

CABINET

12 July 2022

Title: Contract for the Provision of Temporary Accommodation for Homeless Families	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: All	Key Decision: No
Report Author: Angelo Cimelli, Service Manager, Community Solutions	Contact Details: E-mail: angelo.cimelli@lbbd.gov.uk
Accountable Director: Stephen McGinnes, Director of Support & Collections, Community Solutions	
Accountable Strategic Leadership Director: Judith Greenhalgh, Strategic Director, Community Solutions	
Summary: <p>The procurement of temporary accommodation is required to meet the statutory function for providing households, with emergency / temporary housing pending the provision of long-term housing solutions.</p> <p>The homeless service currently accommodates just under 1400 households in emergency / temporary accommodation. Outside of stock owned and managed by the local authority, the service also relies on several contracted housing providers who offer additional resources to accommodate homeless households deemed eligible for assistance in accordance with appropriate legislation.</p> <p>Contracted housing providers currently supply the local authority with approximately 950 Private Sector Lease (PSL) properties either in Barking & Dagenham, or neighbouring areas to assist the local authority meet its statutory functions.</p> <p>The existing contract commenced on 1 June 2019, for a period of 3 years, with an option to extend for a further year. The initial 3-year period is due to expire on 31 May 2022, therefore, Cabinet is asked to note the intention to invoke the 1-year extension from 1 June 2022 to 31 May 2023, during which time a procurement exercise can be undertaken to provide an opportunity for existing providers to re-tender, while giving an opportunity for new business to express an interest to join the approved framework.</p>	
Recommendation(s) The Cabinet is recommended to:	
(i) Note the extension of the existing contracts for the final year of the current temporary accommodation contract from 3 June 2022 to 2 June 2023;	

- (ii) Agree that the Council proceeds with the procurement of a new contract for the provision of temporary accommodation for homeless families commencing 3 June 2023, in accordance with the strategy set out in the report; and
- (iii) Authorise the Director of Support and Collections, in consultation with the Cabinet Member for Community Leadership and Engagement, the Director of Finance and Investment and the Chief Legal Officer, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidder, in accordance with the strategy set out in the report.

Reason(s)

To enable the Council to meet its statutory obligations and assist in achieving the priority of 'Well-Run Organisation'.

1. Introduction and Background

- 1.1 The Council has a statutory duty to provide temporary accommodation for households to whom a duty has been established under Part VII (homeless duties) of the Housing Act 1996 (as amended), or Homeless Reduction Act 2018. To fulfil this function, the Council is required to source a variety of accommodation to ensure that a sufficient supply is available to meet the needs of homeless households.
- 1.2 Additional consideration is also given to those households who are subject to Immigration Control and commonly referred to as households being supported by the No Recourse to Public Funds Service, within Community Solutions. Accommodation for these households is also procured as part of the existing framework and should be considered in any subsequent framework approval.
- 1.3 The current temporary accommodation portfolio consists of approximately 960 properties, described as PSL (Private Sector Lease), which are supplied by 17 providers. The number of properties required will be dependent on a number of different factors. The gross annual value of the portfolio is up to £20m.
- 1.4 PSL suppliers provide both property and management related functions to the Council under the terms of the existing contract, which defines and specifies key operational metrics such as minimum property standards, performance monitoring, repairs timescales and hand-back procedures.
- 1.5 For the Council to continue to fulfil its statutory duties and meet strategic ambitions of reducing the number of homeless households in temporary accommodation the award of a tender contract is necessary.
- 1.6 The tender contract should seek to be robust as far as it provides clear, reasonable, and enforceable terms and conditions in key areas such as price and payment, costs and expenses, performance, repairs and maintenance, insurance, indemnity and liability, hand-back and termination, health and safety and statutory obligations.
- 1.7 The contract must also seek to provide sufficient flexibility to allow the Council to meet dual targets of reducing the number of homeless households in temporary

accommodation, responding to projected increases in demand and where possible providing a net saving to services where existing property procurement arrangements are resulting in considerable expense to the local authority. Examples of flexibility which meets the above-mentioned targets may include, the ability to convert suitable Private Sector Licensed (PSL) agreements to Assured Shorthold Tenancies (AST) in discharge of the Councils' homelessness duty and a framework under which property suppliers can apply and contract as providers of PSL accommodation or private rented Rent Deposit accommodation or both.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

- 2.1.1 The proposed tender process will enable the council to put a Framework Agreement in place, under which accommodation providers can apply to, to provide rooms, flats and houses of varying bedroom sizes, to use as temporary accommodation for those households who are eligible for assistance in accordance with appropriate legislation.
- 2.1.2 Preference is for accommodation to be made available in Barking & Dagenham, however, where reasonable and suitable opportunities arise for procurement of stock outside of Barking & Dagenham, this can also be considered.
- 2.1.3 On this particular point, the service will sometimes have a need to accommodate households in temporary accommodation outside of Barking & Dagenham to resolve an immediate emergency, or in some cases on the grounds of affordability. For clarity, where the term Out of Borough (in London), refers, this will ordinarily be in immediately neighbouring authorities, i.e., Redbridge or Havering. Where Out of Borough (outside of London) refers, this will commonly be in the Essex area, and where households can continue to reasonably retain links with support networks in Barking & Dagenham.

2.2 Estimated Contract Value, including the value of any uplift or extension period

- 2.2.1 Upon award and commencement of any new contract the estimated value is circa £80m over the contract period (£20m per annum for 4-years).
- 2.2.2 The estimated value of the extension period commencing from expiry of the existing contract (3 June 2022) until commencement of the new contract (proposed to be 2 June 2023) is circa £18m
- 2.2.3 It is noted that the contract has a significant associated annual and contract term value, and to allay concerns that this figure is based just on spend, I offer the following clarity.
- 2.2.4 The gross annual cost of procuring temporary accommodation was just under £19m in March 2020, with the gross cost being just under £16m at March 2022. This highlights the efforts which have been made by the service in reducing the number of households in temporary accommodation over the term of the contract, and by association, therefore, the reduction in cost of procuring that accommodation.

- 2.2.5 To meet the cost of procurement, the service benefits from an annual (and ring-fenced) grant from Central Government, commonly referred to as the Flexible Support Homeless Grant (FSHG), for which Barking & Dagenham is allocated just over £3m per annum and has remained at this figure throughout the period of the current contract, with the allocation for 2022/23 being just over £3m.
- 2.2.6 This grant is used to offset the gross cost of procuring properties and has some flexibility to procure new stock as required by the service. The remainder of the cost is recovered by way of rent collection, for which the majority of households in temporary accommodation are eligible for and entitled to apply for and receive Housing Benefit.
- 2.2.7 The income channels through government grants, housing benefit and customer contributions, means that the net cost to the service, is more likely to be somewhere between £0.5m and £1m per annum and therefore significantly less than the gross annual contract value amount.
- 2.3 **Duration of the contract, including any options for extension**
- 2.3.1 For a term of three (3) years from June 2023 with an option to extend for a further period of one (1) year. The maximum duration of the contract is therefore for four (4) years.
- 2.4 **Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?**
- 2.4.1 This is a service contract which is not subject to the light touch regime.
- 2.5 **Recommended procurement procedure and reasons for the recommendation**
- 2.5.1 The tender process will be conducted in compliance with the Council's Contract Rules. The tendering of this service will be advertised on the Council's e-tendering website.
- 2.5.2 Providers expressing an interest in the tender will be issued with a tender pack which will give clear details on the quality criteria and weightings. This will be a single stage tender using the Open Process in accordance with the Public Contracts Regulations 2015 which will offer the opportunity and support to less experienced providers to submit a tender for this framework contract.
- 2.5.3 The proposed weighting will be 90% quality and 10% social value. This weighting is based on previous experience and new initiatives, which highlighted a large proportion of poor-quality accommodation within the private sector market. To ensure the provision of good quality accommodation the Council aims to confirm a supplier's ability to demonstrate a track record of effective property management within this niche sector.
- 2.5.4 Tenders will be assessed on the weighting as outlined above. We propose this as the optimum balance of whole-life costs and benefits that meet the customer's requirements. The Council will request written statements to detail how they will meet the evaluation criteria.

- 2.5.5 Providers will be ranked on the framework according to the percentage of the quality score from their tender submission.
- 2.5.6 A service specification will set out the Council’s expectations of the service provider. Successful providers will be appointed to the Councils OJEU compliant framework of suppliers.
- 2.5.7 Consideration was given to also utilising cost as a weighting metric as part of the contract specification terms, however, given the “demand led” nature of the service requirement, applying a rigid pricing structure could lead to a reduction of available stock being offered, and / or, providers being dissuaded from applying to tender.
- 2.5.8 The following outlines a high-level procurement timetable to work towards, and as the award of any new contract is likely to commence from 01 June 2023, flexibility has been built in to ensure each activity is met in good time for the contract award start date.

Activity	Completion Date
Report considered at Cabinet	Tuesday 12 July 2022
Advertise tender opportunity	Tuesday 26 July 2022
Closing date for receipt of completed tenders	Monday 19 September 2022 (8 weeks)
Tender evaluations	Wednesday 19 October 2022
Contract award sign-off	Tuesday 01 November 2022
Alcatel (10-day standstill period)	Friday 11 November 2022
Contract award	Monday 28 November 2022
Contract mobilisation (if required)	Monday 12 December 2022
Contract start date	Saturday 03 June 2023

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 The Framework agreement and contract delivery method will be delivered by several specialist housing providers. The Council will procure services from this framework of suppliers via a “call off” arrangement under which each supplier will be contacted as needs arise to establish what properties are available and outlined within the contract. Each property meeting the specifications will be procured in line with prevailing demand for housing. This will enable the Council to have a range of different types of accommodation suitable for the needs of customers.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

2.7.1 The desired outcome of the contract award is to have a wider supply of accommodation available which is also flexible enough to meet the anticipated demands on the service, while having the ability to retain the existing supply of accommodation.

2.7.2 The opportunity of having new and existing housing providers on the contract framework will enable better opportunities of procuring self-contained accommodation and provides better value for money, while negating the need to “spot purchase” expensive and often less suitable emergency accommodation, where the need arises.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 The criteria ratio upon which contracts will be awarded will be 90% quality and 10% social value. Providers will be ranked based on the quality of their tender submission. Consideration was also given to using pricing as a weighting metric, however, as the service sets a maximum rate for the procurement of temporary accommodation, providers submitting a tender do so on the understanding it is the service that negotiates the rate and not the provider.

2.8.2 Providers submitting applications as part of the tender will be assessed on quality via method statement questions which the supplier must answer. Answers provided will be graded from 0-5 depending on the quality of the answer. Any suppliers providing responses at 0-1 will be automatically disregarded from the tender process.

2.8.3 In view of the limited capability of the local authority to effectively assess prospective tender applications from managing agents on the basis of cost, the local authority has sought to focus primarily on quality.

2.8.4 In addition to the method statement responses, providers will be asked to demonstrate their preparedness to meeting the Climate Change Agenda and how they can assist the Borough meet emission reduction targets and Net Zero. One such measure will be to ensure that properties offered for use as temporary accommodation meet the appropriate EPC banding of C or better during the duration of the contract.

2.8.5 Providers who have submitted satisfactory responses meeting the above-mentioned criteria will be awarded a contract to provide Private Sector Leased accommodation.

2.9 How the procurement will address and implement the Council’s Social Value policies

2.9.1 The Council launched a new Social Value Policy in October 2020, this asks suppliers to support the Borough Manifesto goals and corporate plan priorities. Successful housing providers will be asked to support these Social Value goals by:

2.9.2 Investment in Local People: Providing work related learning opportunities and work experience, for LBB&D residents. Successful housing providers will have a number of activities within their work environment, which can present opportunities to local residents to assist on the delivery of those services. This includes activities such as office-based business support tasks, or more practically, assisting with the maintenance of housing when required.

2.9.3 Investment in Local Economy: Buying goods and services, from organisations, based in Barking & Dagenham wherever possible. Successful housing providers will often require specific materials to ensure standards of accommodation are in accordance with housing regulations. This will include having access to all health and safety items as well as other building materials, which we can encourage providers to utilise. Additionally, we could also encourage providers to access services made available via Barking & Dagenham Traded Partnership

2.10 **Contract Management methodology to be adopted**

2.10.1 The service will manage operational elements of the contract, ensuring that any temporary housing procured meets the requirements of the service and the needs of individual households.

2.10.2 The service will also ensure that any stock procured will meet up to date and appropriate health and safety regulations as outlined within the terms of the contract.

2.10.3 Contract management and reviews will be carried out by way of quarterly “call-in” sessions, with more regular and communication by way of video conference, email, etc, to ensure protocols within the contract terms are maintained appropriately.

2.10.4 Supporting the daily operational processes, the Service Manager and Accommodation and Property Procurement Manager, within the Support and Collections Service in Community Solutions, will be nominated escalation points to investigate issues which occur outside of ordinary day-to-day activities.

3. **Options Appraisal**

3.1 The following options have been considered and summarised as follows:

3.2 **Option 1:** Do nothing - The existing agreement to procure Private Sector Leasing property expires 31 May 2023. Should a revised framework agreement fail to be implemented the Council will be unable to continue procure accommodation within a legally compliant environment. The Council would then be forced into “spot purchasing” accommodation which would have significant financial impact and unlikely to adhere to specific regulations.

3.3 **Option 2:** Join an existing Framework Agreement - The Council have considered alternative procurement options such as regional consortiums, or a Dynamic Purchasing Scheme, however this has been ruled out as it does not represent long term value for money and puts the Council in direct competition with other Temporary Accommodation services in other Local Authorities, who already utilise this type of procurement method.

3.4 **Option 3:** Undertake a tender exercise to setup a framework agreement - This is the recommended option as it will allow the Council to formalise and amalgamate the procurement of private sector housing alongside the provision of PSL accommodation, which negates the uncertainty and risk associated with spot purchasing.

4. Waiver

4.1 Not applicable.

5. Consultation

5.1 The proposals in this report were considered and endorsed by the Procurement Sub-Group on the 9 May 2022 and the Procurement Board 16 May 2022.

6. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

6.1 The recommendation to extend the existing framework was allowed under a separate delegation and is permissible. The establishment of a framework will allow the Council to have a diverse variety of private Sector Landlords and will ensure there is enough properties to sustain the Council's requirements.

6.2 The report outlines the evaluation methodology as 90% quality and 10% social value, this in my view will give the Council the required number of quality providers as cost will be based per property and as such would not deliver a sustainable approach and may reduce the market appetite. The 10% Social Value aspect is in line with the Council's requirements.

7. Financial Implications

Implications completed by: Shaheen Khan, Finance Business Partner

7.1 Cabinet is being asked to note the intention to invoke the 1-year extension option that is available in the existing 4-year contract which is due to expire on 31 May 2022. The contract is for the procurement of temporary accommodation which is required to meet the statutory function for providing households, with emergency / temporary housing pending the provision of long-term housing solutions.

7.2 During the extension period from 03 June 2022 – 02 June 2023 a procurement exercise will be undertaken, giving opportunity to providers to express an interest to join the approved framework.

7.3 The decision for the extension of the 1-year contract, at the estimated agreed cost of circa £18m will be met from existing Temporary Accommodation budget and any overspill will be contained within the outturn forecast. There are no savings proposed or identified however the contract will negate the need to "spot purchase" expensive and often less suitable emergency accommodation, where the need arises.

8. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts and Procurement Solicitor, Law and Governance

8.1 This report is seeking Cabinet to note the intention to invoke the 1-year contract extension to extend the current contracts in place for the period 3 June 2022 - 2

June 2023. The contract commenced on 3 June 2019 for a period of 3 years with the option to extend for 1 year. The extension option being requested is therefore within the terms of the contract which means the proposed extension is permissible. In accordance with 57.1(c) of the Contract Rules, the extension can be granted where there is a provision stipulated in the original contracts for an extension. The extension should be recorded in writing and signed by both parties.

- 8.2 This report is also seeking approval for the new procurement. The new framework is estimated to cost the Council approximately £80 million over the lifetime of the framework and therefore is above the UK threshold for service contracts. This means that there is a legal requirement to competitively tender the framework via Find a Tender Service (FTS).
- 8.3 It is noted that the intention is to tender this framework in accordance with the Public Contracts Regulations 2015 (the 'Regulations') using the Open procedure. The requirements for competitive tendering, as contained in the Regulations and rule 28.5 of the Council's Contract Rules, should therefore be met, provided that the procedure is conducted in accordance with the Regulations.
- 8.4 Contract Rule 28.8 of the Council's Contract Rules requires that all procurements of contracts above £500,000 in value must be submitted to Cabinet for approval. In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contracts following the procurement process with the approval of Corporate Finance.
- 8.5 The Responsible Directorate and report author are requested to keep the Law and Governance Team fully advised on the progress of this procurement who will be available to assist and advise throughout the process.

9. Other Implications

- 9.1 **Risk and Risk Management** - Paragraph 2.5.7 considers whether as part of the tender exercise, attributing "cost" as weighting metric, could be considered as part of the wider scoring exercise to select successful providers. The following summary serves to better explain how temporary accommodation rates are set, and how attempting to outline a rigid pricing structure, could adversely impact the ability to secure accommodation.
- 9.1.1 At present, the cost of procuring accommodation is based on several factors including but not exclusively on the property size and location and is essentially demand led. The quantity of stock required is unknown at any given time, however, the service needs to ensure that adequate supply is available at a competitive rate, but is balanced against the Temporary Accommodation Subsidy rate, which is a calculation established by the Department for Work and Pensions, and one which allows a reimbursement of some of the procurement cost via rent collection.
- 9.1.2 The subsidy rate is the maximum amount recoverable by the local authority and is again dependant on property size and location. Additionally, each borough sets a maximum rate payable by the local authority to secure stock in its own borough. These rates are published pan-London as part of the Inter Borough Accommodation Agreement (IBAA) and mitigates the risk of other local authorities paying more for stock than the host borough.

- 9.1.3 To continue to source a steady supply of stock, and as a way of attracting supply, the service procures stock at a net loss (approximately, £4.70, per night, per property procured via a contracted provider), and to mitigate the loss, the service has been actively working to reduce the reliance on temporary housing, while finding other more cost effective methods to accommodate households, such as utilizing and increasing the use of council owned temporary accommodation, or by sourcing and making final offers of private rented sector accommodation.
- 9.1.4 Figures available, show that at the start of the existing contract (01 June 2019) there were approximately 1700 households accommodated in circa 1300 temporary properties, with the remainder in Council owned accommodation. The gross cost of externally sourced accommodation for the 2019/20 financial year was just over £18.5m.
- 9.1.5 At the end of March 2022 and having been set ambitious targets to reduce the number of households in temporary accommodation, the number of households has reduced to just under 1400, with 960 of those accommodated in PSL properties. The gross cost was under £16m.
- 9.1.6 By way of better explaining the gross and net cost of procuring temporary accommodation, the following refers.

Government allocates an annual Flexible Support Homeless Grant (FSHG) to each Local Authority. This grant replaced what was historically called a “management fee” which was associated with every Private Sector Leased property and was set at a maximum of £40.00 per property, per week.

The grant allocated to Barking & Dagenham this year is just over £3m and is ring-fenced for use to assist with the payment of existing stock, with flexibility to procure any new stock as required.

At present, the maximum amount payable for a 3-bedroom property, procured in Barking & Dagenham is set at £42.48 per night (by our service) and is published across London. This rate has not changed since July 2017, despite significant pressure from housing providers

Of the nightly charge paid, only a percentage of this amount can be charged to the customer and collected by way rent collection, for which most households in temporary accommodation are eligible and entitled to receive Housing Benefit to assist with the cost of paying the charge.

The following table serves to highlight how the nightly charge is applied, and recovered, while also showing the net loss to the service.

Cost of procuring 3-bedroom property per night	Charge to customer, recoverable via Housing Benefit	Management Fee received through FSHG	Total recoverable	Net Loss
£42.48	£31.15	£5.71	£36.86	£5.62

This is just one example, and it should be noted, that that there are several other properties currently being utilised where the net loss is less, and it is on this basis

that we are able to outline that the average net loss across the PSL portfolio is approximately £4.70 per property, per night.

Anecdotally, this is one of the lowest net loss figures across London, and one which the service is working hard to maintain, with the ambition of reducing.

9.2 TUPE, other staffing and trade union implications - Not applicable

9.3 Corporate Policy and Equality Impact – The provision of temporary accommodation is part of a wider statutory function that the service operates to assist and accommodate those households who are homeless or threatened with homelessness and deemed as eligible for assistance in accordance with Part 7 of the Housing Act 1996 (as amended), and Homeless Reduction Act (HRA) 2018.

Therefore, given the statutory nature of the service, the service must ensure that equal opportunity is afforded to all customers who meet the criteria for assistance, irrespective of whether they fall into the protected characteristic groups.

The tender exercise being undertaken, is to retain existing temporary accommodation providers on contract, while offering the opportunity for new businesses to tender.

Providers will propose a variety of properties and bedroom sizes, which will be considered in accordance with the needs of the business and service users.

At present, external housing providers, provide around 950 properties, in and around Barking & Dagenham, with the number of registered homeless households being just under 1400. The service also utilises several Council owned and managed properties to accommodate the remainder.

Providers will ensure any accommodation provided and utilised will meet all appropriate Health & Safety regulations, and during the period of occupation will carry out property maintenance activities as required. The Temporary Accommodation Team, will maintain regular contact with the residents, during the period of occupation and will manage all other areas including but not exclusively in relation to:

1. Rent collection
2. Adherence to terms and conditions of the licence arrangements
3. Anti-Social Behaviour (where reported)
4. Failure to engage with required support
5. Long-term housing solutions.

The Equality Impact Assessment Screening Tool has been completed and suggests that a full Equality Impact Assessment is not required.

9.4 Safeguarding Adults and Children – The provision of good quality temporary accommodation improves the wellbeing of children and vulnerable adults in the borough, reduces inequalities and ensure facilities are provided in an integrated manner, having regard to guidance issued under the Children Act 2006 and the Care Act 2014.

- 9.5 **Health Issues** – The provision of good quality temporary accommodation positively impacts on health issues for the local community.
- 9.6 **Crime and Disorder Issues** – The provision of good quality temporary accommodation assists with building communities and reducing crime and disorder issues.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None