

OVERVIEW & SCRUTINY BOARD SUPPLEMENTARY AGENDA

25 March 2026

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

4 CALL-IN OF EXECUTIVE DECISION - BUILD TO RENT - AT THE LOCAL HOUSING ALLOWANCE (Pages 3 - 8)

Additional grounds for call-in and response to grounds by service now attached.

**Zena Smith
Head of Committee & Election
Services**

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Overview and Scrutiny Board, 25 March 2026 – Grounds for Call-in – Additional Questions

Members would like to see further information on the agreement and the business. Specifically around the selection / tendering process, such as who else was considered and how they picked Inspired Solutions.

1. The cabinet papers do not provide a company number. There are a few companies with similar names.
2. The most likely company, based on searches for similar projects, is a young management consultancy
 - A) Which is not a property developer
 - B) Operates from serviced offices
 - C) Has already changed name and SIC code
3. Does not appear to have built anything anywhere

4. Can we have more information on the financial risk to LBH? We appear to carry the risk in that we guarantee rents, cover arrears, bear the risk of inflation.
5. Why did this not go through competitive tendering?
6. The £580m cost avoidance in the headline does not align with the paper, outlining that only the first 71 units directly offset Temporary Accommodation costs.

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Overview and Scrutiny Grounds

On the grounds that we are not assured that:

1. **Proper procurement has been conducted**
2. **Other suppliers have been looked at**
3. **This decision is being rushed through**
4. **Due diligence had not been conducted**
5. **Company identity, company number and assertions about the provider**
6. **Financial risk to LBH (rent guarantees, arrears, inflation)**
7. **£580m cost avoidance headline vs first 71 homes**

1. “Proper procurement has not been conducted”

Position:

A formal procurement process was not required, and this is clearly set out in the Cabinet report and supported by external legal advice. This arrangement is a nominations agreement / interest in land, not the purchase of services. Under the Procurement Act 2023, arrangements relating to land or rights over land are exempt from procurement requirements. This position has been tested and confirmed by external legal advisers (Browne Jacobson), whose advice is appended to the Cabinet report.

The Council is not commissioning a service and is not paying a provider to build homes on its behalf. The provider acquires the land, funds the development, and retains ownership and management risk. The Council’s involvement is limited to nomination rights and rent guarantees, which is lawful under Housing Act powers.

2. “Other suppliers have not been looked at”

Position:

The Council has not granted exclusivity, and this decision does not prevent engagement with other providers. Cabinet has approved an overarching framework and authorised only a first tranche of homes (71–100). The Council explicitly retains the ability to enter into similar arrangements with other providers and to assess and approve each site and tranche separately through governance.

Alternative options were considered and documented, including continued use of nightly paid accommodation, expansion of PSL, HRA acquisitions, council-owned development, and lease-and-purchase models. Inspired Solutions progressed first because of deliverability at scale, speed, and risk transfer — not because other providers were excluded.

3. “The decision is being rushed through”

Engagement with Inspired Solutions began in 2024. Since then, the scheme has been subject to financial modelling, legal structuring, subsidy control assessment, and

site-by-site appraisal. The Cabinet decision is deliberately phased and conditional. There is no financial exposure until homes are delivered, no automatic commitment beyond the first tranche, and each subsequent phase must return through governance.

The urgency reflects sustained temporary accommodation overspend, loss of PSL supply, and increasing use of hotels. Delay does not remove risk — it embeds higher nightly costs and ongoing financial pressure.

4. “Due diligence has not been conducted”

Position:

Due diligence has been extensive, multi-layered, and ongoing. Work already completed includes external legal advice (procurement, vires, subsidy control), 40-year financial modelling (covering voids, arrears, repairs, and staffing), risk allocation analysis (Council versus provider exposure), assessment of delivery capability, agreed specification standards prior to nomination, and governance safeguards built into delegated authority.

Further due diligence is intentionally staged and will be completed before commitment crystallises. This includes site-specific checks (planning, warranties, EPCs, fire safety), final subsidy control sign-off for each tranche, and property-level nomination agreements.

5. Company identity, company number and assertions about the provider

Issue raised:

The Cabinet papers do not include a company number. There are several similarly named companies, and concerns have been raised that one appears to be a young consultancy rather than a developer, with limited evidence of delivery.

Response:

The Cabinet paper and supporting legal advice are clear that the Council is not appointing a contractor, commissioning a service, or procuring a developer. Cabinet has approved an overarching nominations framework and authorised only a first tranche of homes, subject to site-specific and entity-specific due diligence before any commitment is made.

No reliance is placed on a generic trading name. Each tranche will proceed only once the specific legal entity, land interest, funding structure, and delivery vehicle have been identified and cleared through external legal advice, financial modelling, risk allocation analysis, subsidy control assessment, and property-level due diligence. The Council is not exposed to developer risk. The provider acquires the land, funds the development, and retains ownership and delivery risk.

6. Financial risk to LBH (rent guarantees, arrears, inflation)

Issue raised:

The Council appears to carry risk through rent guarantees, arrears exposure, and inflation.

Response:

The Cabinet paper makes clear that risk is deliberately structured, limited, and phased, and is materially different from current temporary accommodation exposure. The Council's risk is limited to nomination-linked rent guarantees once homes are completed and occupied, alongside normal housing management risks consistent with Housing Act powers.

The Council does not carry development cost risk, construction inflation risk, planning risk, financing risk, ownership risk, or void risk prior to practical completion. Risk mitigation built into the model includes 40-year financial modelling, no financial exposure until delivery, phased approvals with no automatic commitment beyond the first tranche, and ongoing due diligence for each phase, including subsidy control sign-off.

By contrast, the current position already carries greater financial risk through nightly paid accommodation, inflationary hotel costs, and loss of PSL supply. Doing nothing does not avoid risk — it locks in higher, uncontrolled costs.

7. £580m cost avoidance headline vs first 71 homes

Issue raised:

The £580m cost avoidance figure does not appear to align with a decision covering only the first 71 homes.

Response:

The £580m figure is a long-term, portfolio-level estimate based on sustained delivery over the life of the framework and the wider pipeline. The Cabinet decision authorises only the first tranche (71–100 homes). The report is explicit that each subsequent phase must return through governance, that there is no automatic commitment beyond the first tranche, and that the £580m figure is not attributed to the first 71 homes alone.

Assurance for Overview & Scrutiny

Members can be assured that the decision is lawful, procurement rules have been properly applied, the Council retains flexibility and choice, financial exposure is controlled and phased, due diligence is robust and proportionate, and that doing nothing carries greater financial and safeguarding risk.

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