

Report for: **Cabinet: 13 September 2022**
Title: **Appointment of a programme wide sales and marketing agent to support the housing delivery programme**
Report
Authorised by **David Joyce, Director of Placemaking and Housing**
Lead Officer: **Robbie Erbmman, Assistant Director for Housing**
Ward(s) affected: **All**
Report key
Decision: **Key Decision**

1. Describe the Issues under Consideration

- 1.1. This report seeks Cabinet approval for the appointment of a sales and marketing agent identified through competitive tendering to provide a variety of services in relation to the homes that the Council will build for market sale in order to cross-subsidise the delivery of a new generation of council homes for local residents.
- 1.2. The appointment for sales and marketing agent services is for a capped total cost of £3,431,062. Together with other sales and marketing consultancy services that have already been approved through the Director of Placemaking and Housing's delegated authority, the contract recommended will be for a five-year period with a total maximum budget of £3,930,061.

2. Cabinet Member Introduction

- 2.1. This administration is committed to delivering a new generation of council homes that have been designed and built to the very highest quality. That means we will co-design those homes so that they meet residents' aspirations – including for those with disabilities and medical need. It means we are committed to delivering homes that are zero carbon and that reduce fuel poverty for tenants. And it means we are committed to building council homes for families that need three, four and more bedrooms.
- 2.2. The homes we build for council tenants cannot be built on the cheap. So that we can afford to build the highest quality council homes that all residents deserve, we need to generate revenue by building some homes for market sale.
- 2.3. That requires specialist commercial expertise that the Council does not currently possess. As we are only planning to sell less than one in five of the homes that we build, there is simply not enough of a programme for us to develop that expertise ourselves.
- 2.4. This area of commercial activity is new for the Council, and so I recommend that we need to bring in the external expertise that will ensure the programme is financially successful and that will help establish our own capacity for delivering homes for the open market.
- 2.5. This said, there is no obligation on us to use this resource for every project, and we are carefully considering where this resource is deployed, and where we might use local sales agents within the programme.

3. Recommendation

3.1. It is recommended that Cabinet:

3.1.1. Approve that a contract be awarded to the tenderer named in the exempt part of the report, who has been identified through a competitive procurement exercise as the sales and marketing agent for the Council's housing delivery programme for a value of £3,431,062 to provide services as specified at 6.17 for a five year period; and authorise the Director of Placemaking and Housing in consultation with the Head of Legal and Governance to enter into the contract with the appointed tenderer.

4. Reasons for decisions

- 4.1. The Council needs to maximise its returns from the market sale element of its housing delivery programme to provide the required financial support for its ambitious programme aimed at delivering new council homes of the highest quality for the borough's residents. Currently around 370 new homes for sale are planned for the period of the proposed sales and marketing agency contract and we anticipate that this number may rise over the coming years as proposals for further sites are developed and brought into the Council's Housing Delivery programme.
- 4.2. The Council has never marketed and sold homes on a commercial basis, and it has no existing expertise or capacity to do it effectively.
- 4.3. Unlike most other boroughs, we do not currently have a substantial private sales or shared ownership programme. We are currently forecasting 16% of the homes that we deliver to be for private sale and have an extremely limited and historic shared ownership programme. In addition, the sales programme is concentrated within a few of our higher value projects – which means that while we have moments of very high demand – we do not have a sustained pipeline to justify regular sales activity. All of this mitigates against the establishment of an in-house team – as we would not have the required level of activity to sustain it over a period of time.
- 4.4. We are therefore proposing the appointment of a specialist marketing agent. The Council has carried out a competitive procurement exercise to identify the most appropriate option. This procurement is for a non-exclusive sales agency appointment, which means that the Council can still choose to procure and appoint alternative agents if necessary or appropriate for specific private sale projects, particularly where we may want to take a more localised approach. Similarly, it does not preclude the Council choosing to develop a private sales specialism in-house in future if our private sales or shared ownership pipeline grows.
- 4.5. Based on the tender returns, the winning tenderer provided the most competitive tender return from a cost, quality and programme perspective demonstrating value for money for the Council.

5. Alternative options considered.

- 5.1. The Council could try to deliver Council homes for Council rent without cross-subsidising them through homes for market sale. This has been rejected because the Council's first priority is to deliver as many high-quality Council homes at Council rent as possible. It is not currently financially viable to do this without an element of cross-subsidy, even allowing for maximising the amount of available public grant funding. Homes for market sale provide the maximum cross-subsidy possible with the fewest number of homes that are

not let at Council rent. The Council's Housing Revenue Account (HRA) business plan allows for providing the minimum amount of new non-Council rent homes to ensure long term financial viability of the Council's rented stock.

- 5.2. The Council could carry out the marketing and sales activities itself. This option was rejected because the Council does not have the existing specialist expertise, resources, or capacity to do this effectively. To develop the required in-house capacity, a significant financial investment would need to be made to attract candidates with the right qualifications, in a competitive jobs market. This process would take a prolonged approval period internally and a lengthy recruitment timeframe. There would then need to be a period of bedding in the team, it would take a significant amount of time to build the contacts, resources and local market knowledge.

As previously set out, the Council does not have a large enough sales programme to justify the mobilisation of an in-house team described above, given that the vast majority of the homes within the Haringey development programme are for council rent, with practically no shared ownership and a relatively modest number of homes for sale.

Our programme is also somewhat inconsistent, with private sales mostly concentrated on a small number of large sites. This means that there will be times over the coming years where there will be a significant resource requirement and other times when the requirement will be virtually non-existent.

- 5.3. The Council could solely procure the services on a site-by-site basis. This option was rejected for the following reasons:

- The intention is that the Council develops an overarching sales and marketing approach and 'brand' for the new homes being developed for private sale, which will provide consistent messaging and clearly communicate to potential buyers the link between the home sales and local investment in the borough, improving neighbourhoods and providing affordable housing.
- A single provider can achieve efficiencies from a resource management perspective.)

However, the tender is clear that the agency services are being commissioned on a non-exclusive basis. If it is felt the winning tenderer is not suited to provide agency services to certain sites, the Council can appoint an alternative provider and are not bound to use the successful tenderer for all sales and marketing services. A number of our smaller private sales sites may lend themselves to a more localised approach. As noted above, the Council may choose to procure local agents for specific sites where this may be appropriate.

- 5.4 The Council could have attempted to procure from an external framework. This option was rejected as there is not a framework which has a robust list of tenderers on it which the Council felt would lead to a competitive tender process and/or complement the needs of the housing delivery programme.

6. Background information

- 6.1. The Council is committed to delivering a new generation of council homes that have been designed and built to the very highest quality. That means the Council will deliver council homes that have been coproduced with residents, that meet ambitious commitments to sustainability, and that meet the needs of larger households.

- 6.2. There is acute demand in Haringey for genuinely affordable homes. 11,000 households are on the housing register, including 2,700 homeless households in temporary accommodation and many families living in overcrowded conditions. The Council has an ambitious programme which aims to deliver 3,000 high quality new council homes by 2031
- 6.3. The Council cannot currently finance building homes for social rent of the high quality that council tenants deserve through capital grant and borrowing alone – and especially not if it is to deliver the homes with three, four or more bedrooms for social rent that families need. The Council therefore needs to generate additional income to subsidise those homes by building some homes for market sale.
- 6.4. Currently across the programme the tenure mix is split with the Council delivering 84% of all homes at council rent, with the remaining 16% being for private sale. Delivery of the homes is currently being funded through the HRA along with grant funding from the Greater London Authority (GLA).
- 6.5. Under the GLA affordable homes programme (2016-21, extended to 2023 due to delays caused by the Covid-19 pandemic), the Council can draw down from a maximum grant funding pot of £120.2m. Under the latest GLA Affordable Homes Programme (2021-26) the Council has been awarded a total grant of £127.4m to support the delivery of affordable homes.
- 6.6. Even with the GLA funding, the Council does not have all the subsidy needed to secure a fully viable development programme of new homes for Council rent. This means we will build a mix of different homes which includes some for sale on the private market. Our commitment is that we will only do this to cross-subsidise the delivery of the Council homes for social rent of the highest possible quality and in the greatest possible numbers.
- 6.7. National supply-chain and workforce issues caused by the Covid-19 pandemic, the impact of the UK's departure from the European Union and the war in Ukraine have led to significant recent increases in the cost of construction materials and labour. This has negatively impacted the value for money the Council can achieve, and the viability of development projects across the Housing Delivery programme. The costs of construction contracts awarded in the last two years have significantly risen, putting more pressure on the number of affordable homes the Council can deliver. These are similar pressures that are being reported by other local authorities across London and the UK.
- 6.8. It is therefore essential that the Council is able to fund its housing programme through a diverse funding model to ensure pressure on the HRA is sustainable. The income generated from private sale homes will be used to directly fund the delivery of Council homes in the borough. This is a typical model adopted by numerous developing Local Authorities and Housing Associations, to ensure the security of their development programmes.
- 6.9. The Haringey Housing Delivery team regularly engage with the equivalent teams at other London Local Authorities and Registered Providers, and we are part of a number of development networks across London. The team keep up with good practice in the sector and have worked with officers at other developing Councils to learn lessons from their existing programmes of developing homes for sale – this has informed Haringey's proposed approach to sales and marketing.
- 6.10. It is therefore recommended that the Council appoint external expertise to undertake critical tasks that are required to enable the Council to achieve key objectives associated

with their private sales programme.

Procuring the sales and marketing agent

- 6.11. Details of the proposed fees received from all bidders have been provided in Appendix 1, which is exempt from publication due to the commercially sensitive nature of this information.
- 6.12. The rationale behind approaching this procurement exercise on a programme basis and not piecemeal (site by site) is:
 - 6.12.1. The benefits of achieving economies of scale in agency fees and day rates.
 - 6.12.2. Having upfront insight on pricing for the agency fees for the next 5 years will help improve the accuracy of our financial viability modelling and the programme's business plan.
 - 6.12.3. Efficiency benefits which can be derived from running one tender process, opposed to 40+ tender processes by individual PMs. Tendering on a site-by-site basis is a 2-6 month process depending on the contract value for a specific site.
 - 6.12.4. Flexibility will be built into the scope of services and contract which the winning tenderer enters into, giving the Council discretion to seek services from an alternative provider if it is felt the winning provider cannot meet the needs on a specific scheme. This allows for separate appointment of smaller or more local sales agents if deemed desirable for specific sites.
 - 6.12.5. Procuring these services under one umbrella appointment will help to ensure all marketing collateral is aligned to the programme level sales and marketing strategy, providing consistency and uniformity.
- 6.13. The winning tenderer will have a strategic overview of the sales programme and marketing programme, from a timing, pricing, and brand perspective of the various sites across the borough.
- 6.14. The chosen tenderer will build a strong relationship with Haringey Council, having a clear understanding of our objectives and processes to effectively deliver to our needs. Haringey Council will have direct oversight of decisions made by the chosen tenderer.
- 6.15. To benefit from the above, it is felt that the appointment should be for a 5-year period.
- 6.16. The Council's housing delivery programme is ambitious – as Haringey's residents need it to be. The Council believes that delivering Council homes at Council rents is one of the most important things it can do. In the current funding and economic context, the homes it delivers for market sale within its housing programme are of critical importance because profits generated from their sales will cross-subsidise the delivery of Council homes. It is therefore important that the chosen sales and marketing agent can maximise sales values while being cognisant of the corporate priorities and wider values of the borough. The procurement exercise was therefore assessed on a 70% quality and 30% cost basis which has subsequently led to a very competitive tender process.
- 6.17. At a high level the services which the Council are seeking to procure have been split into two parts, part 1 programme level services and part 2 on-going site specific service as set out below:

Part One

- 6.17.1 Support to develop the objectives of the private sales programme and develop the brand for them.
- 6.17.2 Preparation of a programme wide sales and marketing strategy to set the overarching direction for all sites within the programme with a market facing element.
- 6.17.3 Review the existing sites within the current programme where tenure mix is not locked to advise on site viability and optimum unit mix, as well as other design specific criteria.
- 6.17.4 Preparation of a private sales specification to ensure consistency across the product.

Part Two

- 6.17.5 Providing advice on new sites being brought into the programme to recommend what should be developed on the land and how many units, unit mix, unit sizes, initial site viability.
 - 6.17.6 Preparation of site-specific sales and marketing strategy for developments which contain a market facing product, inclusive of the pricing strategy
 - 6.17.7 Provision of sales estimates in relation to future sites entering the programme to site feasibility and planning stage
 - 6.17.8 A comprehensive estate agency service to advertise and sell the market facing element of Council development schemes.
- 6.18. The services in tasks 1-7 (6.17.1-6.17.7) have already been approved by the Assistant Director of Housing, Regeneration and Planning under CSO 09.07.3 and 9.07.1.c due to the urgency attached to these tasks and these were priced on a fixed fee basis. Further information is set out in Appendix 1.
- 6.19. Due to the task 8 (6.17.8) service and its ongoing nature over the five-year period, approval is being sought from Cabinet for them for the value of £3,431,062.
- 6.20. The wider contract value is for a total of £3,930,061, to provide services under part 1 and 2. This amount has been ring-fenced for these services over a five-year period and costs charged against this contract will be net off against the sales income for the schemes in question. Please refer to Appendix 1 for a breakdown of these costs.
- 6.21. A five-year duration for this contract was selected. Due to the length of a typical development project, this is judged to be a suitable timeframe to ensure consistency and momentum across the programme.
- 6.22. The maximum budget for all the services above is £3,930,061, which is judged to be appropriate to the size of the programme and the inevitable elements of uncertainty across it. There is no guarantee that the maximum budget will be used, nor are there any exclusivity rights to the winning tenderer. This is felt to be the most sensible solution to ensure costs do not spiral, but that there is also a certain degree of flexibility on our smaller sites which may be more suited to the services of a local agent.

- 6.23. This opportunity was released via the Council's Dynamic Procurement System on 16 September 2021, specifically under the Advertising and Marketing Services Lot. This platform offers the Council the flexibility of inviting the specific providers to tender that were felt appropriate for the tasks at hand to ensure a competitive tender process.
- 6.24. The tender documents have been prepared following consultation and guidance from Strategic Procurement and Property teams.
- 6.25. The evaluation panel consisted of four officers, from Housing Development and Strategic Property with Strategic Procurement providing final moderation services.
- 6.26. In total we received 5 responses from the market. The tender returns were assessed on a 70% quality and 30% cost basis. The results from the tender valuation exercise are as follows:

Assessment	Bidder 1	Bidder 2	Bidder 3	Bidder 4	Winning Tenderer
Cost Score	24.4%	21.06%	17.32%	17.6%	30%
Quality Score	40.6%	44.8%	49%	51.8%	50.4%
Total tender evaluation score	65%	65.8%	66.32%	69.4%	80.4%

- 6.27. Due to the commercially sensitive nature of this information, further information can be found in Appendix 1.
- 6.28. Based on the evaluations carried out it is recommended that Cabinet approve the appointment of the winning tenderer for the value of **£3,431,062** to carry out the task 8 (paragraph 6.17.8) service set out under the wider contract.

7. Contribution of Strategic Outcomes

- 7.1. The recommendations in this report will support the delivery of the Housing Priority in the new Borough Plan, which sets out in its first outcome that 'We will work together to deliver the new homes Haringey needs, especially new affordable homes'. Within this outcome, the Borough Plan sets the aim to 'Ensure that new developments provide affordable homes with the right mix of tenures to meet the wide range of needs across the borough, prioritising new social rented homes'.
- 7.2. The proposals in this report contribute directly to the strategic outcomes on new housing supply that are at the core of the aims of the Council as expressed in the Borough Plan.

8. Legal

- 8.1. The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of this report.
- 8.2. The services are above the procurement threshold (currently £177,897 + VAT = £213,477) where the tendering requirements set out in the Public Contracts Regulations 2015 (the Regulations) apply. The use of a Dynamic Purchasing System (DPS) is an approved procurement process under Regulation 34 of the Regulations. It is also approved under the Council's Contract Standing Orders (CSO 9.04 Dynamic Purchasing Systems).
- 8.3. The award of this contract will be a 'key decision' and, as such, needs to comply with the governance requirements set out in the Council's Constitution, including publication in the Forward Plan (CSO 3.01 (d)).
- 8.4. The Cabinet has power to approve the recommendations under CSO 9.07.1 (d) (contracts valued at £500,000 or more).
- 8.5. The Head of Legal and Governance (Monitoring Officer) confirms there are no legal reasons preventing Members from approving the recommendations in this report.

9. Procurement

- 9.1. Strategic Procurement (SP) note that this report relates to the approval of an appointment of programme wide sales and marketing agent to support the housing delivery programme.
- 9.2. SP support the recommendations in this report in accordance with Contract Standing Order clause 7.0.1. (b) and 9.07.
- 9.3. Pursuant to CSO 7.01(b) Regulation 33 of the Public Contracts Regulations 2015, SP confirms that tenderers were invited to Tender through the London Construction Programme, Dynamic Purchasing System for Professional Services.
- 9.4. The Council received Five compliant tenders from five Suppliers with further clarifications needed to achieve the final price.
- 9.5. SP note that tender returns were evaluated independently by a Quality Panel and the Price element of the Tender was evaluated separately. The Winning Contractor scored the highest in quality and Price overall as set out in the Exempt part of this report.
- 9.6. SP support the recommendations within this report and have no objections with awarding this Contract to the Winning Bidder for the value outlined within the Exempt part of this report.

10. Finance

- 10.1 Comments from finance are contained in Appendix 1, paragraph 3 as they contain commercially sensitive information.

11. Equality

- 11.1. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 11.2. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex, and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 11.3. The decision is to appoint a sales and marketing agent to provide services to support the sale of homes that the Council will build for market sale – which will be used to subsidise the delivery of Council homes as part of the borough’s ambitious plans to deliver 3000 new council homes by 2031.
- 11.4. As such, it is anticipated that this decision will have a positive overall equalities impact, with those on low incomes, amongst whom there are a disproportionate number of residents with other protected characteristics, likely to benefit. It is noted that the objectives of the private sale programme will be subject to an equalities assessment.
- 11.5. As a body carrying out a public function on behalf of a public authority, the contractor will be required to have due regard for the need to achieve the three aims of the Public Sector Equality Duty, noted above. Arrangements will be in place to monitor the performance of the contractor and ensure that any reasonably possible measures are taken to address any issues that may occur that may have a disproportionate negative impact on any groups who share the protected characteristics.

Use of appendices

Appendix 1 – Breakdown of winning tenderers costs and budget structure - EXEMPT.

Local Government (Access to Information) Act 1985

Appendix 1 is NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 in that they contain information relating to the financial or business affairs of any person (including the authority holding that information).