

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 22 June 2021

TITLE	Approval to submit a Rough Sleeping Accommodation Programme Funding Bid		
Ward(s)	City Wide		
Author: Paul Sylvester	Job title: Head of Housing Options		
Cabinet lead: Cllr Tom Renhard	Executive Director lead: Stephen Peacock		
Proposal origin: BCC Staff			
Decision maker: Cabinet Member Decision forum: Cabinet			
Purpose of Report:			
<ol style="list-style-type: none"> 1. To seek approval to submit a bid to the Rough Sleeping Accommodation Program (RSAP), which includes total match funding of £2m (£1m from the HRA for Acquisitions and £1m Commuted Sums for the Resonance Proposal). 2. To seek Cabinet approval to authorise the Executive Director of Growth and Regeneration to approve the grant award and spend from Ministry of Housing, Communities and Local Government (MHCLG) RSAP fund. 3. To seek Cabinet approval to authorise the Executive Director of Growth and Regeneration to spend £2m match funding (£1m from the HRA for Acquisitions and £1m Commuted Sums for the Resonance Proposal). 			
Evidence Base:			
1. Background			
1.1.1 With high levels of single person rough sleeping and homelessness in Bristol it's essential that we secure the maximum number of suitable Move-on units to meet need and contribute to reducing expenditure on Temporary Accommodation (TA).			
1.1.2 We have record levels of 980 households in Temporary Accommodation, 350 of which are single people.			
1.1.3 There are a number of initiatives being developed to address the overspend in Temporary Accommodation and improve outcomes for clients. Supported Move-on accommodation provides a significant piece of the move-on puzzle. It provides tenancies for 2 – 3 years and meets the needs of people who need support to live independently and then help them to move on to more settled accommodation. It provides an alternative to people taking the standard route through our homelessness supported housing pathway and thus means spaces that come available in our supported housing can be directed to those who really need it.			
2. Rough Sleeping Accommodation Programme (RSAP)			
2.3.1 RSAP is the slightly re-named Next Steps accommodation programme, where Bristol submitted a successful bid securing funding for 48 units of accommodation as detailed in the Cabinet report dated 3 rd November 2020. The prospectus can be found at Rough Sleeping Accommodation Programme:			

- 2.3.2 A huge amount of work has already taken place by BCC in collaboration with partner providers to set up referral and allocations processes for these units and a robust support service model, which will be mirrored across all providers, is in place. We expect the beneficiaries of these first Supported Move-on units to move in during June and July.
- 2.3.3 Up to £211.6 million (including up to £140.9 million capital and £70.7 million revenue funding) is available over the remainder of the programme to deliver over 2,700 additional Move-On homes and support services for the Eligible Cohort. Most of the capital funding is available in financial year 2021/22, with a small amount available to deliver homes in the first part of 2022/23. Revenue funding for support services in respect of Schemes is available in financial years 2021/22, 2022/23 and 2023/24, ending March 2024.
- 2.3.4 RSAP's objective is to provide Move-On homes, available as long-term assets, and accompanying support services to the Eligible Cohort to achieve a sustainable reduction in rough sleeping.
- 2.3.5 RSAP includes funding for capital and revenue-based accommodation Schemes, as well as funding for support services to enable individuals accommodated in these units to move on from rough sleeping.
- 2.3.6 Funding is allocated on a first come first served basis. There are two final submission dates 1st July and 2nd September 2021. MHCLG have advised that based on conversations most of the funding will be allocated on the 1st of July deadline. Due to high levels of interest from Local authorities we do run the risk of not securing all we bid for in July, therefore it is important we submit relevant and strong bids, and that BCC contributes to capital requirements.
- 2.3.7 Delivery of units for awarded schemes must happen with in the financial year of 20/21, or very latest 1st quarter of 22/23.

3. Bristol's RSAP bid for 1st July 2021.

- 3.3.1 It is imperative that Bristol puts in a bid for many units in the July submission. This can be achieved via a combination of RP provider bids and BCC direct submissions.

4. Summary of Bristol Council proposals

4.1 Resonance Property Acquisitions

- 4.1.1 Resonance is a social impact investment company. They specialise in creating and managing impact investment funds, which deliver a financial return and a targeted social impact.
- 4.1.2 At the suggestion of MHCLG, Resonance have approached BCC with a proposal for RSAP. The proposal is to purchase 34 self-contained studio or one-bedroom properties via an investment fund for use as Supported Move-on accommodation. BCC will have 100% nominations rights to the properties. Resonance will purchase and deliver all 34 properties by 31st March 2022 in line with the requirements of RSAP funding.
- 4.1.3 Resonance have partnered with DHI (Developing Health and independence) for this proposal. DHI are a Bristol based homeless charity and registered provider that have a specialism in Drug and Alcohol Recovery. The properties will be directly managed by DHI's social lettings agency, Home Turf Lettings. DHI are a well-established, local organisation, that has worked with BCC Housing Options as a partner in the provision and management of private rented housing for homeless clients for a number of years. They have a track record in working successfully with people that have experience rough sleeping and homelessness and we have confidence in the quality of service that will be delivered.

- 4.1.4 Resonance will purchase the properties; the fund will then lease the properties to DHI until 2030 (minimum). There will be a Service Level Agreement between Resonance and DHI. DHI will fully manage the properties and the tenants. They will also provide the wrap around support service, which will be funded by RSAP revenue funding stream.
- 4.1.5 At the end of the life of the Resonance fund BCC can remove our investment and recycle this into new affordable housing provision. The fund itself may be extended or the properties will be moved to a new fund with our investment transferred. The preferred option is that the units will remain as general needs affordable housing and we still maintain nomination rights.
- 4.1.6 DHI will collect rents and pay the fund a guaranteed rent of 80% of Local Housing Allowance (LHA) which is currently £159.95 per week for a studio or one-bedroom self-contained property. 20% of the rental income is kept by DHI to cover housing management and day to day housing service delivery costs, reactive repairs and compliance, and includes a provision of voids and bad debt.
- 4.1.7 Bristol's approach for rents is that total payable rent and any appropriate service charges for all Supported Move-on will be kept as close as possible to the equivalent current rate of LHA which is currently £159.95 per week for a self- contained studio or one bed. This better ensures sustainability and affordability of the accommodation as well as better enabling further move-on into long term settled housing. Housing Options are assisting DHI with their rent modelling to ensure rents stay as close to the LHA equivalent as possible.
- 4.1.8 As the accommodation via the Resonance/DHI scheme will accommodate client higher support needs this will impact the rent level and as such may be over £159.95 per week. These rents would be approved by the housing benefit service.
- 4.1.9 A total fund of £6m is needed for this proposal. Resonance have carried out research into property prices and are confident they can purchase and repair properties within £175k a unit. Resonance have £2m, BCC has £1m of affordable housing commuted sums that can be committed to the project, and we will be bidding for £3m grant funding.
- 4.1.10 Resonance has a historic relationship with Bristol being a known and trusted entity. In November 2015 Bristol City Council invested £5million into a National Homelessness Property Fund with a further £5million invested in 2017. We have 99 properties via this fund. Resonance also has recent performance on sourcing and refurbishing properties at speed in London and Manchester which has garnered the support of GLA and MHCLG in what is a critical project for all stakeholders.
- 4.1.11 Key benefits of this proposal to BCC are:
- 100% nomination rights to affordable Supported Move-on accommodation with no further financial commitment needed from BCC.
 - We reduce the overspend on Temporary accommodation by a minimum of £3k per placement.
 - We get a return on investment and benefit from assumed capital appreciation.
 - The length of the life of the fund means these properties are going to be longer term accommodation provision for BCC.
 - The 34 homes delivered will count towards the Council's target for new Affordable housing delivery.
- 4.1.12 Revenue funding from RSAP is available for 3 years. At the end of this time, a new revenue stream or rent model will be identified to maintain the Supported Move on provision, or they will remain as a general needs affordable housing asset for the City.
- 4.1.13 This proposal was taken to the Capital Investment Board for discussion on 18th May 2021.

4.1.14 This RSAP bid provides the Council with its largest new supply of supported move on accommodation to reduce rough sleeping. The Council's Homes West Registered Provider partners were approached about working with us on RSAP funded delivery. The outcome of these approaches was not successful. Our RP partners are largely focussing on delivery of affordable housing at scale and are not able to work with us on this specialist accommodation programme currently.

4.1.15 The Resonance project falls within the broad definition of affordable housing and can be funded using Affordable Housing Commuted sums, secured through Planning in lieu of on-site delivery. The Council currently holds circa £1.7m in uncommitted AH Commuted sums although this sum does count towards the overall grant budget for Affordable housing. There is significant competition for our Affordable Housing funding support.

4.2 HRA Acquisitions

4.2.1 The proposal is for BCC to submit a bid for match funded capital spend to enable acquisitions from the Housing Revenue Account (HRA). We are proposing a market acquisition programme, exploring opportunities to purchase homes available on the open market. Previous research demonstrates that ex-HRA properties available on the open market, most commonly those in high- or low-rise blocks, present excellent value for money.

4.2.2 The HRA will provide match funding of £1m to enable a market acquisition programme of 15 properties.

4.2.3 As RSAP is focussed on single rough sleeping we will be looking to target one-bedroom units, however small, shared flats and houses are also permitted, meaning we can also acquire two- and three-bedroom flats and houses which can be used as shared housing. These then have potential to be used as family housing in the future.

4.2.4 Through these acquisitions the council will increase its own stock and have full control of the properties. It will bring former council homes back into use by the council and directly support reduction of rough sleeping and homelessness in the city.

4.2.5 The sourcing and acquisitions of these properties will be delivered by existing Bristol Council staffing resource, as will ongoing repairs and housing management. The support service will also be delivered by an in-house experienced housing support team. This will involve recruiting 1.5 FTE temporary Accommodation officers. These staff would sit within Housing Options and would be funded up to March 2024 by RSAP grant award funding.

5. Summary of provider proposals

In addition to the Bristol council proposals for RSAP, a few our partner providers intend to place bids in July for this funding. There is no capital or revenue contribution required from BCC for these bids. We are supporting to shape and strengthen bids as the accommodation that will arise from successful funding awards will take nominations from Bristol's homelessness and rough sleeping services. Bristol City council are proposing to contribute (via a lease) a vacant car park site that will enable the Salvation Army scheme to be delivered. The table below sets out the known likely bids at the time of writing this report:

Organisation	Scheme type	Number of units	Capital Bid	Revenue Bid
Salvation Army /Hills	New Build, Modular	8 units	£35,000	£123,500
St Mungos	Private Market Acquisitions	10 units	£775,000	£90,000

Nb. Capital and Revenue bid amounts in this table are indicative, not exact final amounts.

6. Support Revenue Funding

- 6.1. Revenue funding can be bid for to pay for support for people living in Supported Move-On Accommodation. The funding can be bid for as part of a capital bid or a revenue only bid, though the former is preferred by the MHCLG. This funding is to pay for staffing and ancillary costs of the support services.
- 6.2. Revenue funding is available for financial years 21/22, 22/23 and 23/24. It has not yet been confirmed by the MHCLG if revenue funding will be extended past March 2024.
- 6.3. For a sector that usually has to run services on much shorter length funding the guarantee of the revenue until 2024 is positive.
- 6.4. The Council will, however, have to undertake early planning for the event that RSAP do not extend revenue funding, and this may include:
 - Funding services through an alternative funding stream or source.
 - Using existing, longer term funded, support service provision.
 - Using the accommodation to accommodate people with lower support needs, reducing the requirements of the support service.
 - Changing the use of the accommodation to general needs move-on, subject to MHCLG and Homes England approval.

Cabinet Member Recommendations

That Cabinet:

1. Approves, the submission of a bid to the Rough Sleeping Accommodation Program (RSAP) of up to £4m capital for 21/22 and £529k revenue funding split as follows (£147k 21/22, £191k 22/23, £191k 23/24)
2. Approves the use of match funding of £2m (£1m from the HRA for Acquisitions and £1m Commuted Sums for the Resonance Proposal).
3. Authorises, subject to successful grant award, the Executive Director of Growth and Regeneration in consultation with the Cabinet member for housing delivery and homes to accept and spend the grant award from Ministry of Housing, Communities and Local Government (MHCLG) RSAP fund as set out in the report.
4. Authorises the Executive Director Growth and Regeneration in consultation with the Cabinet Member for housing delivery and homes to spend the match funding of £1m HRA funding and £1m Affordable Housing Commuted sums, within the maximum budget envelopes outlined in this report, noting the associated Procurement and Legal comment.
5. Notes the total capital cost requirement for the Resonance and HRA Acquisitions bids which is £2m.

Corporate Strategy alignment:

1. Key commitment to reduce the overall level of homelessness and rough sleeping, with no-one needing to spend a 'second night out'.

City Benefits:

1. The proposal will assist people that are rough sleeping and recovering from rough sleeping to access accommodation and support, improving their health and reducing the physical and mental health impact of living on the streets.
2. The accommodation will support the reduction of rough sleeping in the city and will prevent people from having to spend time on the streets and/or in emergency and temporary accommodation.
3. Supported Move-on and the associated support service is being specifically designed to increase people's ability to sustain accommodation and increase resilience to homelessness. It will have a long-term positive affect on rough sleeping numbers in the city and help prevent repeat homelessness for individuals.

Consultation Details:

1. The proposals included in the bid were developed with the input from a range of colleagues in Housing and Landlord Services, homelessness sector partners, Registered Providers and other key stakeholders.
2. Consultation with Cabinet Member for Housing Delivery and Homes has taken place.
3. There is no requirement for public consultation.

Background Documents: Reducing Rough Sleeping Needs Analysis December 2020.

Revenue Cost	£0.00	Source of Revenue Funding	RSAP Revenue funding (subject to successful award)
Capital Cost	£2m	Source of Capital Funding	£1m HRA (HRA Acquisitions) and £1m Commuted Sums (Resonance Proposal)
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

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

1. Finance Advice:

The capital and revenue financing of the RSAP funding bids, as detailed in this report is summarised in the table below.

CAPITAL	GF 2021/22	HRA 2021/22
	£'000	£'000
Resonance and Other Private Equity Funders	2,000	-
BCC Match Funding	1,000	1,000
BID - MHCLG	3,000	1,000
Total Project	6,000	2,000
Proposed no. of units	34	15
Average cost per unit	176k	133k

REVENUE	Total	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
BID - MHCLG	529	147	191	191
Proposed no.of units	49	49	49	49
Revenue per unit	10.8	3.0	3.9	3.9

The proposals in this report aim to deliver 2 interlinked capital projects, the Resonance property acquisitions delivered through the GF and the in-house property acquisitions through the HRA, both to reduce temporary accommodation costs by providing longer term move on accommodation for the homelessness and rough sleepers.

The Resonance Property Acquisitions

The total cost of this project is £6m and this report is seeking approval to submit a bid to MHCLG to match fund 50%, ie £3m with the remaining funding to be met by; Resonance £2m and BCC £1m. Any movement in the funding from MHCLG will need to be met by BCC. The project aims to deliver 34 properties at an average cost of £176k each. It is proposed that the £1m contribution from BCC be funded from the Commuted Sums, Section 106-Unrestricted Affordable Housing Contribution. There £1.7m currently unallocated and available for use, but there significant demand for this funding, but no financial appraisal has been carried out to consider the opportunity cost of choosing this investment option over other potential options.

This is an investment proposal similar to the National Homelessness model (Real Lettings) which BCC entered into with Resonance in 2015. BCC's return on investment ie the initial capital investment of £1m, will be realised at the end of the term of the project, ie 2030.

There are no revenue cost implications to BCC from this project, the properties will be owned by the fund managed by their partners DHI. The revenue bid will cover the support costs and the 20% rental income retained by DHI will be used to cover the housing management and repair costs.

There is a target cash yield of 3% for investors. BCC should expect to receive in the region of £30k a year.

Although, there are no revenue cost implications from this project, it is expected that this project will generate a minimum saving of £3k Temporary Accommodation saving per placement. An estimated 102 placements will be made over the life of the project, and this will deliver an estimated saving of £306k to the Homelessness revenue budget.

The HRA Property Acquisitions

This project requires a total investment of £2m, £1m will be funded from the HRA, this report is seeking approval to submit a bid to MHCLG for 50% match funding ie £1m. The project aims to deliver 15 units at an average unit cost of £133k by the in-house Housing Options Team.

An appraisal of the capital investment of 2 typical examples of the type of property which will be invested in has been carried out. This produced positive results, with a positive Net Present Value (NPV), indicating a net inflow of cash over the life of the project, plus an investment measure, the Internal Rate of Return (IRR), showing a return which exceeds the cost of capital. These appraisals are based on the standard parameters which the Council uses in appraising new build and property acquisition proposals. The projects have been appraised over a term of 40 years, with an NPV discount rate of 3%.

The additional revenue cost of delivering this project is for 1.5fte staff which will be fully funded by the MHCLG revenue bid until the end of 2023/24.

Finance Business Partner: Aisha Bapu, Finance Manager 9th June 2021

2. Legal Advice: There are no specific legal implications arising from the bid for funding. If successful, any arising procurement process must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers regarding the grant agreement and the conduct of any procurement process and the resulting contractual arrangements.

The Council's power to acquire property by agreement and at market value falls within the Local Government Act 1972 for the purpose of any of its functions or for the benefit, improvement or development of the area.

Legal Team Leader: Husinara Jones/Andrew Jones, Team Leader/Solicitor 24 May 2021

3. Implications on IT: No anticipated impact on IT Services

IT Team Leader: Simon Oliver

4. HR Advice: In relation to the HRA acquisitions, the sourcing and procurement of the properties will be progressed by existing staffing resource. If the bid is successful there will be a need to recruit an additional 1.5 temporary Accommodation Officers to deliver the programme. Employees on fixed term contracts for over 2 years accrue employment rights to the permanent post where the work is ongoing. On the basis that if the funding will be in place from September 2021 – March 2024, with potential for an extension, and previous recruitment difficulties the service have had when recruiting to fixed term posts, the HR advice is to advertise the roles as permanent posts.

HR Partner: Celia Williams, HR Partner, 26th May 2021

EDM Sign-off	Stephen Peacock	11 th April 2021
Cabinet Member sign-off	Cllr Tom Renhard	7 th June 2021
For Key Decisions - Mayor's Office sign-off	Mayor's office	7 th June 2021

Appendix A – Further essential background / detail on the proposal A1 - Reducing Rough Sleeping Needs Analysis A3 - Resonance Investment Model	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