Statement of response to 'call in' on the 29th of April 2025 'Professional Services – Residential Property Acquisition Programme (PAP) - Phase 2 - Key Decision PPAR.'

July 2021-June 2022

In July 2021, Cabinet approved residential acquisitions of up to 230 family homes via the General Fund (GF), with a capital budget of £60m. In October 2021, further Cabinet approval was sought and obtained via the Planned Procurement Activities Report (PPAR) process to procure a professional partner to deliver the Programme over a 12-month period with an estimated contract value of £800k.

Further analysis of the housing market and soft market testing undertaken between November 2021 and February 2022 confirmed that the pace of acquisitions was unlikely to be completed within a 12-month period and that the cost to deliver the programme within the estimated £800k budget was unrealistic and therefore, the decision to proceed with this procurement was aborted.

An updated PPAR was submitted and approved in March 2022 proposing a 4-year contract be procured via a competitive procurement process utilising a carefully selected specialist Public Contract Regulation 2015 (PCR15) Managed Service Provider (MSP) framework with an indicative cost of £1.9m. The £1.9m is described as indicative as it provided a cost envelope to deliver the program; actual costs were only established once bids were submitted and a partner appointed.

Following a fully compliant and competitive procurement process via the MSP framework, Lambert Smith Hampton (LSH) were awarded a contract in June 2022 for £1.586m which was sufficient to complete 230 purchases, as per the original solution back in July 2021. The tendered LSH fixed costs for the completion of each acquisition including VAT and Consultancy+ framework fee of £6,075 was benchmarked against market rates and considered competitive and reasonable.

The 29th of April PPAR report which has been subject to call in, referenced that the procurement exercise seeks to drive reduced costs through a set of simplified requirements. For example, a reduced homebuyers report will enable a less labour-intensive activity and therefore a reduction in fees. However, the actual costs of any new contract won't be certain until bids are submitted, and this could be further complicated should the Council choose to purchase large buildings, requiring greater levels of due diligence than smaller street properties. Running the procurement process competitively also drives value for money.

June 2023-October 2023

By June 2023, the programme had acquired 105 homes with a further 114 properties with sales agreed. On completion of those pipeline properties, it was acknowledged that the programme would soon reach its threshold of 230 homes and further Cabinet approval was required to extend the acquisitions programme. An extension was progressed, based on the low levels affordable housing being delivered in the

city and the need to leverage solutions for families with dependent children needing to leave B&B.

In June 2023 Cabinet approved the proposal to acquire up to 300 homes per year for the next 5 years and to extend the existing contract with LSH by up to 50% of its contract value, in line with Council governance, the terms of the LSH contract and the PCR 2015. These approvals were heard at Cabinet as part of a broader TA strategy that covered a variety of interventions and approaches, with acquisitions being one part of this strategy.

In October 2023 the contract extension (that was approved in June 2023) was implemented increasing the contract value to £2.379m (inclusive of all associated fees), following all the necessary compliant approvals from legal, procurement, finance and Executive Director of City Housing Paul Langford in line with his delegated authority.

October 2023- February 2025

In the intervening period, the Council's financial challenges and associated implications for the GF meant that the way in which the acquisitions programme was being delivered needed to change. This was reflected in the September 2024 TA Delivery Approaches report which set out that the acquisitions programme would now be a more modest programme and would be delivered through the HRA. Cabinet approved this report in September 2024, which set out the intention to procure a professional partner to continue to support the acquisitions programme.

The HRA Business Plan 2025/2026 was also approved at Cabinet in January 2025 and set out HRA acquisitions as a continued delivery strategy, particularly as activity through Birmingham Municipal Housing Trust (BMHT) was ending. The HRA Business Plan set a budget of £14.465m for 2025/2026 for acquisitions which is bolstered by grant funding and funds drawn from s.106 off-site contributions.

Acquisitions and New Build Development

It should be noted that acquisitions do not replace new build development. As per the Future of Social Housing report which was approved at Cabinet in February 2025 and formally ceased BMHT activity, new build development is being delivered through Registered Providers to enable the HRA to focus on achieving Decent Homes Standards in the existing stock portfolio. Sites have been brought forward and approved at Long Nuke Road, Pool Farm, Kings Norton Primrose and Yardley Brook etc. that all deliver predominately social rented schemes, in which completions are expected to start coming through in 2027/2028.

The Council's decision to deliver an acquisitions programme supports acquisitions in tandem with the development of new build homes (not one or the other), provides a solution whereby homes can be purchased much sooner than they can be built and bridging the immediate gap in 2025/2026 and 2026/2027 where there is expected to

continue to be low volumes of affordable homes delivered. Identifying sites for development now, building a resource capacity to deliver them and navigating appropriate planning and construction routes does not provide the pace needed to address the ongoing issues related to B&B use. The Council will continue to work proactively with partners to deliver new build schemes, as well as driving a programme of acquisitions enable a response to the immediate need. Going forward, acquisitions are expected to be part of the delivery strategy but with a larger new build programme that will sit alongside this.

It should also be noted that all acquisitions have been for families with dependent children, no single people have benefited because of the acute housing need for large families in the city. The exception to this has been the Supported Housing Accommodation Programme (SHAP), a ring-fenced, government grant programme to secure 1-bed properties for people with disabilities and a history of rough sleeping, 8 homes have been acquired for this specific scheme. All family homes acquired via the programme have been used for families.

Acquisitions and Supported Exempt Accommodation

There has been also concern around whether City Housing have honoured the commitment to ‘consider’ prioritising the purchase of supported exempt accommodation through the acquisitions programme.

City Housing have written to support exempt providers on an annual basis since the inception of the acquisitions programme to assess any interest in the sale of potential properties, the most recent communication being released in January 2025. The Directorate will continue to prioritise purchases of supported exempt accommodation and will capitalise on any interest driven through these communications. However, until the Supported Housing (Regulatory) Oversight Act is properly enacted (consultation response submitted on the 15th May 2025), there is limited control over the sector and even when the legislation is properly enacted, the Council cannot force exempt providers to sell their property but will be able to capitalise on providers who may be leaving the market.

Routes to Purchase

The full range, in addition to targeting supported exempt providers, of routes to purchase are -

- Open market purchases
- Exercising Right of First Refusal of ex council properties
- Referrals from the Empty Homes Team to acquire empty homes.
- Post planning acquisition via developers.
- Post planning acquisition via national housebuilders.
- Registered Provider disposals

- Conversion of existing council properties via appropriation and/or refurbishment

Procurement Timescales

In Jan 2025 and in partnership with Procurement colleagues, City Housing began to plan for the re procurement exercise, for property acquisition, allowing time for a fully competitive process to be completed by July 2025 and in advance of the existing contract value being exhausted. This was undertaken within appropriate timeframes and there was no delay.

City Housing had earmarked the March 2025 PPAR meeting for submission to seek formal approval to proceed with the above decision but due to changes in the frequency of these meetings and the PPAR schedule, the paper was prepared and submitted for the April 2025 PPAR meeting instead.

This still allowed sufficient time for a competitive procurement process to be completed via the same PCR15 MSP framework used to procure the current LSH contract and for a contract to be awarded in a timely manner to support the successful delivery of the ongoing acquisition programme.

At the 'call in' meeting on the 19th May 2025 it was specifically highlighted that the information that was required may have been available in previous Cabinet reports, but these were not referenced as part of the PPAR which raised questions at the meeting.

Acquisitions- Cabinet Oversight

It should be noted that the PPAR report is usually a one-page document, rather than a broader Cabinet report which is why multiple documents were not linked or referenced. For ease, Cabinet have been sighted on the reasons for the acquisitions programme, any changes to the acquisitions programme and the mode of delivery for the acquisitions programme at regular intervals and through several reports. These include:

- Planned Procurement Activities (April 2022 – June 2022) - March 2022 Link
- City Housing Investment Proposal to Supply Accommodation for Homeless Families - June 2023 Link
- Temporary Accommodation Delivery Approach - September 2024 Link
- Housing Revenue Account (HRA) Business Plan and Rent Setting 2025/2026 - January 2025 Link
- Future Delivery of Affordable Housing in the City – A Review of Birmingham Municipal Housing Trust - February 2025 Link
- Key Decision Planned Procurement Activities (May 2025 – July 2025) - April 2025 Link

Regularly when these reports have been presented at Cabinet, questions have been asked, answers and assurances given in relation to the property acquisition programme.

Timescales

This a live programme of work, engaged in a market that moves around in terms of availability, cost, quality and value. There have been changes in the value and number of properties being purchased through the life of the programme, hence in reports these numbers changing as they are updated. The table below sets out the decisions and numbers represented and confirms that permissions were never exceeded.

Date	Jul-21	Oct-21	Mar-22	Jun-22	Jun-23	Oct-23	Sep-24	Apr-25
Decisions and Actions	Cabinet approval to procure up to 230 properties for TA and Social Housing use (2.3)	Cabinet approval to procure a Professional Services partner to support the Property Acquisitions Programme for a period of 12 months	Cabinet approval to procure a Professional Services partner to support a Property Acquisitions Programme for a period of 4 years.	Contract awarded to Lambert Smith Hampton for a period of 4 years following competitive procurement exercise.	Cabinet 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) and extend the existing Residential Property Acquisition contract with Lambert Smith Hampton by 6 months in line with PCR2015 guidelines whereby an extension is allowable up to 50% of the contracts original value (2.6.5)	Contract Extended in line with June 2023 Cabinet Approval 2.6.5	Cabinet approves the procurement of a managing agent to provide continued support to the Directorate's acquisitions programme (3.2.2)	PPAR approved for the procurement of a Professional Partner to support Property Acquisitions
Maximum # of acquisitons approved by Cabinet	230	230	230	230	300 per annum for 5 years	300 per annum for 5 years	300 per annum for 5 years	300 per annum for 5 years
Total Acquisitions completed	0	0	0	0	105	177	287	356
Active Pipeline (sale agreed, pending completion	0	0	0	0	114	86	83	61
Total Acquisitons and Pipeline Sales	0	0	0	0	219	263	370	417

'Call In' Response

The 'call in' was requested based on the following reasons and although not all of these were considered at Committee, these are answered in summary below to address any concerns:

The Budget Overview and Scrutiny Recommendations (Item 32) said that property acquisitions should not remove family homes from the market but could remove exempt accommodation where there have been issues. This was accepted by Full Council and the Executive response was that it would be considered as part of future strategy. This procurement process is a missed opportunity to meet that commitment.

The Budget Overview & Scrutiny Recommendations (Item 32) indicated the property acquisitions 'could' or should consider removing supported exempt accommodation from the market. City Housing continue to engage in communication with exempt providers (the latest in January 2025) to capitalise on opportunities where exempt providers may wish to sell their properties. However, sales cannot be forced, and properties must be suitable for the use by the Housing Revenue Account. If there is limited interest, which there has been and is likely to continue to be whilst the exempt market is so profitable for these providers, then other interest will be explored instead. Enactment of the Supported Housing (Regulatory) Oversight Act may increase opportunities in this area, with a formal consultation response submitted to Government on the 15th of May 2025.

It should be noted that the procurement process is for a professional services partner to deliver the mechanics of identifying and acquiring properties. The provider can purchase supported exempt properties in the same way as it might purchase any other property and is therefore not linked to whether supported exempt properties are purchased. Regardless of where the property is purchased from, professional and commercial expertise is required to support the purchase.

The executive has not considered why the cost limit was reached without reverting sooner to allow a fuller review of the programme so far, if it was meeting purpose, and how it could be better targeted.

The narrative above demonstrates the number of times Cabinet has received reports on the progress, intentions and delivery of the acquisitions programme. This has included information on any change of approach, value or procurement strategy. The PPAR report was issued with the intention of securing a professional services partner and was not an opportunity to undertake a formal review which had not been requested.

It is not accurate that the programme had reached its cost limit. As highlighted above, the PPAR was rescheduled for March 2025, which was well in advance of July 2025 period when costs would exceed the original commission. Even though the PPAR went to April 2025 Cabinet because of the changes to the PPAR process and the subsequent differences around scheduling, this was still have left ample time and opportunity to continue the procurement process.

The loss of family homes is a controversial point, as highlighted by Overview and Scrutiny through the comments provided for the budget. This should be considered more fully rather than through a delegated procurement process.

All homes purchased thus far through the property acquisitions programme have been family homes, except for the small number of 1-bed flats purchased for the SHAP programme. The purpose of the acquisitions programme, as set out in the TA Delivery Approaches report approved in September 2024 is to address the Council's statutory obligations regarding the number of families with dependent children in TA for over 6 weeks. This means no family homes have been lost through the delivery of this programme and in fact, families who are on a low income that would otherwise have been residing in B&B have benefited from the acquisitions undertaken so far. In addition, there are new-build homes that have been completed by developers and sat empty, that this programme has acquired and secured for social tenants. There are also larger blocks of what was single person, supported housing that are being progressed with a view to their meeting future family need.

The Executive has failed to bring this forward in a timely manner and is being rushed through as an officer delegation rather than a full report for proper consideration with all necessary information. The reaching of the cost limit should have been known about well in advance and a full report brought back to Cabinet evaluating the scheme so far, before committing to further spend. This would allow proper consideration of it is meeting its objectives and provide the opportune to adjust the strategy to fit the recommendations of Overview and Scrutiny to protect family homes.

The original PPAR for phase one only gave cabinet approval for a contract of 12 months from June 2022 but it has since been extended with the same supplier up until July 2026. The new PPAR does not reflect this or show why the contract was extended without reverting to the market.

Points above address the challenge around timeliness in that there was sufficient time between the April 2025 Cabinet where the PPAR report was considered and July 2025 where the commission is due to end. The paper was not rushed through, it was a PPAR report which was submitted for a particular purpose (procuring a professional services partner) and was not an overall review of the acquisitions programme which has not been either requested or committed to. The idea that this review would have protected family homes is also not correct as the programme has provided family homes for households that would have otherwise been in B&B.

The 'call in' only considered the June 2022 contract award and did not consider the TA Strategy issued in June 2023 which approved the proposal to acquire up to 300 homes per year for the next 5 years and to extend the existing contract with LSH by up to 50% of its contract value, in line with Council governance, the terms of the LSH contract and the PCR 2015.

In October 2023 the contract extension (that was agreed in June 2023) was implemented increasing the contract value to £2.379m (inclusive of all associated fees), following all the necessary compliant approvals from legal, procurement, finance and Executive Director of City Housing Paul Langford in line with his delegated authority.

As further reports from the original June 2022 report were not considered, this renders the comments regarding the new PPAR inaccurate.

The original PPAR for phase one only gave cabinet approval for a contract of 12 months from June 2022 but it has since been extended with the same supplier up until July 2026. The contract has now been in place for 3 years, seemingly without appropriate cabinet approval. Agreeing a new contract without properly examining this and if gives an unfair advantage to this existing supplier risks challenge.

The suggestion that the contract has been in place for 3 years without Cabinet approval is inaccurate. The June 2022 contract was awarded and was followed by June 2023 Cabinet approval to acquire up to 300 homes per year for the next 5 years and to extend the existing contract with LSH by up to 50% of its contract value, in line with Council governance, the terms of the LSH contract and the PCR 2015.

In October 2023 the contract extension (that was agreed in June 2023) was implemented increasing the contract value to £2.379m (inclusive of all associated fees), following all the necessary compliant approvals from legal, procurement, finance and Executive Director of City Housing Paul Langford in line with his delegated authority.

The HRA Business Plan 2025/2026 approved in January 2025, following intentions set out in the TA Delivery Approaches report in September 2024 for a more modest budget of £14.465m to be spent on the acquisitions programme over the 2025/2026 financial year, recognising the Council's financial position and change of approach.

Cabinet approval has been sought at regular intervals and for all appropriate decisions. The April 2025 PPAR report subject to call in, requested Cabinet approval to commence a competitive process with suitable service providers using a compliant framework agreement. This process ensures fair competition amongst other reputable service providers including the incumbent, Lambert Smith Hampton. This process ensures the incumbent provider can submit a complaint proposal in direct competition with other interested parties. This is a fair and transparent approach and mitigates any risk of perceived preferential treatment to any one party.

The original PPAR for phase one only gave cabinet approval for a contract of 12 months from June 2022 but it has since been extended with the same supplier up until July 2026. The contract has now been in place for 3 years, seemingly without appropriate cabinet approval. It is therefore not in accordance with council procedures.

As above.

Conclusion

The approved ‘call in’ on this report seems to be related to the full process and timeline in relation to this work. The *Professional Services – Residential Property Acquisition Programme (PAP) - Phase 2 - Key Decision PPAR April 2025* report is a short PPAR document, issued for a particular purpose and did not clearly cross reference the multiple Cabinet reports that set out the progress of the acquisitions programme to date. PPAR reports are generally kept to between one and two sides and should be specific to procurement activity. The report was not intended to provide an overall review of the acquisitions programme as this was not requested, and it was felt that Cabinet had been kept abreast of developments through the multiple reports that had been submitted on the subject between June 2022 and April 2025.

This statement seeks to alleviate some of the confusion that was evident throughout the ‘call in’ meeting of the 19th May 2025 by explaining the way in which the reports submitted to Cabinet between June 2022 and April 2025 are linked to the *Professional Services – Residential Property Acquisition Programme (PAP) - Phase 2 - Key Decision PPAR April 2025* report that has been subject to ‘call in.’ The statement also seeks to alleviate concerns around the loss of family homes and how the Council are continuing to consider opportunities around supported exempt accommodation wherever possible and despite a challenging operating context.

It should be noted that there are currently circa 600 families with children in B&B over 6 weeks. City Housing are seeking to reduce this in line with an MHCLG endorsed B&B reduction plan by July 2027. There are circa 9000 children growing up in temporary accommodation overall, which has an impact on education, stability and could impact the lives of families and particularly children throughout in the long-term.

Whilst the Council continue to reinvigorate a new build development programme through its partners, of which there has been success, supply anticipated for completion 2027/2028 does not help City Housing to move households out of B&B in to more suitable accommodation today.

The acquisitions programme enables the Council to provide families with dependent children, often living in B&B for long periods of time with warm, safe and sustainable homes for the long term. Without professional services to support the Council in this programme, it ceases to be delivered and impacts the Council’s ability to identify solutions for these families, as well as preventing the Council from delivering its statutory obligation to move families with dependent children out of B&B.