

Subject:	Procurement of Temporary Accommodation – Dynamic Purchasing System		
Date of Meeting:	13 January 2016 – Housing & New Homes Committee 21 January 2016 – Policy & Resources Committee		
Report of:	Acting Executive Director for Environment Development & Housing		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Procurement of Temporary Accommodation

Further to the reports taken to Policy & Resources Committee on 29th November 2012 and Housing Committee on 10th September 2014 the following arrangements are now in place with providers of temporary accommodation:

- (i) A framework agreement for the procurement and management of settled/long term temporary accommodation;
- (ii) A framework agreement for the provision and management of short term temporary accommodation;
- (iii) A dynamic purchasing system for accommodation and management services (emergency accommodation).

1.2 Although providers have been delivering accommodation under the arrangements set out in 1.1 (ii) and (iii) above, the Council has not been able to source long term temporary accommodation (which is fully managed by the providers) from providers through the arrangement set out in 1.1 (i) above. The reason providers have given is that they are no longer able to provide properties in the Brighton & Hove Local Authority Local Housing Allowance Area due to the change in the market i.e. cost of accommodation has increased significantly (11% increase last year) and so cannot deliver against the contract price they tendered.

1.3 The impact of this has resulted in reliance on spot purchase accommodation to fulfil our statutory accommodation duties. Spot purchase is the most expensive form of accommodation at approximately £350 pw and qualifies for a reduced amount of Housing Benefit. Therefore the net cost to the council is substantial. We currently have over 80 households in such accommodation which is impacting negatively and exacerbating the pressure on the budget.

- 1.4 It is anticipated that initiatives to prevent homelessness will help manage the growth in demand that the council is experiencing due to the current economic climate. Factors such as the high cost housing market, restrictions on mortgage lending, further impending welfare reforms and little availability of social housing, coupled with the continuing need to meet statutory obligations under the Housing Act, Children Act, and Care Act will continue to put pressure on the council's ability to deliver sufficient temporary accommodation.
- 1.5 We therefore recommend that the Council sets up a dynamic purchasing system ("DPS") for long term leased accommodation where the management is undertaken by the provider, and allow providers to source the accommodation outside of the Brighton & Hove Local Authority Local Housing Allowance Area.
- 1.6 Unlike a typical framework, in which a fixed number of providers are appointed to meet the council's needs, a DPS allows for new providers to join at any point throughout the term of the DPS. This helps to invigorate competition and adapt to changing markets, minimising the risk of falling into a similar, "stalemate" situation facing the current framework. The term of the DPS would be for 4 years, although contracts awarded under it could be for a longer period i.e. in the last year of the DPS a contract for temporary accommodation could be granted for 5 years, and so not all contracts would then end at the end of 4 years, which enables staged approach to re-tendering contracts.
- 1.7 We will seek to procure accommodation within an hour's travelling time of the city by public transport. This would provide more flexibility and enable providers to procure in areas that are more affordable than the Brighton & Hove Local Authority Local Housing Allowance Area. This would also fit with the Council's recently adopted policy of the Allocation of Temporary accommodation out of area.

2. RECOMMENDATIONS:

2.1 For Housing and New Homes Committee

- 2.1.1 That Housing and New Homes Committee recommend this report to Policy & Resources to agree that delegated authority be granted to the Executive Director of Environment Development and Housing in consultation with the Director of Finance to set up a DPS with a duration of up to four (4) years and run call-off tenders for the provision of long term managed leased accommodation which may be situated outside of the Brighton & Hove Local Authority Local Housing Allowance Area provided we seek to procure within an hour's travelling time of the city by public transport.
- 2.1.2 That Housing and New Homes Committee recommend to Policy and Resources to agree that delegated authority is granted to the Executive Director of Environment Development and Housing to award contracts under the DPS as required following the recommendations of the evaluation panel with respect to individual call-off tenders run under the DPS.

2.2 For Policy and Resources Committee

2.2.1 That delegated authority be granted to the Executive Director of Environment Development and Housing in consultation with the Director of Finance to set up a DPS with a duration of up to four (4) years and run call-off tenders for the provision of long term managed leased accommodation which may be situated outside of the Brighton & Hove Local Authority Local Housing Allowance Area provided we seek to procure within an hour's travelling time of the city by public transport .

2.2.2 That delegated authority is granted to the Executive Director of Environment Development and Housing to award contracts under the DPS as required following the recommendations of the evaluation panel with respect to individual call-off tenders run under the DPS.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Costs of the housing market in Brighton and Hove are projected to continue to increase at approximately 10% pa for the next 4 years* (Appendix 1). In December we start to see Universal Credit rolled out across the city and from April the Benefit cap is reduced to £20k pa for families. The population is projected to continue increasing, exacerbated by the projected growth in student population which all adds an upward pressure on housing in the city.

*Report by financial forecasters Oxford Economics and Rightmove October 2014 40% increase over 5 years

3.2 Following the launch of the previous frameworks/DPS we have seen an increase in properties under short term leased accommodation but have not had any delivery of longer term accommodation**. Providers are citing the increasing housing costs which have meant they are not able to supply accommodation at the tendered costs.

**Short term is furnished and intended for immediate use and households may be there for up to 18 months. Long term is unfurnished apart from some white goods and households move there from short term and are likely to remain for several years until they are either housed through the Housing Register or moved on to the private rented sector.

3.3 In addition there is the question of whether the supply exists in the city due to competing demands. Therefore if the council procures a DPS for long term managed accommodation and expand the parameters to areas outside the Brighton & Hove Local Authority Local Housing Allowance Area, it will give more flexibility to providers to be able to deliver good quality accommodation.

3.4 In allocating to this accommodation, regard would be had to the recently adopted Allocation of Temporary Accommodation – out of area policy, which also recognises that increasingly we are having to place people in emergency accommodation which is outside the city and prioritising which households will remain in the city – (Appendix 3) This was approved on 15th September 2015 at the Housing and New Homes Committee and is in line with the finding of the Supreme Court case, *Nzolameso v Westminster City Council* [2015] UKSC 22), where it states that where a local authority is unable to accommodate homeless households in its own local authority area then it should have a policy that has been agreed by Members to underpin its allocation process and that the safeguarding needs of the children in the household should be considered as part of the assessment process. That policy sets out the assessment process and groups households into one of three groups with group A being offered

accommodation within the city where possible and group C being offered accommodation wherever the council is able to procure it.

- 3.5 The alternative is homeless households remaining in spot purchase B&B style accommodation which as well as being unsuitable in the long term, it is also the most expensive accommodation option and hence not delivering value for money.
- 3.6 In line with current schemes, leases will include adequate break clauses to protect the Council's interest and the Council would not take on any responsibility for major repairs to property structure, exterior or installations. The Council's Head of Law will continue to be closely consulted on the DPS in order to ensure the Council's position is properly protected particularly in relation to potential liabilities such as claims for dilapidations/disrepair and rent issues arising during the lease or at lease end.
- 3.7 It is anticipated that initiatives to prevent homelessness will help manage the growth in demand that the council is experiencing due to the current economic climate. Factors such as the high cost housing market, restrictions on mortgage lending and uncertainty in the employment market, as well as the continuing need to meet statutory obligations under the Housing Act, Children Act, and Care Act will continue to put pressure on the council's ability to deliver sufficient temporary accommodation.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 We have engaged with the main Local authorities in whose areas we are likely to procure and will consult with them on an individual basis as and when properties being offered to us which are in their area.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The recommendations of this report to set up a new DPS for the provision of managed leased accommodation outside the Brighton & Hove Local Authority Local Housing Allowance Area would give opportunities to procure cheaper accommodation and alleviate the need to use expensive spot purchase bed and breakfast accommodation. The latest forecast for temporary accommodation shows an overspend of £0.691m as at month 7 and the major reason for this is the use of spot purchase accommodation to meet homeless obligations. Each property procured as a result of this new DPS could save approximately £150 per week when compared to the net cost of spot purchase accommodation. For example, if 30 units were procured in this way, this could save an estimated £0.059m over a three month period (or £0.234m over a full 12 months) when compared to the cost of spot purchase. It is anticipated that, if agreed, the DPS could be up and running by summer 2016 hence any cost reductions will be for 2016/17 and beyond.

Finance Officer Consulted: Monica Brooks, Principal Accountant Date: 17/11/15

Legal Implications:

- 5.2 The Council has a statutory obligation to provide accommodation to statutory homeless households. The aim of the DPS is to enable the council to have sufficient and appropriate properties in place to discharge its legal obligations. The DPS must be let in accordance with the Council's Contract Standing Orders and the Public Contracts Regulations 2015. Letting of the DPS will not incur any recurring expenses as the council would not be bound to use the DPS and any financial liability shall arise only on award of specific contracts under the DPS. The DPS would enable the council to procure its housing/accommodation needs for long term temporary accommodation in a legally compliant manner.

Lawyer Consulted: Isabella Sidoli Date: 3/12/15

Equalities Implications:

- 5.3 Equalities Impact Assessment is attached in Appendix 4 and will be reviewed when we call off the DPS to let contracts.

Sustainability Implications:

- 5.4 This proposal will support the commissioning of accommodation to provide good quality accommodation to meet the corporate needs of the Council. Expanding the parameters should encourage a wider range of providers to come forward. This will enable people to become settled.

Crime & Disorder Implications:

- 5.5 None.

Risk and Opportunity Management Implications:

- 5.6 The proposal will contribute to the council's strategic priorities of obtaining better use of public money and contribute towards reducing inequality by providing good quality accommodation suitable for meeting households' needs. Working across geographical boundaries may encourage more providers and hence improve competition. There is a risk that we won't attract any new providers but that would be a greater risk if we were just tendering for one service.

Corporate / Citywide Implications:

- 5.7 We are anticipating an increase in homelessness over the next few years as a result of the economy, housing market and welfare reforms. We have a statutory duty to provide accommodation for those qualifying homeless households and so will need to procure additional accommodation to meet this increasing demand and as it is becoming more difficult to access the private rented market.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 We could just retender the framework agreement for the procurement and management of settled/long term temporary accommodation within the Brighton & Hove Local Authority Local Housing Allowance Area and providers could resubmit tenders to reflect the current and predicted costs of accommodation in the city. However from the current framework we know that providers are not good at predicting these costs. In addition the framework would limit BHCC to a fixed number of suppliers and doesn't take any precautions against falling into the same situation that we are currently in, i.e fixing ourselves to providers who cannot deliver on their commitment within their framework tender submissions. This would likely be more costly due to the upward projection of housing costs in the city. There is still the risk that providers cannot deliver within the Brighton & Hove Local Authority Local Housing Allowance Area.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The recommendations have been made so that the procurement is fit for purpose, cost effective and delivers value for money. The recent tendering exercise for properties within the city has demonstrated that there is not sufficient properties for the prices tendered and this has resulted in the council relying heavily on expensive spot purchase accommodation that is putting a significant financial pressure on the council
- 7.2 By tendering for a new DPS so that providers can consider procuring in areas outside of Brighton & Hove Local Authority Local Housing Allowance Area, there is a higher probability they can deliver long term temporary accommodation. It also adds flexibility, allowing new providers to join the DPS and tender for opportunities, stimulating competition. It also allows providers to tender at the rates appropriate to the market at the time of each call-off tender. This will minimise the risk of providers not being able to deliver.

SUPPORTING DOCUMENTATION

Appendices:

1. Housing Statistics Information
2. Equality Impact Assessment
3. Allocation of Temporary Accommodation Policy Report – Housing & New Homes Committee 23 September 2015

Documents in Members' Rooms

None

Background Documents

None