Birmingham City Council

Report to Cabinet

24th June 2025

Title:	**Temporary Accommodation Leasing Procurement Strategy**
Lead Member:	Councillor Nicky Brennan, Cabinet Member of Housing & Homelessness
Relevant Overview and Scrutiny Committee:	Homes Overview & Scrutiny Committee, Councillor Lisa Trickett
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	Yes
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Is this a Key Decision?	Yes Forward Plan Reference: 015262/2025
Reason(s) why not included on the Forward Plan and confirm who has authorised it to be considered:	N/A
Is this a Late Report?	No
Reason(s) why Late and confirm who has authorised it to be considered:	N/A
Is this decision eligible for 'call in?'	Yes
If 'call-in' has been dis-applied, please provide reason(s) and confirm who has authorised:	N/A

Wards:	All Wards
Does this report contain exempt or confidential information?	No

1 EXECUTIVE SUMMARY

1.1 In June 2023, Cabinet approved the Council's Temporary Accommodation (TA) Strategy which set out the different interventions the Council planned to undertake to reduce the overall number of households in temporary accommodation, with a particular focus on B&B for families with dependent children over 6 weeks. The strategy was followed by a report approved in September 2024, setting out several interventions focused on reducing Bed & Breakfast (B&B) for households with dependent children over 6 weeks.

1.2 One of the approved interventions in the September 2024 report, was for the Council to mobilise a 10 year plus 1 day leasing scheme. The 10 years plus 1 day leasing is a scheme which enables the Council to deliver the current Private Sector Leasing (PSL) programme in a different way. The revised lease structure enables the properties to be accounted for in the HRA and is a more efficient model for accessing benefits. The delivery of the scheme has been built into the MTFP and is committed to the delivery of £4.3m savings in 2025/2026

1.3 Also approved in the September 2024 report, was for the Council to mobilise a 10 year plus 1 day leasing scheme. At that point the scheme was to be mobilised through a Dynamic Purchasing System (DPS). The Council has delivered a DPS previously, beginning in 2022 but the structure of the previous DPS prevented the 10 year plus 1 scheme from being delivered. The September 2024 report set out the intention to deliver a new DPS which could administer the 10 year plus 1 day leasing scheme.

1.4 Following Cabinet approval of the proposed approach, work began on undertaking the procurement process for a new arrangement, under the Public Contracts Regulations 2015 (PCR 15), and with a contract value of £355,176,724 for the duration of three years, with the option to extend for a further two years in yearly increments. This work highlighted the fact that the practical demands of the previous DPS were quite disruptive to regular business, and so a decision was made to instead implement an open framework as an output of the procurement process, providing the same benefits, but introducing a flexibility that would enable a more efficient and manageable demand upon the service when evaluating new submissions.

1.5 At the point of approval to proceed to contract award, officers in Legal services identified that the way in which the procurement had been structured meant that the output from the procurement exercise (an open framework), was a different one to that which had been proposed and approved at Cabinet in September

2024 for the DPS. The subtle practical differences between the format of an open framework and the format of a DPS are detailed in section 4 of this report.

1.6 The effect of this in governance terms, is that whilst Cabinet gave approval to initiate a procurement of a DPS, matters evolved as housing worked with procurement colleagues, to the extent that in order to best meet business requirements, the procurement became an open framework, hence the need to return to Cabinet. Cabinet was not notified of this adjustment as the extent of this change was not identified till the Award Stage.

1.7 It should be noted that there is no change to the value or term of the arrangement, the issue is one of governance as outlined in 1.6 above. This report seeks to rectify the oversight, to explain the differences between an open framework and a DPS, and the reasons why the adjustment was made, and seeks approval to establish the open framework arrangement.

1.8 It should be noted that the delivery of the 10 year plus 1 day leasing scheme is vital in terms of delivering 2025/2026 savings plans for the Council. This is a key priority within the Council's Improvement & Recovery Plan. The City Housing Directorate have committed to making £4.3m savings through the delivery of the 10 year plus 1 leasing scheme through 2025/2026 and enabling the procurement is one of the key steps that ensures these savings can be delivered. While Cabinet was not initially informed of the adjustment to the approach the issue has since been identified, and a transparent approach to resolving it including a report to Cabinet is now being presented through this paper.

2 COMMISSIONERS' REVIEW

2.1 Commissioners were engaged by officers in the drafting of the report and their comments have been reflected within it.

2.2 We welcome the commitment of Housing and Procurement colleagues to work more closely together on future procurements to test and set the strategy to ensure it is sufficiently flexible to respond to market feedback and to achieve best value for money and aligns with BCC's governance arrangements.

2.3 The award of this contract is an important element of the Temporary Accommodation Intervention Strategy and supports the delivery of the agreed savings for 25/26.

3 RECOMMENDATIONS

That Cabinet:

3.1 Delegates authority to the Executive Director, City Housing, in consultation with the Director, Commercial and Procurement (or their delegate), the Executive Director, Finance (S151 Officer) (or their delegate) and the Director of Legal & Monitoring Officer (or their delegate) to approve the procurement strategy and approve the establishment of the TA Open Framework, entering all ancillary

legal documentation for successful bidders with the intention that all private Sector Leasing properties are accounted for in the HRA via a 10yr plus 1 day leasing scheme.

3.2 Delegates the award of contracts following the completion of call-off exercises under the TA Open Framework, to be authorised in accordance with the Procurement and Contract Governance Rules.

3.3 Delegates authority to the Executive Director for City Housing to extend the TA Open Framework for a further period of up to 2 years in yearly increments.

3.4 Delegates authority to the Executive Director, City Housing, in consultation with the Director, Commercial and Procurement (or their delegate), the Executive Director, Finance (S151 Officer) (or their delegate) and the Director of Legal & Monitoring Officer (or their delegate) to appoint any new suppliers to the TA Open Framework when reopened for tendering.

4 KEY INFORMATION

Context

4.1 Following approval of the 10 year plus 1 day leasing scheme at Cabinet in September 2024, a procurement exercise commenced in February 2025 to instigate a new arrangement that enabled the 10-year 1 day leasing scheme to progress, and to replace the previous DPS. The procurement was conducted under the Public Contract Regulations 2015, through the light touch regime, as the implementation of the Procurement Act 2023 was delayed by the Cabinet Office until the 24th February 2025.

4.2 In simple terms, the main difference between a open framework and a DPS is that a DPS allows suppliers to be added at any time (with strict timescales to be adhered to), whereas a framework only enables new suppliers to be added at limited specific times, under certain conditions, and if set up in a particular manner.

4.3 When developing the procurement approach, it was felt that the practical demands of the previous DPS were sufficiently onerous so as to be disruptive to regular business, and so the decision was collectively made to instead implement an open framework, offering the same benefits, but with flexibility in taking a structured and planned approach to new bidders joining the scheme following the initial tender period.

4.4 An open framework will enable the service to better manage its time and resources when evaluating new submissions, as although the open framework will remain open to receive applications, these will only be viewed and assessed at fixed periods of the year. Unlike a DPS where new submissions must be evaluated on an ad hoc basis as they are received.

4.5 There has been considerable interest from suppliers in the open framework, vital to enable successful delivery of the 10 year plus 1 day leasing scheme. A

supplier information event was held on the 5th March for all interested bidders to attend, 45 people attended the event. 26 organisations submitted a tender to join the open framework by the submission deadline of the 28th March 2025.

4.6 The Council conducted its evaluation and moderation of submissions received and 13 organisations have met the evaluation criteria and have been recommended for appointment to the open framework. The Council has set no limit to the number of providers who can be appointed to the open framework.

4.7 It should be noted within the body of this report, that the principle and intention in terms of identifying a mechanism to deliver the 10 year plus 1 day leasing scheme remains the same. The issue identified is an issue of governance, and measures will be put in place to mitigate against this happening again in future procurement exercises. The key lesson learned from this, is for procurement and housing colleagues to work together to ensure that delegations are appropriately flexible to support a change in procurement strategy if necessary and aren't restrictive around the delivery of a specific approach.

Other Options Considered

4.8 In theory, the Council could decide to abandon the idea of the 10 year plus 1 scheme, however there is no particular benefit if it adopts this approach. The Council pays a shortfall from the General Fund (GF) of £7m per year to deliver the current Private Sector Leasing block contract and there would be no way of preventing ongoing financial liability without the 10 year plus 1 leasing scheme being in place. This also means the Council would have forgo the £4.3m saving that was committed to for 2025/2026. This saving is made up of the reduction of B&B use and the costs attributed to that, as well as the shortfall that the Council are required to pay on the current leasing approach. On top of that, many suppliers have put in considerable time and effort into a process that is generic whatever arrangement is put into place.

4.9 Given both the financial risk and the risk to households who are remaining in unsuitable B&B accommodation, together with the intention to swiftly adjust the governance framework to ensure that such a matter does not happen again, the proposal is to move forward through the open framework.

5 RISK MANAGEMENT

5.1 There are significant risks attributed to the mobilisation of a 10 year plus 1 leasing scheme. These were set out in the September 2024 Cabinet report and continue to be applicable in the current context:

5.2 **10 Years Plus 1 Leasing Scheme-** One of the risks within this proposal, is that the regulation regarding the HRA, that enables the 10 years plus 1 day approach changes. The Council is then left with a financial liability that would then transfer to the GF. This can be mitigated by the way in which future leases are constructed, giving the Council an exit clause should the legislation change.

A contingency fund could also be built through the savings this proposal makes, meaning that should the risk be transferred to the GF and it won't cause an additional budgetary pressure. There is no indication at this time from MHCLG that the legislation is likely to change but protections to the Council must be considered. MHCLG have been consulted as part of this proposal and have endorsed the approach, this would be unlikely to be the case if a legislative change was imminent.

5.3 The new open framework has a potential value of up to £335m, based on the delivery of 500 new homes per year. A new framework has been modelled on the assumption of rents increasing at CPI + 1% in line with inflation. Whilst it is accepted that that there is limited certainty around this, assumptions may only be based on the information available at the time and will be rigorously monitored throughout the contractual duration.

5.4 The service may also need additional lettings resource to support any future growth. If resources are not agreed through the s.151 process, there is a risk that the Council will not have the capability and capacity to deliver the scheme. Resources in the Housing Solutions & Support Service can be diverted to support this work where necessary.

5.5 The financial impact of this model is significantly affected by the income collection processes are in place with the Housing Solutions & Support Team. Additionally, operational teams would need to ensure that under-occupancy is well managed and is not a feature in relation to how these properties might be utilised. Failure to do so would put a financial pressure on the HRA. There are opportunities through the Business Support consolidation exercise to undertake rent collection in a more efficient way. The Council will seek to capitalise on these opportunities to ensure income collection is maximised.

5.6 There is a risk that landlords may not be amenable to changes to the existing block contract lease. Initial conversations with the contracted landlords suggest this is not the case but it is important to note as a risk none the less.

6 CONSULTATION

6.1 There are several stakeholders that are intrinsic to the delivery of this report; procurement, finance and legal have all been closely involved in roundtable discussions so that the implications of the procurement issue identified has been fully understood and a plan has been agreed to ensure a suitable resolution.

7 MEMBER ENGAGEMENT

Ward Councillor(s)

7.1 Not applicable as the contents of this report impacts all Wards.

Overview and Scrutiny

7.2 This report has been shared with the Homes Overview Scrutiny Committee Chair for comment. Additionally, a report on the progress of the interventions of the September 2024 TA Delivery Approaches report was taken to Committee on the 8th May 2025, whereby Members were briefed on the areas of activity that were moving forward quickly, and others where there are further challenges to overcome.

8 IMPACT AND IMPLICATIONS

Finance and Best Value

8.1 Savings against Temporary Accommodation provision in the Council's Financial Plan) target immediate and ongoing increases in the use of a 10 year + 1 day lease mechanism to reduce reliance on more costly accommodation options. The service has two savings relating to 10+1 Year lease schemes.

- Saving 269 CH 10+ Year Leases – this relates to moving current providers onto a longer lease in order to recover a benefit funded affordable rent, and is not directly impacted by the delay from this procurement exercise.

- Saving 353 CH Temporary Accommodation Supply, which assumes growth to the numbers of private sector accommodation available for Temporary Accommodation, with an associated saving of £2m per annum. The mechanism for landlords joining this initiative is the contract discussed in this paper. Rather than seeing growth to take-up from April 2025, if the recommendations in this paper are approved it is likely the delay will push to 1st September, which brings a £0.8m risk to that saving, if take-up isn't in excess of the expected 260 new properties throughout the year. If the recommendations in this paper are not approved, the £2m per annum becomes undeliverable under current initiatives

8.2 Both savings are flagged as amber due to the scale of the initiatives involved, and mitigations are in the form of early achievement and overperformance of some initiatives, especially around Prevention and Relief targets, and increased TA supply due to 2024/25 appropriations of accommodation for Social Housing use. Wider mitigation is currently being investigated as part of the 26/27 budget work to replace any shortfall of savings

Legal

8.3 This Cabinet report has been brought forward to ensure transparency and to inform Cabinet of the change in the procurement approach, highlighting the importance of adhering to proper governance processes. As alluded to in the report that the change does not impact on the current procurement, which was initiated under PCR 15, it is important to note that the procurement activity is now conducted under the Procurement Act 2023. The Act is now live and offers

long term strategic and commercial benefits that Members should have the opportunity to consider. The new regime provides certainty around the concepts that are 'grey and untested' under the old regime that we are seeking to push forward with through the 10 year plus 1 leasing scheme.

Equalities

8.4 It should be noted that the purpose of the original report issued to Cabinet in September 2024 seeks to support households on a low-income, residing in temporary accommodation, with a specific focus on reducing the number of families with children residing in Bed & Breakfast (B&B) accommodation for over 6 weeks. Delay in this area only prevents this intervention from being mobilised and means that these families will remain in B&B for longer than necessary. This has a disproportionate impact on low-income families who rely on the Council for support when they become homeless.

Procurement

8.5 The current DPS arrangement is in place for up to two years only and cannot be extended to accommodate a 10yr plus 1 day approach. Therefore, the new open framework arrangement is required to accommodate a 10yr plus 1 day approach. Procurement of the new open framework was correctly undertaken according to business need, however this differed from the outcome originally approved at Cabinet. This matter was not conveyed to Cabinet as would normally be expected. This update report seeks to rectify this by ensuring that the adjustment to the procurement has been communicated to Cabinet, albeit belatedly, and ensuring that the correct Governance processes have been applied.

People Services

8.6 There are no HR implications because of this report.

Corporate Parenting

8.7 This report relates specifically to the reduction in B&B, particularly for families with dependent children. There are over 9,000 children in temporary accommodation and the Council have a responsibility to ensure they are accommodated in suitable, safe accommodation, whether that be temporarily or in the long-term.

9 BACKGROUND PAPERS

9.1 Temporary Accommodation Delivery Approaches- September 2024

9.2 Temporary Accommodation Strategy- June 2023