

Birmingham City Council

Report to Cabinet

27 June 2023



Subject: City Housing Investment Proposal to Supply Accommodation for Homeless Families

Report of: Paul Langford, Interim Strategic Director of City Housing

Relevant Cabinet Member: Councillor Jayne Francis – Cabinet Member for Housing & Homelessness

Relevant O &S Chair(s): Councillor Mohammed Idrees, Homes

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011222/2023		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 Birmingham City Council launched the Housing Strategy 2023-2028 on the 19th January 2023. The strategy sets out three clear strategic priorities for the city over the next 5 years; (1) deliver a strong supply of genuinely affordable homes, (2) ensure citizens can access and sustain the right home for them and (3) enhance our neighbourhoods and improve the quality of housing across all tenures. These strategic priorities underpin all operational activity, across the Directorate and within the wider stakeholder group.
- 1.2 Priority (1) of the Housing Strategy 2023-2028 has a key focus on the delivery of affordable housing across all tenure types. This includes a focus on alleviating the direct pressures on homeless households across the city, providing suitable permanent and temporary homes for families, specifically larger families. There are a variety of interventions proposed over the next 5 years to drive forward this priority; varying from working more closely with Registered Providers as a delivery partner, offering a variety of tenure types (key worker homes, build to rent, social rent etc.) and maximising internal development opportunities, such as BMHT development and property acquisitions.
- 1.3 Within the Housing Strategy 2023-2028, Birmingham City Council committed to develop and deliver a standalone Birmingham Temporary Accommodation Strategy 2023-2028 ("The Strategy") as a response to the increase in demand, which has now been formulated and socialised. The Strategy proposes several ways in which the reliance on temporary accommodation (TA), and particularly Bed & Breakfast (B&B) can be reduced across the city. Whilst the focus of this report is on meeting increasing demand for temporary accommodation across the city, that is suitable and safe; the overarching objective is to utilise the resources available to leverage more genuinely affordable homes for the citizens of Birmingham, both for now and in the future.
- 1.4 There are three ways to address the TA challenges faced by families in the City, (1) Reduce demand through investment in prevention services, (2) Reducing the time spent in TA and place families in settled accommodation, and (3) Increase the supply of accommodation. There continues to be a focus on (1) & (2) but with increasing demand, declining social lettings and increasingly unaffordable private rental further intervention is required to help the City improve the quality and cost effectiveness of TA services provided to homeless families. A key objective is to first reduce and then eliminate the use of unsuitable and expensive Bed & Breakfast (B&B) accommodation. The Strategy at Appendix 1 highlights a series of pathways with supporting actions and investment required to minimise the use and reliance on B&B accommodation to house homeless families and deliver improved quality of service at a lower cost to the City. Elements drawn from The Strategy underpin this investment request.
- 1.5 This report focuses specifically on the key element of The Strategy of additional and more suitable TA to respond to increasing demand. The effective delivery of the other elements of The Strategy are as critical in reducing this demand

including effective prevention interventions and increasing supply of affordable housing as detailed above which are all being monitored through the established Strategic Housing Partnership Board.

- 1.6 This report sets out the approvals for the investment of both capital and revenue required to achieve this.
- 1.7 To materially impact the reduction in use of B&B for homeless families, achieve a significant reduction in the costs to the City, meet our statutory obligations and service quality targets, the following **CAPITAL** approvals are requested:
 - 1.7.1 The provision of £400m capital funding for Property Acquisition to acquire up to 300 properties per year over the next 5 financial years to 2028 for temporary accommodation and longer-term homes. It is proposed that acquisitions will be managed in partnership with Place, Prosperity & Sustainability (PPS), streamlining the process, and managing the need for properties that can be used as TA and properties that can be used for long term homes. It should be noted here that resources will be drawn across both Directorates to support the overarching objective.
 - 1.7.2 To ensure best use of capacity, and effectiveness of the acquisition programme the cross departmental Capital Officers Group will ensure this is incorporated into the wider capital borrowing strategy for the City. This capital strategy will be reviewed through PPS on a continual basis, to ensure strong financial management of the Council's real estate asset base.
 - 1.7.3 The provision of up to £5m capital grants (£1m pa) over the next 5 financial years to incentivise and support private sector landlords to bring their properties up to regulatory standards, or to convert supported exempt accommodation to family use in return for a commitment to house homeless families for a minimum agreed period.
- 1.8 To realise the outcomes set out in The Strategy, the following **REVENUE** approvals are requested:
 - 1.8.1 Up to £1.5m revenue per year for 5 financial years (£7.5m) for landlord incentives and programmes to support the Accommodation Finding Team (AFT) secure increased levels of Private Rented Sector (PRS) accommodation to end homelessness duties. The target is to achieve 500 lettings per year for homeless families.
 - 1.8.2 Up to £3.7m revenue over 5 financial years to provide the Housing Solution Service AFT, Complex Case staffing levels and programme support, to deliver on the execution of The Strategy.
 - 1.8.3 Up to £2.4m revenue over 5 financial years for **additional** staffing resource to deliver The Strategy PRS access programmes and to support the creation of a dedicated income collection and TA arrears management team to strengthen the current approach.

- 1.8.4 Up to £5.4m temporary staffing resource over 5 financial years to administer the acquisitions process, voids management, family accommodation allocation, lettings and move on process for the increasing volume of properties.
- 1.8.5 The tables below summarise the year 1 and 5-year cumulative position with regard to the capital and revenue requirements. For each of the recommendations, the tables show the number of homes that are expected to become available, the capital and revenue costs, and, where relevant increased assets. For comparative purposes, the tables include information on the Resonance¹ option and the PSL and B&B alternatives to acquisition:

Recommendation	Summary for Year 1	Available Homes No.	Capital £m	Revenue £m	Assets £m
2.2.1	Property Acquisition (no MRP in Year 1)	300	80	-	80
2.2.2	Property Acquisition - additional resource requirement	-	-	0.5	-
2.2.2	Current allocation and acquisition - extend staffing resource	-	-	0.3	-
2.2.3	TA Strategy - continuation of existing team	-	-	1.0	-
2.2.4	The Strategy PRS access - resource requirement	-	-	0.3	-
	Subtotal Acquisition	300	80	2.1	80
2.3	Grants to Upgrade Private Sector Properties	125	1	-	-
2.4	Landlord Incentives	500	-	1.5	-
	<i>Resonance NAPF2 fund option (part of the 300 acquisitions)</i>	<i>113</i>	<i>30</i>	<i>0.9</i>	<i>30</i>
	<i>PSL Comparator</i>	<i>300</i>	<i>-</i>	<i>2.3</i>	<i>-</i>
	<i>B&B Comparator</i>	<i>300</i>	<i>-</i>	<i>6.5</i>	<i>-</i>

Recommendation	Cumulative Summary for 5 Years	Available Homes No.	Capital £m	Revenue £m	Assets £m
2.2.1	Property Acquisition (MRP Years 2-5)	1,500	400	30.3	400
2.2.2	Property Acquisition - additional resource requirement	-	-	3.2	-
2.2.2	Current allocation and acquisition - extend staffing resource	-	-	2.2	-
2.2.3	TA Strategy - continuation of existing team	-	-	3.7	-
2.2.4	The Strategy PRS access - resource requirement	-	-	2.4	-
	Subtotal Acquisition	1,500	400	41.8	400
2.3	Grants to Upgrade Private Sector Properties	625	5	2.3	-
2.4	Landlord Incentives	2,500	-	7.5	-
	<i>Resonance NAPF2 fund option (part of the 1,500 acquisitions)</i>	<i>113</i>	<i>30</i>	<i>4.7</i>	<i>30</i>
	<i>PSL Comparator</i>	<i>1,500</i>	<i>-</i>	<i>43.1</i>	<i>-</i>
	<i>B&B Comparator</i>	<i>1,500</i>	<i>-</i>	<i>103.9</i>	<i>-</i>

- 1.8.6 The investment case is focused on delivering improved outcomes for homeless families, adding capacity in Housing Services and funding additional revenue costs of £51.6m over five years to avoid over £104m in B&B costs.

¹ Resonance is an accredited social enterprise and B Corporation, and one of the pioneers of social impact investment, with a dedicated focus on residential property. Existing investors include GMCA, Liverpool City Region CA, the GLA, City of Westminster, Croydon, Lambeth, Oxfordshire County Council and Bristol City Council.

2 Recommendations

That Cabinet:

- 2.1 approves the Temporary Accommodation Strategy 2023-2028 in Appendix 1 which sets out the strategic approach to improving such provision as part of the Councils wider Housing Strategy.
- 2.2 approves the funding for Property Acquisition to acquire up to 300 properties per year over the next 5 financial years to 2028 for temporary accommodation and long-term homes.
 - 2.2.1 approves £400m capital funding for purchases and costs of purchase.
 - 2.2.2 approves £5.4m revenue funding to fund the temporary staffing resource over 5 financial years required to administer the acquisitions process, voids management, family accommodation allocation, lettings and move on process for the increasing volume of properties.
 - 2.2.3 approves £3.7m revenue funding over 5 financial years to provide the Housing Solution Service AFT, Complex Case staffing levels and programme support, to deliver on the execution of The Strategy.
 - 2.2.4 approves £2.4m revenue funding over 5 financial years for additional staffing resource to deliver The Strategy PRS access programmes and to support the creation of an income collection and TA arrears management team.
- 2.3 approves the provision of up to £5m capital grants² (£1m pa) over 5 financial years to incentivise and support private sector landlords to bring their properties up to regulatory standards, or to convert supported exempt accommodation to family use, in return for a commitment to house homeless families for a minimum agreed period.
- 2.4 approves the provision of up to £7.5m revenue funding from General Fund for landlord incentives and programmes for 5 financial years to support the AFT's work to end homelessness duties in the Private Rented Sector.
- 2.5 delegates authority to the Interim Strategic Director of City Housing (or their delegate) in consultation with the Strategic Director of Place, Prosperity and Sustainability, Director of Property and Investment (or their delegate), Assistant Director Valuation and Investment, and the Interim Director of Finance (S151 Officer) (or their delegate) to:
 - 2.5.1 negotiate the acquisition of up to 1,500 properties in accordance with The Strategy and Investment Case (Appendix 3) for TA and other social housing use;
 - 2.5.2 consider the case for the acquisition of the properties through the medium of a wholly owned Council subsidiary and whether this would provide best value for the Council;

² Managed by means of grant agreements between the Council and individual landlords

- 2.5.3 annually review the acquisitions programme through Capital Board and based on fit with wider capital borrowing strategy, managed by the Capital Officers Group, and value for money assessment direct activities for the next 12 months or escalate to Cabinet if proposal is to substantially change focus from this investment proposal;
- 2.5.4 commission up to £5m in capital grants to private landlords to secure accommodation for homeless families where it achieves value for money; and
- 2.5.5 to release the revenue funding on an annual basis for landlord incentives.
- 2.6 authorises the Interim Strategic Director of City Housing (or their delegate) in consultation with the Assistant Director Corporate Procurement (or their delegate) to:
 - 2.6.1 continue pursuant to the Cabinet approved report of 8th February 2022 the property acquisition programme to source and procure family sized streetside properties subject to statutory rights of first refusal in favour of the City Council. This will be additional to the current £60m programme and the additional Department for Levelling Up, Housing and Communities (DLUHC) LAHF grant of £5.3m to support Ukrainian and Afghan refugees (approved 14th February 2023).
 - 2.6.2 proactively engage with developers and Housing Associations to source and procure multiple units of available stock, where this represents value for money for the Council.
 - 2.6.3 work with developers and Housing Associations to develop a pipeline of possible future target stock acquisitions, securing first right of refusal where this represents value for money for the council.
 - 2.6.4 explore the suitability and value to the Council of investing in the region of £30m, of the £400m capital, in the Resonance social impact investment National Homelessness Property Fund 2 (NHPF2), and if the case is proven authorise the investment to secure a portfolio of street properties which can be used to end a homelessness duty.
 - 2.6.5 extend the existing Residential Property Acquisition contract with Lambert Smith Hampton by 6 months in order to support the delivery of The Strategy in line with PCR2015 guidelines whereby an extension is allowable up to 50% of the contracts original value.
 - 2.6.6 approve the procurement strategy for the procurement of a provider to support the ongoing delivery of the Residential Property Acquisition Programme component of The Strategy.
 - 2.6.7 award the contract to the successful provider to support the ongoing delivery of the Residential Property Acquisition Programme.
 - 2.6.8 explore and implement any other options acceptable to the council to meet the capacity objectives which remain within the agreed budget provisions contained

within this report. This will be done in consultation with the Cabinet Member for Housing and Homelessness and Cabinet Member for Finance and Resources.

- 2.7 authorises the City Solicitor (or their delegate) to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 Over the eight years from March 2014 to March 2022, the number of families in TA in Birmingham rose by 403% with Birmingham now having the highest number of families in B&B accommodation of any local authority in England.

- 3.2 Examination of the national homelessness statistics highlights that Birmingham accepted more than twice as many main homelessness duties for families than any other local authority in 2021/22.

- 3.3 The Strategy focuses on the use of accommodation as a strategic lever to tackle homelessness, in support of the Councils work focused on homelessness prevention, relief, assessment and move-on activities. The Strategy sets out a pathway to achieve 7 key objectives:

1. End the use of B&B for families over 6 weeks by the end of July 2024³ and keep it at zero.
2. End all but emergency use of B&B by autumn 2024 and maintain this for the life of The Strategy.
3. End the requirement for families to stay in accommodation with shared facilities for longer than one year by summer 2025 and by longer than 6 months by summer 2026.
4. Increase Council acquired accommodation so that this provides 1,500 units of accommodation by March 2028.
5. Ensure that all but a small proportion of TA is either owned in the General Fund through property acquisitions, is the Council's own stock let as dispersed accommodation or is good quality homelessness centre accommodation by March 2028.
6. Reduce the monthly costs of TA and alternatives to TA, excluding property investment costs, from over £2m today to less than £1m by March 2028, depending on levels of homelessness demand.
7. Ensure that all TA residents are actively supported to access the full range of services around employment and training, financial and debt advice, and income maximization that they require, and that disruption to children's education is minimised.

- 3.4 The PRS has been key to reducing admissions to TA in other parts of the country. However, Birmingham has one of the least affordable PRS's for families on low

³ The revised reduction plan was agreed with DLUHC on 25th May 2023

incomes in England. Analysis by Rightmove highlights that PRS rents in Birmingham rose by 17.6% for the year to end of September 2022, one of the highest increases in England. With LHA rents remaining frozen at April 2020 rates the disparity between market rents and the Local Housing Allowance (LHA) is increasing. Social lettings have also followed a long-term pattern of decline and the proportion of lets going to families in TA is low.

- 3.5 The supply of all forms of TA in Birmingham has risen rapidly in recent years, the Council's contributions include important investments in the opening of the largest family homelessness centre in Europe in 2022 and the new £60m property acquisition scheme. However, the planned supply of TA has not risen fast enough to keep pace with rising homelessness demand from families with children. The result has been the increase in the use of B&B accommodation, including the unlawful use of B&B for families over 6 weeks.
- 3.6 A new operating model for Housing Solutions Service was mobilised in March 2022 that focuses on homeless prevention work and effective casework to move households out of TA in a timely fashion and into suitable accommodation. The change from crisis management to an effective prevention and case management model, supported by a robust accommodation offer for our customers will help the service to significantly reduce the B&B budget by 2025.
- 3.7 Temporary staff resources were appointed in July 2023 to accelerate homeless prevention and Temporary Accommodation Move On activity, to reduce the number of households in B&Bs. With the increase in presentation demand (a 24% increase on 2021 to 2022 with the increased pressure continuing into 2023), to realise the objectives set out in The Strategy there is a need for additional housing capacity, working to a consistent methodology, defined governance and leadership model to manage and deliver this programme.
- 3.8 With rising homelessness pressures across the country and in Birmingham in particular a bold response is required. Through adopting the proposals in this report, the Council's expenditure will be targeted at acquiring long term capital assets through property acquisition and increasing the number of homelessness duties ended in both social housing and the PRS, rather than spending the much larger amounts of money needed to keep families in shared B&B accommodation, very often outside Birmingham.
- 3.9 The table below illustrates the estimated net costs to the Council of the different types of TA currently used:

Type of TA	No of placements at end October 2022	Net annual cost per placement	Net weekly cost per placement	Total net annual cost
Dispersed	2013	£412	£8	£0.83m
PSL	1177	£6,675	£128	£7.86m
B&B	725	£21,723	£418	£15.75m
Homeless Centres	468	£1,710	£33	£0.80m

4 Options considered and Recommendation

4.1 Option 1 – Current services continue

4.1.1 The Council has already adopted several initiatives which are intended to reduce the number of families in B&B accommodation, some of which form part of The Strategy. These include:

- The change in allocations policy put into effect by the Council in January 2023 to (1). Move all households owed a main homelessness duty or a homelessness relief duty to the highest priority band for housing; and (2). Target the proportion of lettings going to households in TA from 21% of family sized properties to 50% of lets of 2-bed or larger.
- Increasing the use of dispersed Council stock properties let as TA to an agreed maximum of 2,400 properties.
- Increasing the use of Private Sector Leased (PSL) properties through the new Dynamic Purchasing System (DPS) arrangements.
- Increasing access to Private Rented Sector (PRS) accommodation
- Acquiring 230 family sized properties to use as TA for homeless families.

The current accommodation allocation and acquisition services are delivered by temporary staff. Extending their contract term to cover the next 5 years will cost £2.2m at 22/23 rates.

4.1.2 Analysis of the household numbers entering and leaving TA between April and October 2022 indicates a net annualised increase of 480. The changes in train have the potential to have a significant impact on stemming the rise and beginning to bring down the use of B&B accommodation as TA for families, if demand remains stable, but will not achieve the accelerated reduction, ability to limit use to the statutory 6-week limit and financial savings sought. This is however the foundation for all subsequent options.

4.2 Option 2 – Use more social housing stock as TA for families

4.2.1 The Council is increasing the number of dispersed TA units by 300 to 2,400 homes by the end of June 2023. With the waiting list for social housing exceeding 21,000 this will be the limit of expansion of the use of Council accommodation for this purpose for the foreseeable future. Therefore, with no further access to more social stock for dispersed purposes the potential to increase beyond 2,400 is not an option.

4.3 Option 3 – Use more private sector accommodation

4.3.1 The Accommodation Finding Team (AFT) established in February 2022 currently has an average procurement rate of 3 PRS properties per week. This capacity is much less than the weekly TA presentation rate. Whilst this is an important pathway for TA family placement, with less than 10% of available listings affordable on LHA, the challenge is to secure the funding to be able to make a compelling commercial case to landlords. Landlord incentives are currently

averaging around £3,000 each. However, there is no separate identified budget for landlord incentives and the team has to make use of part of the Council's Homelessness Prevention Grant. Analysis in The Strategy suggests that each time a homeless family has a duty ended in the PRS by the AFT team this produces a net saving to the Council of approximately £19,000 in avoided TA costs (based on B&B and PSL). The case for ensuring sufficient funding is available to pay for landlord incentives is clear. The recommendation is that the Council invest up to £1.5m revenue per year for 5 years (£7.5m) to increase the number of PRS lettings, this would target 500 lettings per year for homeless families. This money would only be drawn down according to the success of the initiative.

- 4.3.2 In addition to the current 10-year PSL block contract, which provides over 1,000 units of leased accommodation for TA. On 6th September 2022 Cabinet approved the procurement strategy for the establishment of a Dynamic Purchasing System (DPS) for the provision of TA leased through the private sector (PSL) and private registered providers of social housing to manage additional and ad hoc requirements. It has the advantage of being flexible, with properties only taken on as required by the Council. The DPS should contribute to offsetting existing budget pressures in more expensive bed and breakfast and hotel accommodation. The DPS will go live in April 2023, the pilot stage will be followed by scaling of DPS from May with a 2-year duration and budget cost to the Council of £9.16m
- 4.3.3 Financial modelling undertaken as part of The Strategy indicates that with block contract lease payments following the Consumer Price Index (CPI - currently 10.4%), this type of accommodation is likely to be significantly more expensive in revenue terms than property acquisition as a long-term solution, without delivering any capital asset. The price of DPS accommodation will rise with LHA rates rather than CPI, but is expected to be significantly higher than the block contract rates from the outset, while still being much less expensive than B&B.
- 4.3.4 To address the problem of sub-standard PRS stock in the City and to encourage the conversion of supported exempt accommodation back to family use, the recommendation is that the Council invest up to £1m pa for 5 years, a total of up to £5m capital grant funding from the General Fund to support landlords in bringing properties up to a decent lettable standard for families. This would be conditional on the landlord agreeing to let to homeless families for an agreed period at LHA rents once works are complete. In this way the Council would more than recoup its investment through avoided TA costs, whilst also improving the quality of PRS accommodation for families within the city.
- 4.4 Option 4 – Property acquisition programme extension
 - 4.4.1 On 8th February 2022 the Cabinet approved capital investment of £60m for the Property Acquisition Programme to procure up to 230 family sized properties for TA and Social Housing use. This initiative was approved in recognition of the need to accelerate interventions to reduce the use of B&B as TA accommodation.

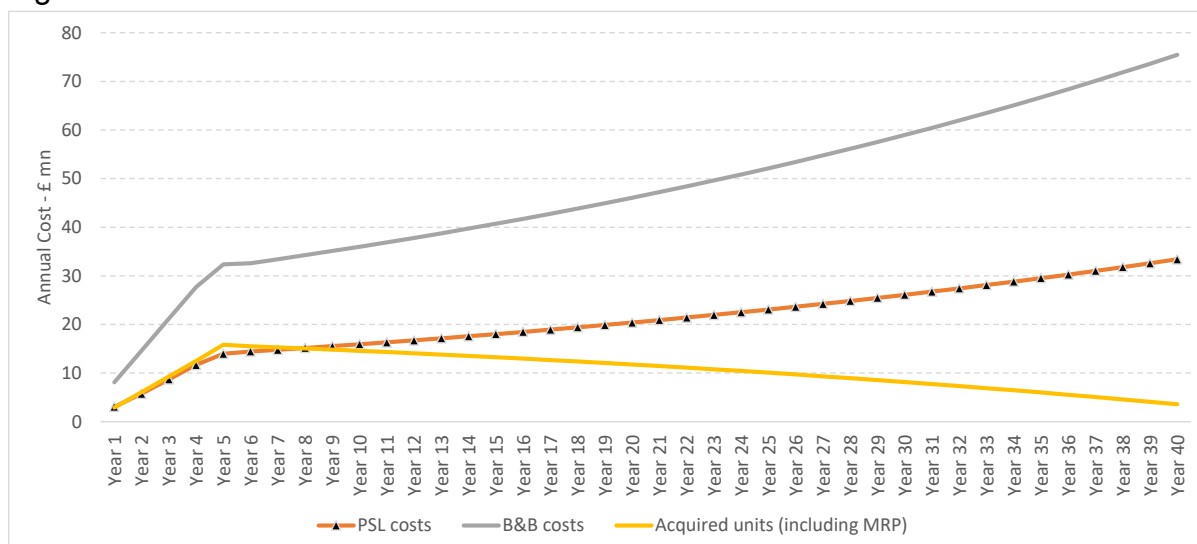
As of 27th February 2023, this program has acquired 36 family sized properties and has an active pipeline of a further 89, a total of 125 family sized properties. The programme has been challenged to accelerate and deliver 25 acquisitions per month and the latest forecast is to acquire 248 family sized properties by end December 2023.

- 4.4.2 City Housing have implemented a new process to embed the additional properties acquired into BAU operations and have made additional arrangements with existing contractors to carry out the necessary works as a separate workstream. This initiative is proof of concept and is giving understanding and setting process for managing scale and establishing efficient BAU.

The acquisition, void and furnishing process will join up with the Repairs and Maintenance contract from April 2024.

- 4.4.3 The experience of the property acquisition work so far suggests that there is sufficient capacity in the Birmingham housing market to purchase suitable family sized street properties at the rate of 25 per month (300 pa) without distorting the market or impacting prices.
- 4.4.4 The financial modelling undertaken as part of The Strategy highlights the longer-term benefits to the Council of asset ownership through the use of PWLB loans versus PRL, PRS and B&B accommodation. The modelling further shows that by extending property acquisition initiatives over 5 years, will in conjunction with current service enable the Council to deliver on TA obligations and manage costs down to an acceptable level.
- 4.4.5 The recommendation is that the Council Invest £80m pa for 5 years, a total of £400m from the General Fund, to acquire 300 family sized properties pa (1,500 over 5-years) to use for TA.
- 4.4.6 Figure 1. shows the estimated net 40-year revenue costs to the Council of 1,500 acquired properties purchased over 5 years assuming 2.5% annual inflation of both rents and management costs.
- 4.4.7 These costs include management, interest and debt repayment costs and are compared to the estimated net costs of PSL and B&B to accommodate the same number of households.

Figure 1.



4.4.8 Although costs of PSL and acquired properties are similar in the first few years, over time the costs of PSL and acquired units diverge significantly. This is because the annual costs of acquired properties fall significantly as operational surpluses rise compared to the fixed costs of repaying debt and interest. B&B costs are much higher throughout.

4.4.9 In addition to offering lower revenue costs over time, acquiring properties would also deliver long term capital assets worth £400m, which can be expected to hold their value compared to inflation in the long term. In contrast, PSL and B&B do not deliver any assets.

4.4.10 More staff will be required to manage the additional accommodation allocation and acquisition services. Assuming temporary staff are the preferred delivery model, the incremental staffing costs to 2028 are estimated to be £3.2m at 22/23 rates. These costs are included in the acquired units costs shown in Figure 1. above.

4.4.11 Programme governance and monitoring will annually review and adjust resources required to align with demand.

4.5 The **RECOMMENDATION** is to maintain current service plus extend property acquisition plus improve sub-standard PRS stock, plus convert supported exempt accommodation to family use and increase staffing levels in Housing Solutions and Support to be able to deliver on these actions.

4.6 This is on the basis that the evidence of recent years has shown that not doing enough to provide accommodation to meet homelessness demand has led to the increasing use of unsuitable B&B accommodation at great expense to the Council. This has been confirmed by scenario analysis within The Strategy demonstrating significantly increased costs if too little is done to meet future demand.

- 4.7 It is highly likely that homelessness demand will rise further over the next period. This has already been seen in Birmingham, with a 24% increase in presentations since 2021.
- 4.8 More recently there has been a step change in homelessness pressures in London especially, largely as a result of the cost-of-living crisis and the further reduction in availability of affordable PRS accommodation, combined with a decline in the number of social lettings. It is, unfortunately, probable that increased pressures in Birmingham will follow this trend.
- 4.9 A strategic approach is therefore needed in which the Council, alongside increased efforts to prevent homelessness occurring in the first place, takes the major steps required to secure a long-term supply of accommodation for homeless families.
- 4.10 Whilst new build social housing can play a part in this, in the short to medium term property acquisitions represent the best and most cost-effective option to secure the increased accommodation needed for low-income families.
- 4.11 Delivering on these recommendations will require an investment in staffing costs and headcount estimated to be £3.7m (S.2.1.3) to extend Housing Solution Service staff on temporary contracts and £2.4m (S.2.1.4) to fund additional staff resource, a total of £6.1m. Programme governance and monitoring will annually review and adjust resources required to align with demand.
- 4.12 The detailed options and considerations regarding the staff Revenue request are documented in Appendix 4.

5 Consultation

- 5.1 The development of The Strategy has included significant research and discussion with other local authorities facing significant homelessness pressures and is also informed by regular discussions with the Department for Levelling Up Housing and Communities (DLUHC) advisor team.
- 5.2 The proposals build on engagement and exchange of ideas with colleagues in PPS in relation to property acquisition options, working with partners, emerging market risks, use of Council sites and trends in relation to property values. City Housing and PPS are working together to ensure that approaches to property acquisitions and development both within and outside the HRA are aligned and co-ordinated.
- 5.3 Detailed financial analysis has been undertaken comparing the costs of the different forms of temporary accommodation and the alternatives to temporary accommodation. This has included analysis comparing the Council's in house property acquisitions scheme with alternatives such as a number of long-term reversionary lease schemes offered to the Council by private sector providers.

- 5.4 The Strategy has also drawn on evidence from Crisis and Shelter in areas including the affordability of PRS accommodation and the experience of households living in TA in Birmingham and elsewhere.
- 5.5 The Strategy objectives and commitments were discussed at a dedicated CLT awayday meeting on February 8th, 2023.

6 Risk Management

- 6.1 The main risks associated with implementing the capital recommendations of this report are:

Risk	Impact	Likelihood	Mitigation
6.1.1. Capital approved at lower level than the amount requested – impacting the ability to accelerate the reduction in B&B use	High	Medium	<ul style="list-style-type: none"> • Close consultation with Executive team and Cabinet Members to build the case for full funding • This report delegates authority to the Interim Strategic Director of City Housing to determine channels to secure best value for money
6.1.2. Shortage of available properties limiting ability to acquire at desired rate – delaying ability to move families out of B&B	High	Medium	<ul style="list-style-type: none"> • Develop robust acquisition strategy and plan covering streetside and sourcing from developers and RPs
6.1.3. Scale of activity in market negatively impacts and distorts housing market – prices inflated acquisition costs increase	Medium	Low	<ul style="list-style-type: none"> • Draw from learnings of the current property acquisition programme, identify and adopt mitigations and actions
6.1.4. Delays to agreeing Governance and Delegated Approvals process – to compete in a competitive market we need to establish a streamlined, agile and responsive process	Medium	Low	<ul style="list-style-type: none"> • Continue with the established property acquisition program / process for streetside acquisitions • Work with PPS and BMHT to develop a common approach to and value for money evaluation of developer and RP options
6.1.5. Resistance by developers to allocate a number of site units	High	Medium	<ul style="list-style-type: none"> • Develop the value proposition for both the targeted site and

Risk	Impact	Likelihood	Mitigation
to TA - perception that use as TA may dilute value of remaining site properties			for the developers, invest in education of the developers
6.1.6. Landlords of sub-standard PRS stock attempt to negotiate terms which are disadvantages to the Council – individual negotiations make it harder to evidence value for money	High	Medium	<ul style="list-style-type: none"> • Develop a clear and unambiguous set of guidelines, supported by common accommodation standards • Establish clear thresholds to identify acceptable / rejected property • Implement standard approach to valuations of remedial work
6.1.7. Demand for family TA continues to increase at pace – the ability to mobilise and resource to meet lags behind and B&B usage rates continue	High	Medium	<ul style="list-style-type: none"> • Regular monitoring of TA position and trending profile. Adopting an evidence based informed approach to managing drawdown against approved Capital funding
6.18 House price inflation, over time – limiting the Councils purchasing power and ability to acquire sufficient suitable properties	High	High	<ul style="list-style-type: none"> • Monitor housing market price trends by ward, flex acquisition strategy and plan covering streetside and sourcing from developers and RPs to target getting best value for available funds. • Regarding the tolerances considered regarding house price inflation - most recently we have seen housing market price deflation, fall of 3.1% year on year in March 2023, and according to D Miles (member of Office for Budget Responsibility – May 23) era of significant increases is at an end. Noting higher interest rates, working from home factored into prices, weakening economy.

6.2 The main risks associated with implementing the revenue recommendations of this report are:

Risk	Impact	Likelihood	Mitigation
6.2.1. Revenue approved at lower level than the amount requested – impacting the ability to accelerate the reduction in B&B use	High	Medium	<ul style="list-style-type: none"> • Close consultation with Executive team and Cabinet Members to build the case for full funding. • This report delegates authority to the Interim Strategic Director of City Housing to determine channels to secure best value for money.
6.2.2. Delay in decision from Cabinet – impacting the continuation of service supported by current posts on temporary contracts to end July	High	Medium	<ul style="list-style-type: none"> • Contingency funding sought from Invest to Delivery Group, however no funds currently available. • Close consultation with Executive team and Cabinet Members to build the case for contingency funding.
6.2.3. Staff on temporary contracts decide to leave due to uncertainty of posts – loss of experienced staff from Service impacting service delivery and ability to move families out of B&B	Medium	High	<ul style="list-style-type: none"> • Close consultation with Executive team and Cabinet Members to build the case for contingency funding. • Close staff management and communication, best use of resources across service
6.2.4. Time lag for recruitment to new posts – impacting upon service delivery and speed at which targets can be achieved	Medium	Medium	<ul style="list-style-type: none"> • Draw from learnings of the current recruitment delays, identify and adopt mitigations and actions. • Early engagement with HR.
6.2.5. Demand continues to be greater than forecast and levels of homelessness which exceed Council's resources.	High	Medium	<ul style="list-style-type: none"> • Continue to drive efficiencies and operational effectiveness within operational teams.
6.2.6 Demand continues to exceed modelling expectations resulting in increased costs through continued use of B&B	High	Medium	<ul style="list-style-type: none"> • Continue to review modelling assumptions. • Continue to monitor performance and impact. • Implement initiatives detailed within the TA Strategy for alternative accommodation.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

The recommendation within this report will make a direct contribution to both Corporate and Directorate outcomes:

- 7.1.1 Priority 5. Tackle poverty and inequality – advancing equality, health and wellbeing through providing family sized TA accommodation for homeless families.
- 7.1.2 Priority 10. Protect and safeguard vulnerable citizens - through minimising the reliance on B&B accommodation, providing homeless families with stable fit for purpose accommodation.
- 7.1.3 Priority 11. Increase affordable, safe, green housing – through increasing the stock of family sized Council owned accommodation.
- 7.1.4 Priority 12. Tackle homelessness – through providing 1,500 more family sized TA accommodation over 5-years and investing to encourage the conversion of supported exempt accommodation back to family TA.

7.2 Legal Implications

- 7.2.1 Section 1 of the Localism Act 2011 contains the Council's general power of competence, which is circumscribed only to the extent of any applicable pre-commencement restrictions and any specific post-commencement statutory restriction of that power.
- 7.2.2 Sections 120 to 123 of the Local Government Act 1972 contain the Council's powers to acquire, appropriate and dispose of land for the purpose of the discharge of any of their statutory functions.
- 7.2.3 Section 111 of the Local Government Act 1972 contains the Council's subsidiary powers to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their statutory functions.
- 7.2.4 Part VII of the Housing Act 1996 contains the Council's duties relating to homelessness and threatened homelessness
- 7.2.5 The Local Government Act 2003 contains the Council's powers of investment for any purpose relevant to any of its statutory function subject to regard to guidance issued or specified under that Act.

7.3 Financial Implications

- 7.3.1 The financial implications relate to the recommendations at 2.1 to 2.4 of this report. These are outlined below, following the summary table of the financial implications. The table shows that over 5 years the combined costs of these

proposals along with the reduced B&B forecast will cost an estimated £89.0m (requiring an additional £78.9m to the MTFP, but avoiding a net £14.8m spend on B&B compared to current practices).

£m	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Current MTFP B&B Budget	10.1	0.0	0.0	0.0	0.0	10.1
Modelled B&B spend	18.9	19.9	20.9	21.9	22.3	103.9
Cost of Proposals	1.7	5.0	8.5	11.7	14.8	41.7
Cost of B&B under proposals	17.0	13.2	9.5	5.7	1.9	47.3
Required addition to MTFS	8.6	18.2	18.0	17.4	16.7	78.9

- 7.3.2 The proposals offer value for money as they create a more cost-effective supply than B&B usage, as well as the non-financial benefits from providing accommodation intended for use as TA. (The table below in 7.3.10 shows the cost of each option compared to a £103.9m 5-year revenue cost of using 1,500 B&B units). The three proposals together also offer a mix of capacity, partly Council owned, partly boosting private sector involvement in the market, therefore reducing risk on one for of delivery, while maintaining a balance of control and flexibility over capacity for TA, which can then be better changed to meet demand fluctuations.
- 7.3.3 The proposals are affordable in that they are cheaper than the alternative B&B usage, but due to the existing MTFS savings target (reducing B&B budgets to zero in 2024/25), the revenue implications of the investments and implementation will create a pressure on the City Housing budget which will need to be built into future iterations of the MTFS. Any early savings from the proposals, in 2023/24 will reduce this pressure, as will any alternative form of delivery, if investigations recommended in 2.5 and 2.6 provide alternative funding or delivery routes.
- 7.3.4 The acquisition of 300 properties a year for five years (recommendation 2.2.1) is based on an average cost of £266k per property, including all acquisition costs and any works required to bring the property up to standard. This figure is arrived at through the experience of the Property Acquisition programme and a level of tolerance is built in (see reference in Risk Register 6.18). The capital cost of £400m for 1,500 properties will need to be added to the capital programme and funded through borrowing. The revenue cost to the General Fund is MRP which is estimated at £4.9m pa for each tranche of 300 properties and is paid annually over 40 years. This commences in year 2 of the acquisition programme and represents a growth item of £49.2m over the first five years with an ongoing annual cost of £24.6m for the remainder of the 40 years. The cost of this would be offset by the net income from the additional properties which is forecast at £18.9m for the first five years and £8.8m the year after, subsequently increasing by inflation. The net revenue growth of £30.3m will need to be included in the MTFP. Where there is underspend in the revenue budget for TA the surplus can be used to accelerate debt repayment ahead of the forecasted rate. The acquisition proposal will also add the value of the properties to the General Fund balance sheet as assets.

- 7.3.5 Temporary staffing resource of £5.4m over 5 financial years (recommendation 2.1.2) required to administer the acquisitions process, voids management, family accommodation allocation, lettings and move on process for the increasing volume of properties is revenue expenditure and is a growth item that would need to be added to the MTFS. This comprises:
- £3.2m to manage the additional accommodation allocation and acquisition services (see 4.4.10 above). This is for 12 additional roles for five years.
 - £2.2m to extend the current accommodation allocation and acquisition services across (see 4.1.1 above). This cost is based on 10 roles for five years.
- 7.3.6 Additional staffing resource of £3.7m will be required to support the continued acquisition programme (recommendation 2.2.3). This is based on extending the existing roles to manage the accommodation allocation and acquisition services up to 2028. Costs have been calculated using current rates. This revenue cost is a growth item and will need to be included in the MTFS.
- 7.3.7 Additional staffing resource of £2.4m to deliver The Strategy PRS access programmes and to support the creation of an income collection and TA arrears management team (recommendation 2.2.4). This is based on 11 posts over five years and is a growth item that will need to be included in the MTFS.
- 7.3.8 £5m capital grant funding to landlords (recommendation 2.3) will be spread over five years at £1m each year and funded from borrowing. This will need to be added to the capital programme. MRP revenue costs are dependent on the anticipated asset life. Using a life of 5 years, the MRP would be £231k annually for each £1m spend, totalling £2.3m over 5 years. The revenue cost represent growth and would need to be added to the MTFS.
- 7.3.9 Landlord incentives and programmes of up to £7.5m across 5 financial years to support the AFT's work (recommendation 2.4) to end homelessness duties in the PRS will be a revenue cost and is a growth item that would need to be added to the MTFS.
- 7.3.10 The following tables provide summarised financial implications and some comparative information. The first table shows the costs in a full Year 1 and the second table shows the cumulative costs for the first five years.

Recommendation	Summary for Year 1	Available Homes No.	Capital £m	Revenue £m	Assets £m
2.2.1	Property Acquisition (no MRP in Year 1)	300	80	-	80
2.2.2	Property Acquisition - additional resource requirement	-	-	0.5	-
2.2.2	Current allocation and acquisition - extend staffing resource	-	-	0.3	-
2.2.3	TA Strategy - continuation of existing team	-	-	1.0	-
2.2.4	The Strategy PRS access - resource requirement	-	-	0.3	-
	Subtotal Acquisition	300	80	2.1	80
2.3	Grants to Upgrade Private Sector Properties	125	1	-	-
2.4	Landlord Incentives	500	-	1.5	-
	<i>Resonance NAPF2 fund option (part of the 300 acquisitions)</i>	113	30	0.9	30
	<i>PSL Comparator</i>	300	-	2.3	-
	<i>B&B Comparator</i>	300	-	6.5	-

Recommendation	Cumulative Summary for 5 Years	Available Homes No.	Capital £m	Revenue £m	Assets £m
2.2.1	Property Acquisition (MRP Years 2-5)	1,500	400	30.3	400
2.2.2	Property Acquisition - additional resource requirement	-	-	3.2	-
2.2.2	Current allocation and acquisition - extend staffing resource	-	-	2.2	-
2.2.3	TA Strategy - continuation of existing team	-	-	3.7	-
2.2.4	The Strategy PRS access - resource requirement	-	-	2.4	-
	Subtotal Acquisition	1,500	400	41.8	400
2.3	Grants to Upgrade Private Sector Properties	625	5	2.3	-
2.4	Landlord Incentives	2,500	-	7.5	-
	<i>Resonance NAPF2 fund option (part of the 1,500 acquisitions)</i>	113	30	4.7	30
	<i>PSL Comparator</i>	1,500	-	43.1	-
	<i>B&B Comparator</i>	1,500	-	103.9	-

There is a potential revenue cost in year 1 for the acquisition option. It is not included in the table as the value is heavily dependent on timing of the acquisitions and borrowing. This is estimated as a maximum of £3.2 and would only occur in year 1.

- 7.3.11 The current MTFS includes a saving to be achieved in 2024/25 from the removal of B&B costs. Over five years, comparing the additional acquisition of 1,500 properties to B&B costs, the saving is achievable, excluding the cost of current proposals, but would need to be spread over the five-year period. This will be remodelled for 2024/25 budget setting.
- 7.3.12 In addition to the above proposals, to ensure optimising the impact of our capital funding innovative ways of working with other sources of capital and investment managers will be sought. As an example, this report includes a recommendation to explore the suitability and value to the council of investing £30m in the Resonance social impact investment National Homelessness Property Fund 2 (NHPF2), to secure a portfolio of street properties. If suitable, and if the capital and revenue costs were advantageous, this scheme would form part of the overall acquisition of 1,500 properties mentioned in 7.3.2.

7.4 Procurement Implications

- 7.4.1 The procurement implications for this project currently only applies to the compliant extension of the existing Lambert Smith Hampton contract and award of a new contract for a provider to deliver the range of specialist services required

to support the ongoing Residential Property Acquisition Programme as detailed in 7.4.4.

- 7.4.2 Any additional procurement activity required relating to this project will be delivered within the agreed budget provisions contained within this report.
- 7.4.3 All procurement activity in relation to this project will be conducted compliantly with the Public Contracts Regulations 2015 (PCR2015) and the Council's Procurement and Contract Governance Rules.
- 7.4.4 Following Cabinet approval on 8th February 2022 for the Residential Property Acquisition Programme to procure up to 230 family sized properties for TA and Social Housing use, a competition was carried out on 21st March 2022 using the YPO 940 Managing Consultancy and Professional Services Framework to award a contract to a Managed Service Provider to support delivery of the approved programme. This framework specifically enables Public Sector Contracting Authorities (CA) to engage a managed service provider who will engage the relevant suppliers to contract with on the Council's behalf. The protocol for the operation of this framework required that all existing suppliers on the framework with the required specialist housing knowledge to support this programme, were invited to participate in this competitive exercise along with any suppliers identified by the Council that it considered suitable to bid for the services required. This flexibility was important to ensure all suitable suppliers were given an opportunity to bid and the main reason why this procurement option was chosen over a traditional framework.
- 7.4.5 The Council issued tenders with a deadline return date of 29th April 2022 to the approved Managed Service Providers identified on the framework who were able to deliver the following services as a minimum:
- Sourcing of properties
 - Valuation of properties
 - Undertaking condition surveys
 - Negotiation of price
 - Undertaking the conveyancing process including appropriate searches to mitigate risk to the Council
 - All management and administration necessary
- 7.4.6 A Mini-Competition process was carried out from the pool of suppliers as per 7.4.4 and a recommendation was approved via a delegated strategy/award report on 6th June 2022 that Lambert Smith Hampton (LSH) would be awarded a contract commencing 13th June 2022 for an estimated period of up to 4 years or when the properties are purchased whichever is earlier for the maximum price of £1,518,000 plus the YPO 940 Managing Consultancy and Professional Services Framework management fee of 4.5%.

- 7.4.7 Given the successful delivery of the existing programme to date by LSH, it is recommended that the current Residential Property Acquisition Programme contract arrangements are extended with LSH in line with PCR2015 guidelines whereby an extension is allowable up to 50% of the contracts original value. The rationale behind this approach is to minimise disruption and associated risks in the short term and to enable the continued delivery of the plans and benefits with LSH. LSH have proven understanding and expertise of delivering the programme requirements and this will in turn mitigate significant disruption, risk, and potential delay at a crucial time to the programme timelines and key milestones.
- 7.4.8 The recommended extension of the existing LSH contract will also take into account the recent contract variation of 1st April 2023 to allow for an increase in the number of properties acquired from 230 to up to 256 and an accelerated rate of acquisition (from an average of 10 properties per month to an average 25 properties per month) with a consequential increase in LSH fees of £132,179. This variation was approved in order to support the use of additional Local Authority Housing Fund (LAHF) grant funding received from the Department for Levelling Up, Housing and Communities (DLUHC) agreed by Cabinet in February 2023.
- 7.4.9 During this recommended extension period the Council will set out its procurement options and recommended PCR2015 compliant approach in the Procurement Strategy to support the delivery of the programmes remaining units within the required timescales. Subject to approval of the Procurement Strategy, the Council will implement the agreed procurement process during the contract extension period to ensure a seamless transition of services between the expiry of the extended LSH contract and the new contractual arrangements to support delivery of the proposed Residential Property Acquisition Programme within the agreed timescales.

7.5 Human Resources Implications

- 7.5.1 The resourcing of additional staff for the additional accommodation and acquisition service is proposed to be a temporary measure. However, employees who work more than 4 years on one or successive contracts could gain permanent employment status which may deem them eligible for a redundancy payment at the end of the proposed 5-year period.
- 7.5.2 The roles of the additional staff will need to be graded in line with the Council's job evaluation criteria if new roles are being created.
- 7.5.3 Employees contracts will need to be drafted dependent on the working arrangements for the additional staff and the requirements i.e. for a fixed term or of a permanent nature. This will include looking at the scope of the work, duration and the legal implications.

7.6 Public Sector Equality Duty

- 7.6.1 An EIA has been undertaken (Ref EQUA-1113) to support this report and associated appendices. The screening has highlighted that all protected

characteristic groups could be potentially impacted. However, the impact of this strategy is envisaged to be positive in terms of providing more appropriate accommodation to meet a range of needs. Policies and procedures are already in place to mitigate any potential negative impacts. As the programme spans 5 years it is noted that, after a reasonable time, plans will be initiated to gather the required data so that a fuller assessment can be completed.

8 Environment Sustainability Assessment

- 8.1 The approved environmental sustainability assessment is documented in Appendix 5.

9 Background Documents

- Birmingham Temporary Accommodation (TA) Strategy 2023 to 2028 (“The Strategy”)
- Temporary Accommodation Strategy Investment Case

List of appendices accompanying this report:

- Appendix 1 – The Birmingham Temporary Accommodation (TA) Strategy 2023 to 2028 (“The Strategy”)
- Appendix 2 – Equality Impact Assessment Ref EQUA-1113
- Appendix 3 – TA Strategy Investment Case
- Appendix 4 – Options and Considerations for Staffing Revenue request
- Appendix 5 – Environmental Sustainability Assessment