude COVID

costs. This is a reasonable basis, however, the actual cost avoided could be outside of this estimate.

The scheme contains the following financial risks:

- Not all units are filled in the initial period. BCC will incur penalties
- Voids are higher than estimated. BCC incur penalties
- Temporary accommodation replacement cost is lower than estimated. Cost avoidance is not realised
- Units are not nominated from households that are currently in temporary accommodation. Cost avoidance is not realised

Under current assumptions, the scheme will create an additional cost to the service of £338k over 4 years. However, if any of the above risks materialise then this pressure could be significantly greater (additional 318k pressure if cost avoidance is not realised). It is likely that there are further financial opportunities not quantified as yet by the service that will come from the initiative, due to its scale (eg. further cost savings from more TA nominations, cost savings from nominations of households that would otherwise incur service costs). The service must pursue any identified opportunities and crystallise these to offset the known risks stated above. As an example, a 20% movement in the TA saving will move the pressure by £64k, as shown in the two sensitivity scenarios above.

The service propose to absorb the cost within the existing Housing Options general fund budget in years 20/21 and 21/22. The service is in conversation with MHCLG to identify additional funding for years 22/23 and 23/24. If no additional grant funding is forthcoming then the service will absorb the cost within existing budgets.

In financial year 20/21, the service is forecast to be overspent by £5m against a budget of £14.9m. This is largely COVID driven, and mitigated by COVID-related grants. The service must ensure that any new expenditure in 21/22 is absorbed alongside any further COVID-related costs. The service should consider recruiting under fixed term contracts for the first year, when costs are covered by significant savings, and if funding has not been identified for years 22/23 onwards then to redirect internal resources to fill these posts.

Note – the Phase 2 scheme costs incurred are significantly greater than in Phase 1, as the employee costs incurred in Phase 1 were met by redirecting existing employees to support the scheme. This could be possible for Phase 2, but would be at the detriment of the provision of existing services. As stated, if no grant funding is forthcoming in years 22/23 and 23/24 then the service will have to consider this option of redirecting existing resources.

Finance Business Partner: George Palmer, Finance Business Partner, 1st March 2021

2. Legal Advice:

The primary purpose of this agreement is to secure nomination rights to the units. Contracts concerning interests in or rights over land fall within the specific exclusion outlined in Regulation 10(1)(a) of the Public Contracts Regulations 2015 (PCR). Whilst the payments in relation to voids do not themselves fall within the specific exclusion, the nomination rights and the payments are not objectively separable. On that basis and in accordance with Regulation 4(2)(b) of the PCR, the main subject matter of the contract determines how the contract as a whole should be treated. The monies payable for voids are clearly ancillary to the nomination rights themselves and therefore the contract in its entirety falls within the specific exclusion.

The Council's Recruitment and Selection Policy will apply in relation to the proposed recruitment of staff. HR advice should be sought in relation to ensuring employees are appointed on appropriate fixed term contracts.

Legal Team Leader: Eric Andrews and Husinara Jones, Team Leaders, Legal, 27th January 2021

Implications on IT: No anticipated impact to IT Services, on the basis that the IT suites/co-working areas are not provisioned using BCC data networks/equipment.

IT Team Leader: Simon Oliver Director Digital Transformation 20th January 2021

4. HR Advice: Additional staffing resource will be required to deliver Phase Two. A Lettings Negotiator (12 month fixed term contract, a Welfare Rights and Money Advice Officer (3 year fixed term contract). One night security staff member

paid for by BCC for the duration of the contract. The security guard wouldn't be an employee of BCC, it will likely be provided via Amulet who are a BCC approved provider. Any additional security staff will be supplied by Caridon in line with the contractual arrangements. There are no further HR implications anticipated.

HR Partner: Celia Williams, HR Consultancy Manager, 1st February 2021

EDM Sign-off	Stephen Peacock	04/01/2021
Cabinet Member sign-off	Cllr H Godwin	25/01/2021
For Key Decisions - Mayor's Office sign-off	Mayor's Office	08/02/2021

Appendix A – Further essential background / detail on the proposal	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	YES
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	NO
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO