



Haringey Council

Agenda item:

[No.]

Procurement Committee

On 16th February 2010

Report Title: Proposed Nomination Agreements relating to the supply of properties procured under a Housing Association Leasing Scheme for use as Temporary Accommodation

Report of: Niall Bolger – Director of Urban Environment

Signed :

N Bolger for Director 5/2/2010

Contact Officer : Zulfiqar Mulak – Head of Housing Needs & Lettings

Tel: 020 849 4890

Wards(s) affected:

ALL

Report for:

Non-Key Decision

1. Purpose of the report

- 1.1 To seek approval for the Council to enter into Nomination Agreements with up to three providers of Housing Association Leased Scheme (HALS) accommodation.

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 temporary accommodation under the Housing Association Leasing Scheme supports the Council's efforts to reduce the number of households living in Emergency Accommodation to just 200. It will also enable the Council to hand back leased properties that are not up to standard through its own in-house leasing scheme. All properties used for temporary accommodation under the Housing Association Leasing Scheme will be fully inspected and will meet the standards that the Council requires before they are procured, ensuring that residents occupy good quality temporary accommodation.

3. Recommendations

3.1 It is recommended that the Procurement Committee approves the Council entering into Nomination Agreements with three Housing Association providers of HALS properties listed in Appendix 1.

4. Reason for recommendation(s)

4.1 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).

4.2 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 3,700) but also because of its reliance on expensive, nightly-charged Emergency Accommodation (EA).

4.3 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.

4.4 An Emergency Accommodation Reduction Project has been established in order to reduce the number of households in EA from 1700 to 200.

4.5 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.

4.6 The Nomination Agreements for HALS properties will help the Council to reduce its use of Emergency Accommodation and procure a better quality, less expensive alternative to nightly-charged EA.

4.7 At the end of January 2010, approximately 900 homeless households were living in temporary accommodation provided under Haringey's existing HALs scheme. It is proposed to increase this number by up to 300 over the next six months.

5. Other options considered

5.1 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 private sector suppliers.

5.2 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 when the new subsidy arrangements come into effect.

5.3 Whilst it is in the Council's interests to increase the number of properties that are leased by private sector suppliers (because, under the agreement reached with the private sector suppliers, the Council is not liable for tenancy matters, maintenance or dilapidations) the private sector suppliers alone are unlikely to be able to procure the number of leased properties required to meet the Council's needs.

5.4 Given the urgency of procuring a plentiful supply of good quality leased accommodation, it is recommended that the Council procures a stock of HALS accommodation. This will enable the Council to manage risks better over a mixed property portfolio.

6. Summary

6.1 Although the number of homeless households living in Haringey's Temporary Accommodation (TA) has reduced by approximately 1,700 since April 2008, the Council's use of expensive nightly-purchased Emergency Accommodation (EA) has increased steadily in recent years and now accounts for almost one third of all the temporary accommodation used by the Council.

6.2 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.

6.3 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.

6.4 The cost of Emergency Accommodation in 2009/10 is budgeted at £19 million.

- 6.5 Unless further progress is made to alter the size and profile of Haringey's TA stock, the proposed changes to the housing subsidy arrangements will have an adverse impact on the General Fund.
- 6.6 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 procurement of a plentiful supply of HALs accommodation.
- 6.7 HALS is used by Haringey and 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 and collecting rent, monitoring the contract .
- 6.8 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, inviting expressions of interest and tenders from suitably qualified Housing Associations.
- 6.9 The tender documentation set out very clearly the responsibilities of the Housing Association 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.
- 6.10 A total of 3 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 1.
- 6.11 It is recommended that all three Housing Association are contracted to procure HALS accommodation on a three year contract and that the Nomination Schemes are reviewed after 12 months to establish its cost-effectiveness in comparison with the Council's in-house leasing scheme and the Supplier Managed Private Sector Leasing scheme.
- 6.12 One of the successful tenders is less competitive in terms of pricing. It is recommended that the cheaper two tenders are prioritised.
- 6.13 Regular minuted monthly performance management meetings will take place with all suppliers and quarterly contract review meetings will be held.

- 6.14 The formal contract will commence once all the appropriate approval mechanisms are complied with, including any call in periods.
- 6.15. It is estimated that, by replacing up to 300 units of Emergency Accommodation with the same number of HALS properties, the Council will achieve savings in the region of £500k per annum.

7. Chief Financial Officer Comments

- 7.1 The recommendations with this report will help the Council achieve its objective to reduce the cost of emergency and temporary accommodation. Forthcoming changes to the housing subsidy system will substantially increase the cost to the General Fund of households in temporary accommodation and thus alternative methods of provision are required to mitigate this risk. HALS properties will cost the Council less than those currently placed in Emergency Accommodation as they are outside the scope of the Housing subsidy changes.

8. Head of Legal Services Comment

- 8.1. 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.
- 8.2 This is the second scheme that the project team has procured in order to reduce the number of people in Emergency Accommodation, the other being the supplier managed scheme. In entering into the Nominations Agreements the Council will have the ability to nominate potential tenants for the accommodations acquired by the Housing Association.
- 8.3 Under the Nominations Agreements the Council will be guaranteeing certain rent levels and void payments, this will be a form of financial assistance under s 24 of the Local Government Act 1988, however the Council can rely on the General Consents given by the Secretary of State provided the lease or management agreement between the RSL and the property owner does not exceed 10 years. Therefore the nominations agreements with each of the three RSL must not be for a period in excess of 10 years.
- 8.4 The services to which this report relates are Part B services for the purposes of the Public Contract Regulations 2006. Therefore it has not been necessary to advertise this contract in the Official Journal of the European Union (OJEU). Accordingly a domestic tender process was undertaken in accordance with the CSOs.

- 8.5 Tenders have been evaluated on the basis of most economically advantageous tender in accordance with CSO 11.01 b)
- 8.5 As the value of this contract is likely to exceed £250,000 it may only be awarded by Members in accordance with CSO 11.03.
- 8.6 The client has confirmed the value of this contract will not exceed £500,000 and therefore this is not a key decision.
- 8.6 The Head of Legal Services sees no legal reasons preventing Members from approving the recommendations in paragraph 3 of the report.

9. Head of Procurement Comments

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.

10. Equalities & Community Cohesion Comments

- 10.1 A high proportion of households living in temporary accommodation are vulnerable and from Black and Minority Ethnic (BME) communities.
- 10.2 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 additions there is a high rate of pupil mobility which is means that the duration and location of temporary accommodation has an impact on other council services such education and social services. It is envisaged that with more long term arrangements in place under the Nomination Agreements along with good quality accommodation will enable families to plan their lives more and lead to a degree of stability.

10.3 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.

11. Consultation

- 11.1 As part of Haringey's multi-agency Homelessness Strategy and its implementation plan, the Council has consulted service users living in temporary accommodation.
- 11.2 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.
- 11.3 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.
- 11.4 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.
- 11.5 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.
- 11.6 Properties procured under the Nomination Agreements will address the above concerns by having robust policies and procedures in place with the suppliers of manage private sector leased which will be monitored by officers.

12. Service Financial Comments

- 12.1 The Changes in the Housing Benefit Subsidy Regime affecting temporary accommodation are due to be introduced on the 1st April 2010. The new regime will make placing homeless households in nightly rated accommodation very expensive. The procurement costs will only be cost neutral if the cost can be maintained at or below the level of Local Housing Allowance (LHA) less 10%. The

re-tendering of the Housing Association Leasing contract may provide the accommodation to allow households to be moved from the expensive nightly rated housing into less expensive units for which a nightly premium is not payable.

- 12.2 Housing Association Leasing Schemes (HALS) are currently outside the scope of the Housing Benefit changes. Changes to HALS schemes would require changes in primary legislation, which have not been made. There are, however, strong indications that Housing Benefit departments will be issued with guidelines to ensure that rents for HALS properties should be guided by LHA less 10% levels.
- 12.3 HALS schemes are cost neutral to Haringey, apart from the liability for voids. The rents chargeable to HALS tenants have tended to be higher than rents for other homeless households. This is because the HALS suppliers both manage the properties and perform the income collection functions normally carried out by Haringey for leasing schemes.
- 12.4 The successful tender and procurement of the HALS scheme for 300 units of accommodation will potentially generate savings in the sum of £500k in a full year if HALS providers are able to supply the full number of units required in the tenders.
- 12.5 One of the successful tenders is less competitive in terms of pricing. It is recommended that the cheaper two tenders are prioritised.

13. Use of appendices /Tables and photographs

Appendix 1 – List of Approved Registered Social Landlords.

14 Local Government (Access to Information) Act 1985

Appendix 1 should be exempt for confidentiality reasons.