

Birmingham City Council

Report to Cabinet

6th September 2022



Subject: Private Rented Sector Leasing Scheme – Capital Grant

Report of: Julie Griffin, Strategic Director, City Housing

Relevant Cabinet Member: Councillor Sharon Thompson, Cabinet Member for Housing & Homelessness
Councillor Yvonne Mosquito, Cabinet Member for Finance & Resources

Relevant O &S Chair(s): Councillor Mohammed Idrees, Housing and Neighbourhoods
Councillor Akhlaq Ahmed, 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: 010492/2022		
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 The Department for Levelling Up, Housing and Communities (DLUHC) has determined that it wishes to make a payment of £3.8m capital grant in 2022/23 to support the creation of 200 five year leases of privately owned accommodation to end homelessness duties for families who would otherwise be in temporary accommodation. The intention of this is to support the Council's objective of ending the use of Bed & Breakfast accommodation (B&B) for families experiencing homelessness.

- 1.2 The grant will be paid via the West Midlands Combined Authority (WMCA) as part of a funding agreement between the Government and WMCA, but responsibility and accountability for the use of the grant will be passed through to the Council.
- 1.3 This presents an opportunity to establish a 'Social Lettings Agency' within Birmingham which has the potential to take on additional properties beyond those funded by the DLUHC grant.

2 Recommendations

That Cabinet:

- 2.1 Accepts the £3.8m grant via the WMCA.
- 2.2 Delegates authority to the Strategic Director, City Housing, in consultation with the Director Council Management, to determine the optimal solution following further investigation of whether to make use of InReach as a Wholly Owned Company or procure such services to take on leases to accommodate families experiencing homelessness.
- 2.3 Delegates authority to the Strategic Director for City Housing, the Assistant Director Corporate Procurement (or their delegate), in conjunction with the Director of Council Management (or their delegate), and the City Solicitor (or their delegate) to approve the procurement strategy and award of any subsequent contract (if required).
- 2.4 Authorises the City Solicitor to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 Birmingham City Council currently has around 4,200 households living in temporary accommodation (TA) following acceptance of a homelessness duty, of whom around 653 households are living in Bed & Breakfast accommodation.
- 3.2 The majority of households in B&B are families with children. As a result, the Council has taken action in a number of areas to reduce and ultimately eliminate the use of B&B for families. This includes significantly increased staffing resources to the housing solutions service, development of a new homelessness centre at Oscott Gardens, creation of a new accommodation finding service to increase access to private rented sector accommodation, a £60m property acquisitions programme, and a new allocations policy giving greater priority to homeless households.
- 3.3 Whilst the cumulative effect of these measures can be expected to reduce the use of B&B significantly, progress so far has been slower than hoped for, due to the time needed for each initiative to make an impact and due to increased homelessness demand.
- 3.4 It is expected that homelessness demand will increase further over the coming year due to a combination of circumstances. These include the cost of living

crisis, increasing private sector rents and expected homelessness resulting from the breakdown of arrangements between some Ukrainian refugees and their hosts.

- 3.5 In the light of this, DLUHC has agreed to provide a capital grant of £3.8m through WMCA to support the Council in the creation of up to 200 five year leases to end homelessness duties for families who would otherwise have been in TA. Properties will be let at Local Housing Allowance (LHA) rents.
- 3.6 This works out as a grant of just under £4,000 per property per year and is intended to cover the difference between the costs of the leases and the rental income received.
- 3.7 Costs include the lease rent for each property, voids, bad debts, repairs and maintenance, and staffing costs for housing management and maintenance.
- 3.8 While it is hoped that the DLUHC grants will cover almost all of the costs of leasing, it is possible that there will be some shortfall between costs and income left to be covered by the Council.
- 3.9 It is impossible to be clear, prior to setting up the programme, exactly what these costs will be, but they will be far lower than the avoided costs of B&B at approximately £350 per week per household or the Council's current Private Sector Leased (PSL) programme for TA at over £150 per week per household.
- 3.10 A condition of the DLUHC grant is that leased properties must be used to provide settled accommodation to end a homelessness duty using an Assured Shorthold Tenancy (AST) rather than to be let as TA.

4 Options Considered and Recommended Proposal

- 4.1 The options considered include:
 - Option A – reject the grant and do not lease the properties.
 - Option B – the Council leases the properties directly.
 - Option C – the Council works with its wholly owned company InReach, so that InReach takes on the leases and carries out management and maintenance of the properties through a subcontractor.
 - Option D – the Council sets up a new organisation to take on the leases.
 - Option E – the Council procures a private sector or housing association partner to take on the leases and manage the properties.
- 4.2 Option A to reject the grant is not recommended as this would mean a loss of £3.8m to support reduction of families in B&B.
- 4.3 Option B for the Council to lease properties is not considered viable. This is because the council cannot lease properties within the General Fund other than as TA, which is not permissible under the terms of the grant offer. Also, properties leased by the Council as TA are limited to Housing Benefit subsidy at 90% of the

2011 LHA rate, which is around £30 per week less than current LHA, a differential which will increase further as LHA rates rise in the future.

- 4.4 Option D to set up a new organisation is rejected on the grounds of being too time consuming. DLUHC's expectation in giving the grant is that properties would be leased by the end of March 2023. Also, the Council already owns a company – InReach, which has been set up with the required objectives to be able to undertake this work and which already operates a sub-contract with suitable contractors to carry out the housing management and a maintenance required to take on and manage leases.
- 4.5 The two remaining options are Option C to work with InReach or Option E to procure an external contractor. Both of these options would allow homelessness duties to be ended and 100% current LHA to be claimed back from government.
- 4.6 Both would also allow for competitive tendering to achieve best value for money. In Option E, this would be achieved directly by the Council procuring a supplier. In Option C, In Reach would tender for housing management and other services carried out on its behalf.
- 4.7 In other respects, the merits of Option C and Option E are quite finely balanced, with pros and cons for each. To determine which option is best further investigation is required before proceeding accordingly in setting up the programme.
- 4.8 Issues to be considered in making this decision include cost, speed of mobilisation, attractiveness of the arrangement to landlords, procurement requirements, ease of future expansion or variation of the scheme, governance and taxation implications, including VAT treatment.

5 Consultation

- 5.1 No consultation has been carried out with members of the public or temporary accommodation residents in preparing this report. However, it is well established, including in recent research with families living in TA by the WMCA, that settled self-contained accommodation is preferable to B&B where families live in shared rooms and cooking and/or washing facilities are shared with other households.
- 5.2 Some soft market testing has been carried out with potential external suppliers known to the council.
- 5.3 InReach Directors have also been consulted about the company's interest in delivering the programme.
- 5.4 Discussions have been held with WMCA to establish their process in accepting the DLUHC grant and passporting this directly on to the Council.

6 Risk Management

- 6.1 Some key risks and mitigations are set out in the table below:

Key Risk	Impact (low/medium/high)	Likelihood (low/medium/high)	Mitigation
Difficulties in arrangements between the council and WMCA	Low	Low	Agreement with WMCA and DLUHC that this is part of a funding agreement between the Government and WMCA and that BCC will be both responsible and accountable for the grant. Good relationships at officer level between council and WMCA.
Difficulties in finding a partner to deliver the programme	High	Medium	InReach are interested in delivering the scheme and legal and financial implications are being explored. Soft market testing suggests a number of external organisations are also interested who perform similar roles for the Council or other local authorities.
Costs of delivery exceed the DLUHC grant	Low	High	If true, the cost to the council after grant will still be marginal compared to the costs of B&B or the current PSL scheme. Value for money will be assured by competitive tender, by either the Council or InReach.
Not enough landlords will be interested in leasing properties	Medium	Medium	Officers working in both the Accommodation Finding Team and the PSL Team have already identified landlords who are interested. The offer available is better financially for landlords than the current AFT offer.
Tenants will become homeless at the end of the 5-year lease	Medium	Medium	Efforts will be made to support tenants to move on. If leases are not extended after 5 years, then there will be time to prevent homelessness. In a worst-case scenario and some tenants have to be accepted as homeless and placed in TA when leases expire, this will still have been much more suitable and less costly than alternative accommodation options.

7 Compliance Issues:

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

7.1 This proposal directly contributes to Outcome 4., Priority 3. in the Birmingham City Council Plan: "We will work with partners to tackle rough sleeping and homelessness".

7.2 Legal Implications

7.2.1 Under Section 1 of the Localism Act 2011 ('the LA'), the Council has the power to enter into the arrangements set out in this report, which are within

the remit and limits of the general power of competence (Section 2 and 4 of the LA).

- 7.2.2 Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions.
- 7.2.3 The recommendations set out in this report align with the provisions set out in Part D1 Appendix A of the Council's Constitution in relation to receipt of grant funding.
- 7.2.4 In terms of grant receipt, it is the Council's and WMCA's aim that the WMCA will be the 'awarded' body and BCC the accountable body – and all monies will be transferred from DLUHC to BCC directly. This would follow the precedent set when the Council received funds via the WMCA for 'Housing First'.
- 7.2.5 The proposal will help to avoid the unlawful use of B&B for families set out in the Homelessness Suitability of Accommodation Order, 2003.

7.3 Financial Implications

- 7.3.1 The proposal will make a net positive contribution to the Council's financial position as the £3.8m grant will help to avoid costs which would otherwise be incurred in provision of B&B or other forms of TA.
- 7.3.2 The grant will enable the service to increase the use of Private Sector Leasing and so reduce the impact on B&B for the life of the grant. The service are already implementing preventative initiatives to reduce demand on TA, and this funding will ease the pressure until this longer term reduction materialises.
- 7.3.3 To realise further long-term benefits from the grant the service will use this as an opportunity to stimulate the market and set up delivery mechanisms for ongoing supply through Private Sector Leasing – this includes setting up a social lettings agency.
- 7.3.4 Any costs associated with establishing a social lettings agency will need to be met from within the existing grant allocation. A fully costed business plan will need to be set out by the service prior to the commencement of the scheme.

7.4 Procurement Implications (if required)

- 7.4.1 If the decision is made to seek an external partner rather than work with a council owned company, then this will be done through a competitive tender.
- 7.4.2 Any procurement activity including authorisation of strategy and award reports will be conducted in compliance with the Public Contracts

Regulations 2015 and the Council's Procurement and Contract Governance Rules (PCGR).

7.5 Human Resources Implications (if required)

7.5.1 No specific issues identified.

7.6 Public Sector Equality Duty

Equality Impact Assessment is attached at Appendix 1.

8 Appendices

Appendix 1 – Equality Impact Assessment

9 Background Documents

None.