Birmingham City Council

Report to Cabinet

11 February 2025

Title:	**The Future Delivery of Affordable Housing in the City – A Review of Birmingham Municipal Housing Trust (BMHT)**
Lead Cabinet Portfolio:	Cllr Jayne Francis, Cabinet Member of Housing and Homelessness
Relevant Overview and Scrutiny Committee:	Homes Overview & Scrutiny Committee
Report Author:	Anita Pearce* Programme Manager anita.pearce@birmingham.gov.uk (* NB The former Assistant Director of Housing Development completed the review of BMHT in April 2024, upon which this report is based)
Authorised by:	Philip Nell, Strategic Director of Place, Prosperity & Sustainability
Is this a Key Decision?	Yes
If this is a Key Decision, is this decision listed on the Forward Plan?	Yes, 013123/2024
Reason(s) why not included on the Forward Plan:	Not Applicable
Is this a Late Report?	No
Reason(s) why Late:	Not Applicable
Is this decision eligible for 'call in?'	Yes

If not eligible, please provide reason(s):	Not Applicable
Wards:	N/A
Does this report contain exempt or confidential information?	Yes

Exempt Information

Appendices 1 and 3 contain confidential information which has been redacted as the information is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act, 1972 as amended:

Paragraph 3 - Information relating to the financial or business affairs of a particular person (including the authority holding that information).

Has this decision been included on the Notification of Intention to consider Matters in Private?	Yes
Reasons why not included on the Notification:	Not Applicable

1 EXECUTIVE SUMMARY

1.1 The Council published its Housing Strategy 2023-2028 in January 2023, setting out the intention to deliver more affordable homes through partnerships, encouraging Registered Providers and Developers to deliver new affordable homes in the city, making the most of their commercial skills and experience. This approach was driven by increased demand for social rented homes and the need to therefore broaden the model from the previous focus on direct delivery (through Birmingham Municipal Housing Trust/BMHT).

1.2 The Housing Strategy 2023 – 2028 set out a balanced approach whereby both BMHT and third parties would be delivering new, affordable homes in the city.

1.3 In May 2023 the Council received a breach notice from the Regulator of Social Housing. The notice was focused on a large proportion of the Council's own housing stock being non-compliant with Decent Homes Standards. Following a detailed stock-review it is now estimated that the Council's social housing portfolio will require around £1.8 billion of investment over the next 7 years to bring it up to Decent Homes Standards. The investment programme was set out in the Cabinet approved Housing Revenue Account

(HRA) Business Plan in January 2024 and began in earnest in April 2024. The plan highlights the need to focus investing into the existing stock portfolio, as per our commitments to the Regulator of Social Housing, leaving less available funding for direct development.

1.4 In the January 2024 HRA Business Plan, the Council committed to reviewing the appropriateness of retaining an in-house direct development function, and following feedback from the Commissioners, a review of the processes and approach followed by the Housing Development Team/BMHT in the past was undertaken. This paper provides feedback on the BMHT review and a set of recommendations on how the Council might optimise the delivery of affordable housing development in the city. It should be noted that delivery of affordable housing is still important but that it will be delivered in a different and more diverse way due to the funding restrictions on the HRA. The paper reflects the reduced level of HRA funding available to deliver new homes directly through the Council and the need to accelerate the delivery of affordable homes through third parties.

1.5 To run alongside the HRA Business Plan paper, the Housing Development Team/BMHT team produced a report for Cabinet in January 2024 entitled “Building Birmingham” (Forward plan Ref. 011496/2023). This report sought to approve the development and/or disposal of sites for affordable housing. The report also established the principle for the sale of the Council’s freehold land to Registered Housing Providers and / or Development Partners. This was to reduce the amount of development being undertaken directly by the Housing Development Team/BMHT which supported the HRA Business Plan approach.

1.6 In March / April 2024, a review of the BMHT programme was undertaken by the then Assistant Director of Housing Development, which was subsequently reviewed by the affordable housing consultancy team at Savills. Savills were selected as they had also supported the Council with the HRA Business Plan and therefore understood the financial requirement to deliver affordable homes in a different way, created by the need to focus capital investment on existing stock.

1.7 This review included reference to the historic appropriation process of land for development from the General Fund to the HRA.

1.8 Following an independent valuation process in October 2024 it was concluded that a repatriation of capital would be required between the General Fund and the HRA in order to rectify some of these historic arrangements based on refined assumptions and a more robust retrospective valuation exercise conducted in line with RICS (red book) valuation standards.

1.9 Since the Building Birmingham paper referred to in 1.5 above was submitted and approved, the Council has worked closely with several partners to bring sites forward for affordable homes, developing plans specifically for sites that would have previously been on the BMHT pipeline. In several cases, a condition has been placed on the purchaser/developer to provide above-planning policy levels of affordable homes on the sites.

1.10 These disposals have been approved through Cabinet Committee Property, a new sub-committee introduced following Commissioner intervention in October 2023, in order to provide focused governance on all proposed property asset disposals.

1.11 Whilst the BMHT programme itself may have been scaled back due to the aforementioned reduction in capital funding, delivering affordable homes is still one of the Council's key priorities. With over 5,000 households in temporary accommodation and circa 700 families in B&B over 6 weeks, the Council must continue to act as enabler, working with partners to bring sites forward and accelerating planning, procurement and helping to secure Homes England or Combined Authority grant.

2 COMMISSIONERS' REVIEW

2.1 Commissioners welcome this report but are concerned about the time it has taken to report the outcome of the BMHT review to Cabinet. The review and report show that while it might have initially been a good idea to establish the brand of BMHT, a division of the council, to increase the direct delivery of affordable homes, the consequential impact underperformed, damaged relationships and disincentivised registered providers from developing affordable housing in Birmingham, reducing the overall number of much needed affordable homes delivered in the city this could reasonably have been foreseen and should have been addressed earlier. Relationships with RPs have been reestablished and strengthened and there is significant joint working now being undertaken.

For the past 6 years BMHT's performance has deteriorated, development has been delayed and has been too costly to the HRA, and it has taken too long for BCC to recognise this and take the necessary corrective action.

Commissioners very much welcome BCC strong commitment and efforts to work in collaboration with partners to increase the supply of affordable housing, the delivery of which will help reduce the numbers and cost of households in B &B, TA or on housing waiting lists.

The Council has rightly corrected the financial error to the HRA and general fund. This Council must in future ensure finance processes are robust so as to ensure that correct charges are made to both the HRA and general fund.

3 RECOMMENDATIONS

That the Committee:

3.1 Endorse the recommendations made from the BMHT Review (detailed in Appendix 3) and the actions as detailed in this report.

3.2 Approve the adjustment of the HRA and General Fund Capital Financing Requirements by £15,023,800 to reflect the revised values of land previously appropriated following an independent valuation exercise.

3.3 Approve the revised approach to the delivery of more affordable housing moving forward, through land disposals and partnership arrangements focusing third parties on

the delivery of affordable homes on behalf of the Council. This revised approach can be recognised in respect of a number of sites which will shortly be marketed to ensure they are developed out and where appropriate can still deliver a significant contribution in respect of affordable units, One such example being the revised disposal terms in relation to the Primrose Phase 3 site where direct delivery was previously progressed to procurement stage but whereby a conditional disposal to a housebuilder will be recommended to Cabinet Committee for decision imminently,

3.4 Note the winding-up of Birmingham Municipal Housing Ltd and Forward Homes (Birmingham) Ltd; dormant companies created to establish the BMHT and Forward Homes brands.

3.5 Note the specialist viability toolkit has been purchased and is freely available for staff to use independently of any valuer's commission.

4 KEY INFORMATION

Background

4.1 BMHT as an affordable housing delivery brand was set up in January 2009 with support from Homes England, with the aim of developing up to 500 homes a year for sale and rent on Council land assets, and since then it has been the largest affordable housebuilder in the city. BMHT was set-up with a separate brand from the Council in order to distinguish homes which were directly developed by the Council from other new build homes.

4.2 Initially significant grants were secured from the Homes and Communities Agency (now Homes England). Whilst initial delivery was strong, over the years the numbers of completed homes fell to around 250 homes per year, which includes homes for outright sale (whose primary purpose was to cross-subsidise the development of social-rented homes to be owned and managed by the Council).

4.3 Even when building its most homes, BMHT's delivery was not enough to re-supply the Council with its Right to Buy losses, which have run at around 600 homes per year as an average over the last few years. In addition, demand for affordable homes in the city has increased exponentially, with currently circa 26,000 households on the City Council's social housing waiting list.

4.4 To support the delivery of affordable homes, a private market sale brand was established, Forward Homes, through which private sales were made. These were intended to cross-subsidise the delivery of the affordable element of a scheme.

4.5 The Housing Development team (which has delivered the homes through the BMHT and Forward Homes brands) sits within (what is now known as) the Place, Prosperity and Sustainability Directorate (PPS), with all their cost being met from the HRA through an internal re-charge mechanism. The "client" of this team has been the City Housing Directorate, which is responsible for the operation and management of the almost 60,000 council-owned social-rent homes across the city. The number of affordable homes

delivered has a direct consequence on the number of homeless households that get a successful accommodation option, and the amount of time households spend in temporary accommodation, such as Bed & Breakfast. This has significant financial consequences to the Council, and significant negative impacts on households and individuals (including thousands of children).

4.6 The approach to the delivery of new homes had been focused on Council owned sites. The Housing Development team have also been responsible for managing clearance, demolishing buildings, re-housing residents, managing development projects from feasibility to completion and then handing over to management teams within the City Housing Directorate. There have also been wider activities completed in the team such as letting / selling of the new homes. The management of commercial assets (e.g. retail units) within the HRA/City Housing portfolio has been undertaken by a separate part of PPS.

Track Record of Delivery

4.7 The table below shows the historic completions through BMHT. This was a significant Council led programme and many residents in the city now have a high-quality home because of the work BMHT did. For several years, BMHT were the largest social housing provider in the city and managed to sustain a model that delivered a supply of social rented homes. The programme prioritised Council land for the BMHT build programme, ensuring there was a pipeline of sites to bring forward, with a mix of outright sale and social rent products on site.

Year	Rent	Sale	Total built
2009/10	0	0	0
2010/11	81	0	81
2011/12	179	66	245
2012/13	121	185	306
2013/14	113	181	294
2014/15	306	254	560
2015/16	321	278	599
2016/17	217	99	316
2017/18	294	176	470
2018/19	171	91	262
2019/20	127	74	201
2020/21	108	14	122
2021/22	46	33	79
2022/23	151	109	260
2023/24	47	28	75

Total	**2282**	**1588**	**3870**

4.8 However, restricting council-owned land for direct development through the BMHT brand since 2009 has led to Registered Providers and Developers choosing to deliver new homes elsewhere, working with different councils whose land was being offered more openly. This meant the Council relied significantly on direct development to deliver social rented homes for the city, with supply unable to meet demand. The number of social rented homes began to decline in 2018, and performance was unable to recover through the pandemic.

4.9 Greater volumes of affordable homes need to be delivered to meet demand. Therefore, if the council does not directly deliver affordable housing units then operators such as Registered Providers (RPs) and their partners need to be enabled to take over delivery. For example, in being encouraged to bid for sites and in having the resources in planning teams and other Council departments to help with delivery. This includes needing a transparent process for offering sites to this market and the wider housebuilder/developer market to identify the optimum routes for delivery in terms of pace, value and affordable provision. Any affordable housing schemes identified must be delivered in line with the City Housing Directorate's expectations as the client, taking into consideration the significant expertise on local housing need. RPs have signed up to the Council's Nominations Agreement which means that they take first lettings from the Council's housing waiting list. This reduces pressure on the waiting list and reduces costs of temporary accommodation.

4.10 As Registered Providers were unable historically to acquire Council land, they felt that they were frozen out of development opportunities within the city more widely, and this perception needs to be reversed to enable them to deliver more affordable homes. It should however be recognised that disposals will only be recommended to providers and developers who can offer best value and guarantee the timely delivery of any agreed affordable housing provision through appropriate contract mechanisms. Best value must also take into consideration potential revenue savings through the proposed reduction in temporary accommodation and the potential social value that schemes might provide, particularly in relation to Community Led Housing etc. The City Housing Directorate will lead on setting the requirements for individual schemes, working closely with Investment and Valuation colleagues to ensure that development appraisals are undertaken and the right commercial deal is in place. This being where the commercial and property professionals engaged internally will take more of an active role in assessing development models, agreeing Heads of Terms, providing the right valuation advice to support recommendations and being involved from inception through to completion. For HRA sites, valuations will always be undertaken externally in line with the BMHT review and to prevent further challenge regarding future appropriations from the HRA to the General Fund.

Approach to Delivery (including risk/financial management)

4.11 Over 15 years, the Housing Development team has delivered just under 4,000 new homes under the BMHT brand. However, through the BMHT review undertaken in April 2024, concerns have been raised about a lack of options appraisals, viability assessments and risk management associated with direct development. Decision making around development wasn't always visible at the right level and to members. Council officers have responded by mobilising a Housing Development Board whereby options appraisals are undertaken and brought forward for review before moving forward. This provides a level of due diligence and assurance that was not previously embedded.

4.12 The Housing Development Board also monitors the length of time taken to deliver a scheme in comparison with project outlines, as well as cash flow and budget management. Lack of assurance in this area was highlighted in the BMHT review and this has now been addressed. The Strategic Director of Place, Prosperity and Sustainability has delegated authority to undertake the land disposals specifically referenced in the Building Birmingham report where they can be assured that appropriate levels of technical due diligence have been discharged.

Historical Appropriations into the HRA (2018 – 2023)

4.13 The BMHT review raised some potential issues regarding appropriations and the corresponding values assumed when transferring land and property assets from the General Fund to the HRA, where these sites were appropriated specifically to bring forward development through BMHT. Based on the concerns raised, the Council made the decision in consultation with Commissioners to look at the appropriations undertaken over the last 7 years to assess the accuracy of the valuations relevant to land transfers specifically to enable delivery by BMHT and to understand the processes undertaken when appropriations were being progressed.

4.14 The HRA is a ring-fenced account that must be managed within strict legal guidelines. This is because it is wholly made up of the rental income received through housing tenant payments and must contribute to the delivery of services for tenants.

4.15 The Council have historically delivered all valuations for HRA appropriations internally through appropriately experienced and qualified registered valuers within the PPS Directorate. The review raised an issue in that there were not two valuations (one from "buyer" and one from "seller"), so the Council commissioned Lambert Smith Hampton (LSH) to undertake retrospective valuations of the 13 property interests that were appropriated into the HRA and which have taken-place since 2018, providing this market value advice from a purchaser standpoint and in line with RICS standards.

4.16 These sites were valued on set and agreed methodologies but based on open market value and not discounted for affordable housing delivery where this might be outside expected parameters, in line with the Council's valuation processes at the time the appropriations were made which was to provide RICS compliant market valuations based on the full market values assumed. Finance Officers then made provision for a 10% tolerance reflecting changes in the market/retrospective nature of the exercise. It should be noted that valuations, even those undertaken in accordance with RICS red

book standards are at best an estimate of potential market pricing at a point in time, and retrospective valuations are at greater risk of being influenced by comparable transactions which occurred after the actual point of sale/purchase.

4.17 Whilst a number of the appropriation values were broadly in line with their retrospective independent estimates of value, there were some where it appears that the HRA may have materially overpaid for the appropriated General Fund land. The result of this exercise is to recommend an adjustment of the HRA and General Fund capital financing requirements for £15,023,800, effectively repaying the HRA In the meantime, the Council have taken forward the recommendations of the BMHT review by ensuring all valuations where there is a potential appropriation between the HRA to the General Fund are undertaken externally on behalf of the HRA. The General Fund will still need assurance that prices reflect fair market value, and this will be achieved through qualified internal valuers (or external valuers if more appropriate to the property/site concerned). This prevents any potential conflict of interest and ensures both funds positions are considered and to challenge the methodology collectively where any disparities may arise. This is good practice in most authorities and reflects the need to ensure that tenant's rental income is used appropriately but also to ensure best consideration is obtained from the appropriate of sites back to the General Fund.

4.18 The list of Appropriation values can be seen in Appendix 1.

Sales of Private Units (2018-2023)

4.19 The BMHT review highlighted several aspects of delivery that would need to change should the Council wish to deliver units for private sale. Since 2018, there have been 8 development schemes that have involved a mix of tenures including open-market for sale properties. These were wholly funded through the HRA and marketed under the brand of Forward Homes (Forward Homes Ltd is a Council owned dormant company).

4.20 Since 2018, the HRA funded £95m of build and on costs, of which £28.6m can be attributed to the development of units for private sale. Capital received by the HRA was £46m for these schemes. As highlighted above, the review noted a lack of options appraisals, governance and land values were only held on the balance sheet at replacement cost. Appendix 2 shows the costs and sales values derived from these for-sale properties which includes an accepted land value of £30k per plot (as advised by external valuers) which has been added to the costs, along with an allowance for 15% fees to cover internal BCC costs. This shows that, overall, the schemes delivered a marginal profit, above land and build cost, of c. £10.75m. However, it should be noted that schemes were likely designed to maximise affordable homes over profit.

4.21 Whilst cross-subsidisation of social rented accommodation with private sale accommodation will remain as part of the revised delivery strategy through site disposals and working with development partners, the emphasis will be on trying to reduce the amount of private sale homes and maximise the delivery of social rented homes. Indeed, of the sites currently under offer (and approved for disposal via Cabinet Committee Property) the average proportion of those schemes which will be delivered as private sale units is only circa 6% which is substantially lower than that provided through BMHT.

4.22 No further sales units are being directly delivered. Existing schemes on the BMHT pipeline being completed do not include further sales units and the Council have no further plans to use the Forward Homes brand in the future.

4.23 Appendix 2 shows the list of schemes with units for private sale.

Future Operating Model

4.24 The BMHT review recommends a future operating model for the Housing Development Team that reflects the reduction in capital funding from the HRA for direct development.

4.25 This will mean a greater partnership approach, working with different delivery and funding partners across the city. Revenue funding from the HRA for this revised delivery model will change as a result. A new SLA will clearly set out what the HRA will pay for from both Investment & Valuation and Housing Development Teams. PPS will be required to provide commercial expertise to support the marketing and disposal of those sites identified for housing delivery through market engagement both in the immediate future and into the medium term.

4.26 It should be noted that the Housing Development Team will also be commercial lead for the proposed regeneration projects at Ladywood and Druids Heath. These large-scale regeneration projects are nationally significant, and will therefore require significant and skilled resource to deliver them, whilst ensuring improved engagement with the communities that live there.

4.27 This SLA addresses concerns within the BMHT review around the level of funding required from the HRA to deliver the service going forwards, in line with the lack of available HRA capital funding to deliver new homes directly through the Council. It is intended that the SLA provides clarity to existing teams on how these new skills and experience will benefit the delivery of affordable homes over the coming years, reflecting both the January 2024 HRA Business Plan and the HRA Business Plan 2025/26 approved at Cabinet on 21st January 2025. Overall, the funding from the HRA to the Housing Development Team will reduce significantly, but PPS are in the process of creating a new senior structure which will focus on ensuring effective development delivery across the city. This will therefore include both HRA and non-HRA assets/sites, so that a centre of development expertise can be created which can drive growth in housing and other sectors. A full staff consultation process will start imminently, following the formal announcement of this restructure (likely end February/early March).

4.28 For the avoidance of doubt, it should be highlighted that ensuring the effective delivery of more affordable housing remains a key strategic priority of the Council. However, for the funding reasons explained above this can no longer be through direct delivery. Therefore, development utilising other capital sources and development platforms will be needed, with the requisite skills to support that delivery being within the Council.

Proposal and Reasons for Recommendations

4.29 The proposed options address the recommendations relating to BMHT, specifically in the following areas:

4.30 Future Delivery of Affordable Homes - this report reiterates the Council's approach **and commitment** to delivering affordable housing through partnership. This responds to the Council reprioritisation of the HRA Business Plan on the delivery of its urgently needed Decent Homes programme, but also recognises BMHT declining, below target performance since 2018. It is expected that partners, who have expressed a willingness and appetite to build in Birmingham and who also have the commercial ability, expertise and resources will deliver more affordable homes on behalf of the city at a faster pace and in a more cost effective manner than the Council and by doing so will support BCC's aspirations around reducing homelessness and the reliance on temporary accommodation.

4.31 Financial benefit – overall the recommended change in approach, away from direct development to working with partners is expected to deliver more affordable (and particularly social rent) homes to the city. This is because delivery will be through multiple channels, all of whom will have a financial incentive to deliver. Control over the amount of affordable (and particularly social rent) homes will be applied through the sale/JV process. Also, full nomination rights will be sought, ensuring that the Council can utilise these new homes for those on its social housing waiting list. Delivering more social rented homes will, of course, reduce the burden on temporary accommodation, improving both social and financial outcomes. There is the added financial benefit of the Council not using its own capital to develop these homes, although that capital will be directed into improving its existing stock. A full review of the financial benefit of this strategy will be regularly undertaken over the coming years, and performance will be monitored on (at least) an annual basis.

4.32 Decision Making, Governance and Visibility- this report sets out the governance structure already embedded following the BMHT review to provide assurance to Cabinet that sufficient rigour in processes now exists. The report supports appropriate reporting to both the Homes Overview & Scrutiny Committee as well as Cabinet, so decision making and progress on affordable housing schemes is reported in a transparent way moving forward.

4.33 Changing the approach to Appropriations- this report seeks to address potential historical overpayments from the HRA to the General Fund for the appropriation of land for development. The Council has undertaken a robust review of appropriations to the HRA over the last 7 years to ensure any overpayments can be refunded where these have been agreed between the respective internal parties and to ensure complete confidence in the valuation advice provided.

4.34 The report commits to ensuring that any appropriations from the General Fund into the HRA are supported by an external valuation as well as an internal valuation to reduce provide a "bid and offer" approach. The report builds on the work already undertaken to ensure there is greater transparency around transactions between the HRA and the General Fund, to ensure the Council are compliant with HRA ring-fencing guidelines.

4.35 Stopping Sales under the Forward Homes brand- this report highlights the decision to stop delivering private sale units through the Forward Homes brand. The BMHT review sets out challenges around how these were funded historically and the processes that were followed to support delivery. In the meantime, the Council have made the decision not to continue to deliver this product. It is likely that sales units will form part of future affordable housing schemes, but these will be delivered by third parties rather than the Council itself.

4.36 Developing an SLA between the HRA and General Fund for future funding- the report sets out that the HRA will continue to fund development activity, and this will be governed by an SLA that is jointly agreed across the two Council Directorates- City Housing and Place, Prosperity and Sustainability.

4.37 The SLA focuses on the activity that the HRA are commissioning based on the current activity being undertaken. This focuses on supporting the major regeneration schemes and undertaking client management work on schemes that are being delivered by partners and need to be monitored to ensure delivery.

4.38 Winding up the two dormant companies which were set-up to support the direct delivery of affordable homes through branding, although neither were trading companies – Birmingham Municipal Housing Ltd and Forward Homes (Birmingham) Ltd.

5 RISK MANAGEMENT

5.1 The approach recommended in this report seeks to mitigate several risks, including financial ones, that the Council is experiencing.

Risk No.	Risk description	Risk mitigation	Residual/current risk			Additional steps to be taken
			Likelihood	Impact	Priority	
1	Reputational risk	Audit recommendations from the report, learn from mistakes and ensure governance arrangements are in place to prevent a repeat	Medium	Low	Low	Regularly reporting to Cabinet, O&S and through the Improvement and Recovery Board
2	Financial risk	The HRA has been cross subsidising the General Fund with high land transfer prices	Low	Medium	Low	Undertake external valuations and ensure any imbalance of payments are corrected.
3	RPs and partners do not accelerate delivery, so delivery is delayed	A reduction in direct delivery must be met by partners increasing delivery of affordable housing.	Low	Low	Low	Look to support RPs though selling land at affordable housing value.

4	Staff are displaced through reduced HRA funding	Reduction in staff resources is expected through the SLA	Medium	Medium	Medium	A service redesign will need to be considered to propose the service that needs to be designed going forwards. A formal approach to consultation will be undertaken in accordance with the council's standard procedures and due process.
5	Homes England/WMCA grant programme is delayed	Impact on partner's ability to deliver affordable homes	Medium	Medium	Medium	Consultation sessions already underway with WMCA/Homes England

6 CONSULTATION

6.1 Consultation has been undertaken with the Cabinet Member for Housing & Homelessness and the Deputy Leader, who is also the Cabinet Member for Economy & Skills.

6.2 Savills have provided expert advice on the BMHT review providing assurances that initial recommendations were appropriate and in line with the industry standard.

6.3 Lambert Smith Hampton have provided expert advice on valuations, to support the work around appropriations.

6.4 Commissioners have supported the review; the review itself was originally required by the Housing Commissioner with a focus on developing a sustainable model moving forward.

7 MEMBER ENGAGEMENT

Overview and Scrutiny

7.1 The Chair of Overview & Scrutiny Committee (Homes) was notified on 30th November 2024.

8 IMPACT AND IMPLICATIONS

Finance

8.1 The recommendations in this paper allow the authority to ensure previous actions with financial consequences have been reversed.

8.2 Historical appropriations that were valued internally have now been valued by an external agent. The value differences are recommended to be reversed into the HRA from the General Fund.

8.3 As a reversal of part of the original appropriations, this will involve adjusting £15,023,800, from the HRA Capital Finance Requirement (CFR) to the General Fund CFR. The CFR corrections also mean that the statutory Minimum Revenue Provision is applied for all relevant years so there will be a need to make backdated MRP charges to

the General Fund. The backdated charge is expected to be approximately £1.8m, to be made this financial year. This will be alongside an increased ongoing charge of £0.45m (due to a higher CFR). The backdated cost will be absorbed in the 2024/25 revenue monitoring as a one-off whilst the on-going increased costs from 2025/26 have been added to the Medium Term Financial Plan as a pressure to the General Fund.

8.4 The sale of housing units funded by the HRA have been fully assessed and analysed and no cross-subsidisation appears to have occurred. Therefore, no payments from the General Fund to the HRA are to be made in this regard.

8.5 The SLA and reduction of HRA revenue funding to the General Fund has a potential consequence to the General Fund should officer's posts be put at risk. A service redesign is underway within PPS, to understand the roles which will be required over the medium and longer term. This includes potential mitigations/alternative roles within City Housing, but also the future shape of the PPS Housing Development function in light of the requirement for PPS to drive inclusive growth and development across the city from non-HRA (and non-council) assets too.

Legal

8.6 Under Part VI of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring-fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.

Equalities

8.11 There are no direct implications to residents because of this report. This report relates to the way in which affordable housing will be delivered, with a view to increase the volume of units, benefiting low-income households currently residing in temporary accommodation.

Procurement

8.12 There are no direct procurement implications with the recommendations of this report. However, it is likely that future procurement arrangements will be required to enable partnerships to deliver affordable housing both quickly and efficiently. The proposed Affordable Housing Board has been designed to include the Director of Procurement in the delegated decision-making process. Their role is to ensure that partnership arrangements, land disposals and other mechanisms by which affordable housing is delivered, is undertaken in line with appropriate procurement regulations.

People Services

8.13 Once the SLA has been agreed between City Housing and Place Prosperity and Sustainability, it will state what the HRA funding will be and how affordable housing will need to be delivered. Once considered, the staffing implications will become clear, and a redesign of the service will be carried out, potentially resulting in some staff being displaced. Consultation will be undertaken in line with the Council's standard procedure and due process, on any proposed changes associated with delivering the revised service model. Every effort will be made to reduce the impact on staff, and all will be supported through the change process.

Climate Change, Nature and Net Zero

8.14 There are no direct climate change, nature or net zero implications of this report. This report relates to mechanism by which the Council intends to deliver affordable homes. It should be noted that the specification new homes will be delivered, either through the Council or through partners will take into consideration the city's obligations around net zero and providing homes that are energy efficient and sustainable.

Corporate Parenting

8.15 The Council currently has circa 9000 children living in temporary accommodation, with an average stay of 3.5 years. This means that children and young people spend a considerable period of their early lives in accommodation that is designed for an emergency and often unsuitable.

8.16 The way in which affordable housing is delivered and the speed by which this happens is a key component of the Council's corporate parenting obligation to provide safe, warm and sustainable homes for households facing homelessness

9 APPENDICES

Appendix 1 – List of Appropriation Values

Appendix 2 – List of Sales Schemes

Appendix 3 – BMHT Review

Appendix 4 – BMHT Review Action Log of Requirements

Appendix 5 – Equality Impact Assessment (EIA)

Appendix 6 – Environment and Sustainability Assessment (ESA)

10 BACKGROUND PAPERS

Building Birmingham: Development Strategy for Various Housing Sites. Cabinet Report 16th January 2024, report ref. 011496/2023

HRA Business Plan. Cabinet Report 16th January 2024, report ref. 010770/2023