

Birmingham City Council

Report to Cabinet

27th July 2021



Subject: Acceleration of City Housing Transformation to enable reduction in Temporary Accommodation

Report of: Julie Griffin, Managing Director of City Housing
Ian MacLeod, Director of Inclusive Growth

Relevant Cabinet Member: Councillor Sharon Thompson - Homes and Neighbourhoods
Councillor Ian Ward Leader of the Council
Councillor Tristan Chatfield – Finance and Resources

Relevant O & S Chair: Councillor Penny Holbrook, Housing and Neighbourhoods
Councillor Mohammed Aikhlaq - Resources

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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: 009093/2021		
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: No		

1. Executive Summary

- 1.1. Further intervention is required to help the City reduce the increased risks of temporary accommodation (TA) and bed & breakfast (B&B) usage.
- 1.2. A new City Housing Directorate has recently been set up that will undertake a transformation programme to develop a best in class housing service for our citizens. The work will involve carrying out a review of all housing services to ensure fit for purpose operating models are designed across the directorate. Some of this work is already underway within the Housing Options Service, where a new operating model has been designed to reduce the overall cost of provision whilst delivering a more sustainable, legally compliant and customer focussed service.
- 1.3. This report sets out the approvals for investment required to accelerate homeless prevention activity and achieve additional reductions in B&B usage and cost. To realise these benefits the following approvals are requested:
 - Capital investment of £2m for a TA property project
 - Capital investment of £60m to implement a Property Acquisition Programme to procure up to 230 properties for TA and Social Housing use where it makes financial sense.
 - To utilise the Council's wholly owned company InReach, to undertake the Property Acquisition Programme.
- 1.4. Delivery of the proposals requires one-off transformation funding of £2.8m which will be requested through delivery plan governance arrangements. The funding will enable the establishment of a property acquisition capability, acceleration of prevention and move on capability and project management capacity.

2. Recommendations

That Cabinet:

- 2.1. Approves the Strategic Outline Business Case at Appendix 1, concerning the proposal "to accelerate interventions to reduce the use of B&B accommodation".
- 2.2. Approves the provision of £2m capital funding from general fund for a TA property project.
- 2.3. Delegates authority to approve a Property Acquisition Programme Business Case to procure up to 230 properties for TA and Social Housing use to the Leader, Cabinet Member Finance and Resources and Cabinet Member for Housing, in conjunction with the Acting Director Inclusive Growth, the Chief Finance Officer (or their delegate) and the City Solicitor (or their delegate) and the Managing Director City Housing.
- 2.4. Delegates authority to the Managing Director of City Housing, in conjunction with the Leader, the Cabinet Member for Finance and Resources and the Acting

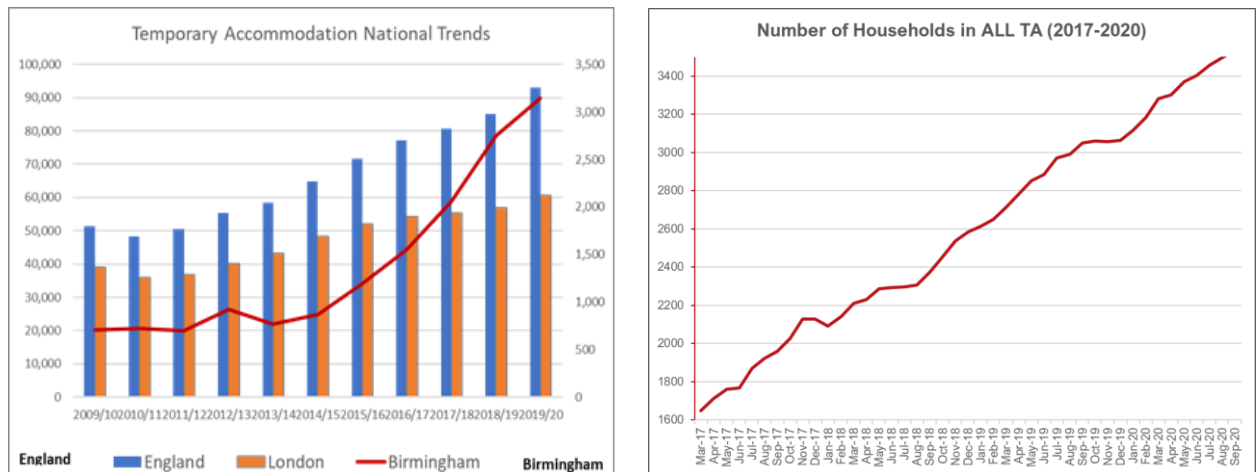
Director Inclusive Growth and the City Solicitor (or their delegate) to acquire shares in, and approve loans to InReach, the Council's wholly owned company, up to an aggregate limit of £60m, on commercial terms and in compliance with HMRC rules on 'thin capitalisation' over 35 years in connection with the property acquisition programme.

- 2.5. Authorises the Assistant Director Property in conjunction with the Managing Director City Housing to negotiate and enter into property leasing arrangements for the use of the 230 properties for TA and Social Housing use.
- 2.6. Authorises the City Solicitor to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3. Background

- 3.1. The City Housing Directorate aspires to develop a best in class housing service by developing fit for purpose operating models across the directorate.
- 3.2. The priority is to enhance the new Housing Options Service operating model, and to better support households at the early stages to prevent a housing crisis, before it manifests into a statutory need.
- 3.3. The Housing Options Service has a statutory duty to provide or secure suitable accommodation for residents that present as homeless and are eligible for assistance. The ability to discharge this responsibility effectively through the current operating model and resources is becoming increasingly challenging, which is resulting in a huge increase in the use of TA.
- 3.4. It is the provision of TA, and more specifically the use of B&B, which places extreme cost pressures and other performance challenges upon the Housing Options Service.
- 3.5. Compared to other core cities and West Midlands authorities Birmingham City Council has:
 - Significantly more families accommodated in B&B.
 - Higher volume of families more likely to spend more than six weeks in B&B.
 - Assessed a much larger volume of homeless applications during the financial year 2019/20.
 - Significantly underutilised PRS accommodation to prevent, relieve or bring the main homeless duty to an end.
- 3.6. Moreover, the volume of individuals presenting as homeless, coupled with a lack of housing supply in the city (predicted to be a shortfall of 40,000 units by 2031 – BMHT market report) which is affordable and covered by Local Housing Allowance (LHA) rates means that there is little capacity to ensure people have a longer-term tenancy to move on to.

- 3.7. Although the city council's direction of travel in relation to TA usage is in line with the national trend, our percentage increase is much higher:



Our overall use of TA has increased by 262% during 2015-2020 and B&B has increased by 134% during 2017-2020. If the number of households in B&B continues to increase as it has in previous years, the B&B cumulative cost would amount to £148m by 2024.

- 3.8. A new operating model for Housing Options Service has been designed 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.
- 3.9. There is an opportunity to accelerate homeless prevention and TA Move On activity, which will help to further reduce the number of households in B&Bs. To realise this objective needs additional housing capacity, working to a consistent methodology, defined governance and leadership model to manage and deliver this programme.
- 3.10. There are three separate cabinet reports that should be in due course read in conjunction with this report:
1. Increasing Private Sector Leasing property growth for TA usage (approved)
 2. Working with the private sector to deliver housing growth (proposed Autumn 2021)
 3. Delivering a programme of additional housing (proposed Autumn 2021)

4. Options considered and Recommended Proposal

- 4.1. Continue only with the service improvements to eradicate B&B by 2025: This is not viable as current limitations in service delivery and housing capacity are being

exacerbated by changes to COVID policy (increased listing of cases at courts, tapering of furlough) which means the numbers of people presenting as homeless is likely to increase in the short term. This will maintain or enhance cost pressures on the service. To fully implement the new operating model will take many months to mobilise.

4.2. Stop providing the service: This is not feasible as most of the service areas are statutory in nature.

4.3. Increase the short and medium-term supply of affordable housing: The council and / or one of its wholly owned companies could acquire homes by some or all other the following means:

- Buying back leasehold properties in existing estates, particularly those that are earmarked for regeneration
- Changing the mix of homes developed by BMHT
- Bulk purchasing homes from the open market or Registered Providers
- Targeted street purchases
- Construction of meanwhile homes on brownfield sites, or repurposing of buildings

This option is NOT PREFERRED because whilst boosting the supply of housing is desirable, alone it will not address homelessness as there are other management activities that could prevent homelessness, manage the existing stock better and help people into suitable private sector housing.

4.4. Increase the short and medium-term supply of affordable housing, TA and TA move on activity: To increase the affordable housing and TA supply, deliver a number of additional intervention activities, to accelerate the reduction of Bed and Breakfast accommodation usage - **THE PREFERRED OPTION**

5. Consultation

Capital Board has been consulted with regards to the capital investment.

6. Risk Management

- Demand continues to be greater than available affordable housing supply.
- A continued increase in the levels of homelessness that exceeds the Council's resources.
- Lack of suitable accommodation in the City available to purchase.
- Demand exceeds modelled expectations = increased costs and continued use of B&B accommodation.

7. Compliance Issues:

7.1. How are the recommended decisions consistent with the City Council's priorities, plans and strategies? The proposals within this report will make a direct contribution to both Corporate and Directorate outcomes:

Birmingham City Council Plan 2018-22: Outcome 4 - Birmingham is a great city to live in:

- Priority 2: We will have appropriate housing to meet the needs of our citizens measured through:
 - *Minimising the number (and time) of households living in Temporary Accommodation.*
- Priority 3: We will work with partners to tackle rough sleeping and homelessness measured through:
 - *Reducing the number of rough sleepers across the city.*
 - *Increasing the number of households where homelessness is successfully prevented or relieved.*

7.2. Legal Implications

7.2.1. Under Section 206(1) of the Housing Act 1996 the City Council may discharge their housing functions relating to persons who are homeless only by securing that suitable accommodation provided by them is available, by securing that such persons obtain suitable accommodation from some other person, or by giving such persons such advice and assistance as will secure that suitable accommodation is available from some other person.

7.2.2. In recent High Court proceedings (R (on the application of Abdelmotalib Elkundi and Others) v. Birmingham City Council) the court ruled that the main housing duty under s193(2) of the Housing Act 1996, namely the duty to secure that suitable temporary accommodation is available for applicants who have been found to be homeless, eligible for assistance, in priority need and not intentionally homeless and had a local connection is unqualified, immediate and non-deferrable. In practical terms, this judgment means that it is necessary to have and offer suitable temporary accommodation immediately where a decision is made that the property currently occupied by an individual is unsuitable.

7.2.3. As per the Homelessness (Suitability of Accommodation) (England) Order 2003 if no alternative accommodation is available for the applicant the Housing Authority may accommodate the family in B&B for a period, or periods, not exceeding 6 weeks in result of a single homelessness application. It is unlawful for Councils to accommodate families in temporary accommodation that is privately owned B&B for more than six weeks.

7.2.4. Under Section 209 of the Housing Act 1996 the City Council may make arrangements with a private landlord to discharge their interim duties under Part VII of that Act, and any tenancy granted pursuant to such arrangements cannot be an assured tenancy before the expiry of the period of 12 months commencing on

the date on which the homeless person was notified of the Council's decision with regard to their interim duty or the date of the determination of any review or appeal of such decision, unless the homeless person is informed, before or during the expiry of that period that the tenancy is to be an assured shorthold tenancy or an assured tenancy other than an assured shorthold tenancy.

- 7.2.5. By virtue of paragraph 4 of Schedule 1 to the Housing Act 1985 a tenancy granted in pursuance of any function under the City Council's duties to homeless persons under Part VII of the Housing Act 1996 is not a secure tenancy unless the City Council have notified the tenant that the tenancy is to be regarded as a Secure Tenancy.
- 7.2.6. 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.
- 7.2.7. 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 functions.

7.3. Financial Implications

- The report seeks to progress two proposals which would provide alternative accommodation to Bed and Breakfast. This is part of the wider programme to eliminate the use of Bed and Breakfast through an early intervention and prevention model. The 2021/22 Q1 forecast for the service is projecting demand led pressure in this area which would be further mitigated through the introduction of more cost effective accommodation types. The proposals support existing placements in B&B and do not account for ongoing demand led growth and compare the cost of placements in B&B with the alternative proposed accommodation .
- External financial modelling has been undertaken to assess the viability of proposals and is summarised in the table below.
- The modelling indicates that investment of £2m capital into the repurposing of a council property into hostel accommodation would provide cost avoidance of £6.7m pa full year impact from 2023/24 through reduction in B&B and a bottom line surplus within hostel operating costs, including the cost of borrowing. As the building is only available for a period of 5 years the financial benefit is time limited up to 2025/26.
- Investment of £60m will enable the purchase of approximately 230 street units and should be progressed where it makes financial sense compared to using B&B. The modelling indicates that this will further reduce the use of B&B delivering cost avoidance in the region of £2.9m full year affect from 2022/23 .

This is net of the repayment of borrowing cost estimates at £2.47m pa and assumes provision through InReach. The modelling does not take account of rental payments to InReach as it is assumed this would net off through loan repayments back to the council.

- Progressing both proposals would deliver cost mitigation in 2021/22 between £1.0m to £1.4m (depending on conservative or accelerated property acquisition approach), between £9.4m and £9.5m in 2022/23 and £9.6m pa from 2023/24 to 2025/26 (due to 5 year availability of hostel accommodation space). This only supports existing placements in B&B and does not address further placements within the service.
- Delivery of the proposals requires one-off transformation funding of £2.8m which will be requested through delivery plan governance arrangements. The funding will enable the establishment of a property acquisition capability, acceleration of prevention and move on capability and project management capacity.

Below is a table summarising the different actions;

- Opportunity A – Repurposing of an existing asset for temporary accommodation use.
- Opportunity B – Purchase Programme of properties, one view is a conservative view and more is a more accelerated pace.

Programme – Summary

Opportunity A – Repurposed Asset	2021/22	2022/23	2023/2024	2024/2025
Gross B&B Cost Avoidance	(£824,074)	(£5,768,519)	(£5,933,333)	(£5,933,333)
Net Position (revenue generated minus operating costs and loan repayments)	(£132,211)	(£743,137)	(£772,933)	(£772,933)
Net Position including B&B cost avoidance	(£956,285)	(£6,511,656)	(£6,706,266)	(£6,706,266)
Purchase Programme S1 (Conservative)	2021/22	2022/23	2023/2024	2024/2025
Gross B&B Cost Avoidance	(£32,963)	(£2,874,370)	(£4,390,667)	(£4,390,667)
Net Position (revenue generated minus operating costs and loan repayments)	(£4,874)	(£42,011)	£1,447,775	£1,447,775
Net Position including B&B cost avoidance	(£37,837)	(£2,916,381)	(£2,942,891)	(£2,942,891)
Purchase Programme S2 (Accelerated)	2021/22	2022/23	2023/2024	2024/2025

Gross B&B cost avoidance	(£395,556)	(£4,390,667)	(£4,390,667)	(£4,390,667)
Net Position (revenue generated minus operating costs and loan repayments)	(£79,055)	£1,397,825	£1,397,825	£1,397,825
Net Position including B&B cost avoidance	(£474,610)	(£2,992,841)	(£2,992,841)	(£2,992,841)

7.4. Procurement Implications:

The work will require the procurement of additional temporary / agency staff and specialist consultants using the Council's current contracts or following the Council's Procurement Governance Arrangements.

Revenue related services to support the accommodation will be provided by the existing Councils Housing Repairs and Maintenance contracts.

To procure up to 230 properties for TA and Social Housing, utilising the Council's wholly owned company InReach, to undertake the Property Acquisition Programme

7.5. Public Sector Equality Duty

Regarding section 149 of the Equality Act 2010, the proposed operating model has no practices that could be considered unfair, unlawful or discriminatory within this context. The Equality Assessment (EA) that reflects the changes of this proposal will be monitored and re-evaluated at the end of consultation

8. Background Documents:

- Working with the private sector to deliver temporary accommodation solutions – 10th November 2020

9. Appendices:

Appendix 1 – Strategic Outline Business Case - To accelerate interventions to reduce the usage of Bed and Breakfast accommodation

Appendix 2 – Equality Assessment