

Agenda item:

[No.]

Name of Meeting: Cabinet

On: 13 October 2009

Report Title: **Award of Contract for Supplier Managed Private Sector Leased Properties for use as Temporary Accommodation**

Report of: Niall Bolger – Director of Urban Environment

Signed:

 5th October 2009.

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Wards(s) affected: **All**

Report for: **Key Decision**

1. Purpose

- 1.1 To seek Cabinet's approval for the Council to enter into a framework agreement in the form attached at Appendix C ("Framework Contract") with six providers of supplier-managed private sector leased accommodation following the completion of a successful competitive tender process.

2. Introduction by Cabinet Member

- 2.1 It is essential that, as the Council reduces its use of temporary accommodation, we improve the quality and suitability of the homes we procure and that, in doing so, we achieve value for money and seek to minimise the financial impact of the proposed changes to the subsidy arrangements relating to temporary accommodation.
- 2.2 The procurement of supplier-managed private sector leased accommodation supports the Council's efforts to reduce the number of households living in Emergency Accommodation, to just 200, by the end of March 2010. It will also enable the Council to hand back leased properties that are not up to standard. All properties used in the future under this scheme will be fully inspected and will meet the standards that the Council requires before they are procured ensuring residents occupy good quality temporary accommodation.

3. State links with Council Plan Priorities and actions and/or other Strategies:

3.1 The award of the Framework Contract will support the delivery of Haringey's multi agency Homelessness Strategy 2008-11 in which the Council and its partners give a commitment to "improve the quality and suitability of temporary accommodation".

3.2 It will also support the Council's objective of improving housing conditions in the borough and it will help meet the following priorities in the Council Plan:

- **Priority 3** – "Encouraging lifetime well-being, at home, work, play and learning"

By increasing its stock of good quality, well managed temporary accommodation, the Council will provide families and vulnerable households with the stability they need, making it easier for them to maintain their links with schools, healthcare professionals and support networks.

- **Priority 4** – "Promoting independent living while supporting adults and children when needed".

By moving homeless households out of Emergency Accommodation and into private sector leased accommodation (where they will be responsible for paying their own utility bills, rather than a single service charge), the Council will help them to prepare for independent living. .

- **Priority 5** – "Delivering excellent, customer focused, cost effective services".

By moving to a contracted supplier-managed private sector leased arrangement from the nightly-purchased licence arrangement, the Council will not only reduce costs but also be in a better position to manage the contract more rigorously. By improving standards, it will also improve the customer experience of households living in temporary accommodation.

4. Recommendation(s)

4.1 The Cabinet is recommended to approve the Council entering into Framework Contracts with each of the following six providers of supplier-managed private sector leased properties to companies named in the attached Appendix A:

5. Reason for recommendation(s)

- 5.1 In April 2010, a new housing subsidy system will come into effect, changing the formula used to assess the amount of money that councils can claim towards the cost of providing homeless people with Temporary Accommodation (TA).
- 5.2 For Haringey Council, the financial implications of these subsidy changes are extremely serious, not just because of the high number of households living in TA (currently 4,200) but also because of its reliance on expensive, nightly-charged Emergency Accommodation (EA).
- 5.3 If the Council's use of Emergency Accommodation (and the unit cost of procuring TA) is not reduced significantly, the adverse impact of the subsidy changes on the 2010/11 General Fund TA budget is expected to be in the region of £7 million.
- 5.4 An Emergency Accommodation Reduction Project has been established in order to reduce the number of households in EA from 1700 to 200 by the end of March 2010.
- 5.5 Although it is anticipated that the Council will discharge its housing duty towards many of these households in EA by providing them with access to private rented accommodation, financial savings can also be achieved by converting EA to leased accommodation or moving households from EA to alternative, less expensive TA.
- 5.6 The Framework Contract for supplier-managed private sector leased properties will help the Council to reduce its use of Emergency Accommodation and procure a better quality, less expensive alternative to nightly-charged EA.

6. Other options considered

- 6.1 Consideration has been given to the possibility of expanding the Council's in-house private sector leasing scheme and increasing the amount of temporary accommodation leased by housing associations.
- 6.2 Although it is envisaged that the Council will continue to manage a large stock of private sector leased accommodation for the foreseeable future, the Council has only limited capacity to increase the amount of accommodation it procures between now and April 2010, when the new subsidy arrangements come into effect.
- 6.3 Whilst it is in the Council's interests to increase the number of properties that are leased by housing associations (because, under the agreement reached with the housing association, the Council is not liable for tenancy matters, maintenance or dilapidations) the housing associations are unlikely to be able to procure the number of leased properties required to fully meet the Council's needs by March 2010.
- 6.4 Given the urgency of procuring a plentiful supply of good quality leased accommodation by the end of March 2010, it is recommended that the Council procures a stock of supplier-managed private sector leased accommodation. This will enable the Council to assess the merits of what will be (for Haringey) a new type of leasing arrangement and manage risks better over a mixed property portfolio.

7. Summary

- 7.1 Although the number of homeless households living in Haringey's Temporary Accommodation (TA) has reduced by almost 1,200 since April 2008, the Council's use of expensive nightly-purchased Emergency Accommodation (EA) has increased steadily in recent years and now accounts for more than one third of all the temporary accommodation used by the Council.
- 7.2 Even though EA was only ever intended for use as 'first stage' accommodation while a homelessness decision is reached and plans are made (where appropriate) to move households on to more suitable accommodation, more than half of the households now living in EA have been there for at least 2 years, and more than one in ten have lived in EA for at least 6 years.
- 7.3 Of the EA used by Haringey, three quarters has one or two bedrooms and more than two thirds is provided by just eight housing suppliers.
- 7.4 The cost of Emergency Accommodation in 2009/10 is budgeted at £19 million.
- 7.5 Unless decisive action is taken to alter the size and profile of Haringey's TA stock over the next 6 months, the proposed changes to the housing subsidy arrangements will have an adverse impact on the General Fund in the region of £7 million.
- 7.6 As part of its Temporary Accommodation Strategy, the Council will continue to procure properties for its in-house private sector leasing scheme and encourage housing associations to expand their private sector leasing schemes. However, the required reduction in the Council's use of Emergency Accommodation is dependent upon the Council procuring a plentiful supply of good quality supplier-managed private sector leased accommodation at the right price.
- 7.7 Although a number of London boroughs are already operating supplier-managed private sector leasing schemes, Haringey has not yet used this type of temporary accommodation. Instead, it has relied on its in-house leasing scheme and the housing association leasing scheme.
- 7.8 The supplier-managed private sector leasing scheme is used by a number of London boroughs and involves the housing supplier taking on the responsibility for the procurement and day-to-day management of the properties (including repairs, voids and dilapidations), leaving the Council responsible for referring prospective tenants, collecting rent, monitoring the contract and, where necessary, evictions.
- 7.9 Following detailed discussions between Strategic & Community Housing Services and the Council's Legal Services and Procurement teams, tender documentation was prepared and an advert was placed on the Council's website on 28 August 2009 , inviting expressions of interest and tenders from suitably qualified landlords and agents.
- 7.10 The tender documentation set out very clearly the responsibilities of the supplier and the Council. One of the priorities was to ensure that the Council has no liability for on-going maintenance or dilapidations. Care is also being taken to ensure that a sound mechanism is in place to tailor the procurement of properties to meet the constantly changing needs of families requiring Emergency Accommodation.

- 7.11 A total of 19 tenders were received and, using the Council's procurement framework, Officers then evaluated all of the tenders. The results of this evaluation are attached to this report as Appendix B and the successful bidders are set out in the tender report attached as Appendix A.
- 7.12 It is recommended that the Council appoint the six successful selected bidders as set out in the Tender Report by entering into a Framework Contract with each of them to procure (between them) up to 400 units of supplier-managed private sector leased accommodation, and that the Framework Contract is reviewed after 12 months to establish its cost-effectiveness in comparison with the Council's in-house leasing scheme and the housing associations' leasing scheme.
- 7.13 It is estimated that, by replacing up to 400 units of Emergency Accommodation with the same number of supplier-managed private sector leased properties, the Council will achieve savings in the region of £600k. per annum.

8. Chief Financial Officer Comments

- 8.1 This report seeks Cabinet approval to enter into a Framework Agreement for up to 400 units of supplier-managed private sector leased properties; this will follow the completion of a successful competitive tender process. This initiative is proposed in order substantially to reduce the Council's use of emergency and temporary accommodation, and to minimize the financial impact of proposed changes to subsidy arrangements for temporary accommodation (with a potential impact of £7m from 1st April 2010).
- 8.2 The replacement of 400 units of Emergency accommodation by supplier managed private sector leased properties is estimated potentially to achieve savings in the region of £600k. However, this is dependent on the final selection of suppliers and the bids they have made. Additional savings could also be achieved if either the Council or Housing Associations were to manage additional units of private sector leased accommodation, but there is limited capacity to achieve this by March 2010.
- 8.3 In order to establish the cost effectiveness of proposed arrangements for supplier managed private sector leased accommodation, the Framework Agreement will be reviewed after 12 months to establish its cost- effectiveness, in comparison with the Council's in-house leasing scheme and the housing associations' leasing scheme.
- 8.4 Cabinet approved an additional one-off resource of £2.2m at its meeting on 21st July 2009 to fund an Emergency Accommodation Reduction Project in order to reduce the number of households in Emergency Accommodation from 1,700 to 200 by the end of March 2010.

9. Head of Legal Services Comments

- 9.1 The Council has a statutory duty to provide suitable accommodations to those who are homeless in accordance with Part VII of the Housing Act 1996. The Council may discharge this housing function in various ways. It may do so by securing that suitable accommodation is available for the applicant, by securing that the applicant obtains suitable accommodation from some other person or by giving the applicant such advice and assistance as will secure that suitable accommodation is available from some other person.
- 9.2 This is the first of the schemes that the project team has looked at. In entering into the Framework Agreement the Council will have the ability to call for accommodation when required, the Agreement will make sure that the accommodations are suitable and available for the applicants.
- 9.3 Under this scheme the Council will be taking leases directly from the landlord and will therefore be the tenant and responsible for paying the rent. The Council will then be able to grant sub tenancies to those to whom it has a duty.
- 9.4 As the framework agreements to which this report relates concern the transfer of an interest in land they are not subject to the Public Contract Regulations 2006.
- 9.5 In accordance with CSO 6.05 this procurement has been subject to a competitive tendering process.
- 9.6 As the total value of the contracts to be awarded under the framework agreement is likely to exceed £250,000, the proposed award must be approved by Members.
- 9.7 The award of this contract is a key decision and the client has confirmed that it has been included in the Forward Plan.
- 9.8 The Head of Legal Services sees no legal reasons preventing Members from approving the recommendations in paragraph 4.

10. Head of Procurement Comments

- 10.1 Corporate procurement have been working closely with Temporary accommodation team on this procurement and the recommendation is in line with the Procurement Code of Practice
- 10.2 The recommendation has been arrived at by using a competitive tendering process and a most Economically advantageous tender (MEAT) evaluation criteria representing Value for Money to the council.
- 10.3 Monthly and quarterly monitoring of the suppliers has been put in place to ensure contract compliance and to minimise the risk of any poor performance.
- 10.4 The recommendation minimises the risk of the council not meeting its emergency accommodation reduction targets and thus not facing the adverse impact of the subsidy changes on the 2010/11 General Fund TA budget.

11. Equalities and Community Cohesion Comments

- 11.1 A high proportion of households living in temporary accommodation are vulnerable and from Black and Minority Ethnic (BME) communities.
- 11.2 For those households living in Emergency Accommodation, they are unable to plan their lives given the uncertainty and short term nature of this type of accommodation. In addition there is a high rate of pupil mobility which means that the duration and location of temporary accommodation has an impact on other council services such as education and social services. It is envisaged that with more long term arrangements in place under the framework agreement along with good quality accommodation will enable families to plan their lives more and lead to a degree of stability.
- 11.3 In order to reduce the extent of pupil mobility within Haringey's schools – and to assist those households that include someone who has special medical, educational or support needs – all of the TA that is procured (including leased properties that are approved for renewal) will be located **in Haringey or within 1½ miles of it**. The only exceptions to this will be where it is in the best interests of the service user (because of domestic violence, hate crime or threats to kill, for example) that TA is provided much further away from the borough

12. Consultation

- 12.1 As part of Haringey's multi-agency Homelessness Strategy and its implementation plan, the Council has consulted service users living in temporary accommodation.
- 12.2 When we have consulted with residents of Emergency Accommodation, they have expressed concern about the quality of some of the accommodation, confusion over who to contact to report the need for repairs or pest control treatment, and the length of time it takes some housing suppliers to organise repairs and treatment.
- 12.3 Residents of EA have also told us about the inconvenience they are caused (especially if they have children and/or are living with someone who has special medical, educational or support needs that can best be met by remaining in the borough) when the Council places them in homes a long way from Haringey.
- 12.4 They have told us, also, about the disruption they are caused by the frequency with which they move and the fact that they are often asked to move at very short notice. Uncertainty as to when and where they will move makes it extremely difficult to make important decisions and choices about schools, doctors and employment.
- 12.5 Many residents feel that the Council does not provide them with enough support while they are living in Emergency Accommodation, especially if they are living in accommodation that is situated a long way from Haringey.
- 12.6 Properties procured under the framework agreement will address the above concerns by having robust policies and procedures in place with the suppliers of managed private sector leased properties which will be monitored by officers.

13 Service Financial Comments

- 13.1 It will not be possible to make a full assessment of the costs of the Supplier Managed Private Sector Leasing scheme until the selection of the suppliers has been finalised. The tender documents specified that bids would be considered at a level of up to Local Housing Allowance less 10% plus £20 per week management fee per unit. The financial appraisal assumes this will be the price of the contracts. Local Housing Allowances are set on a monthly basis by the Department for Work and Pensions. Under the new Housing Benefit Subsidy Regime, due to be introduced in April 2010, the rental income the Council can collect will be determined by the Local Housing Allowance prevailing at January 2010.
- 13.2 The analysis assumes that 400 units are procured under these contracts.
- 13.3 In the analysis of the costs of the comparable schemes, overhead costs in the sum of £5m per annum have been excluded.
- 13.4 The overall cost of the scheme will vary according to the bed sizes of the units procured. For the purposes of this exercise it has been assumed procurement will be as follows:-
- 1 Bed units – 35%; 2 Bed units – 35%; 3 Bed units – 17.5%;
 - 4 Bed units – 10%; 5 Bed units - 2.5%
- 13.5 The comparison of the Private Sector Leasing Managed scheme has been made with other schemes that are currently operated by the Council. The comparable costs per annum for 400 units are as follows:-

	Cost Per Annum £
Annexe	964,000
Private Sector Leasing	233,000
Housing Association Leasing	130,000
PSL Managed Scheme	365,000

13. Use of appendices/ tables/ photographs

- Appendix A – Tender Report
- Appendix B – Evaluation of Tenders
- Appendix C – Framework Contract

14. Local Government (Access to Information) Act 1985

Homelessness Strategy 2008 – 11

Council Plan 2007-10

Temporary Accommodation Reduction Plan

14.1 This report contains exempt information under the following categories (identified in the amended Schedule 12A of the Local Government Act 1972

Information relating to the financial or business affairs of any particular person (including the authority holding that information)(Ground 3)