

To: Delegated Decisions of the Board Member, Housing Needs

Date: 3rd November 2011

Item No:

Report of: Head of Service, Housing & Communities

Title of Report: Award of Contract for the Supply and Management of Temporary Accommodation

Summary and Recommendations

Purpose of report: To authorise the award of a contract to supply and manage temporary accommodation, on behalf of Oxford City Council

Key decision? No

Executive lead member: Councillor Joe McManners

Policy Framework: Meeting Housing Need and an Efficient and Effective Council

Recommendation(s): The Board member is asked to:

- (1) Agree to the commencement of the procurement project as set out in this report for the supply and management of temporary accommodation effective from 1st April 2012
- (2) Delegate authority to the Head of Service, Housing & Communities, to approve the award of a contract (under a Temporary to Permanent model) to the supplier providing the most economically advantageous tender, following the evaluation of tender submissions, for a contract term of up to 15 years
- (3) Authorise the Head of Service, Housing & Communities, to further extend the OSLA contract for a wind-down period up to 31st March 2013, if required
- (4) Delegate authority to the Head of Service, Housing & Communities, to award this contract (under a Housing Association Leasing Scheme model) to the next most successful bidder, for a contract term of up to 5 years, should contracts not be agreed between the Council and the preferred bidder by January 2012

Appendices to report: None

Introduction and Background

- 1 This reports sets out the procurement route that has been taken to identify a new provider of temporary accommodation, to assist Oxford City Council in meeting it's statutory homelessness duties
- 2 Oxford City Council essentially operates four different models to procure sufficient temporary accommodation to meet its needs. These are:
 - Nightly Charge – Emergency accommodation procured from private landlords or the bed & breakfast/ hotel sector, on an ad hoc, night by night basis, to meet emergency provision or the need to fill any short-term under-supply in temporary accommodation supply
 - Private Sector Lease (PSL) – ‘First Stage’ temporary accommodation comprising of properties leased directly to the Council from private landlords (usually on a 1 to 5 year term). Management of this accommodation, and support to the clients in it, is undertaken by the Council’s Accommodation and Sustainment team (within Housing Needs). Clients are placed in this accommodation while homelessness investigations are undertaken to establish whether the Council may have a statutory duty to the applicant, or not
 - Hostels – ‘First Stage’ temporary accommodation owned by the Council and generally used in the same way as PSL accommodation (above)
 - Second Stage Accommodation – This is all provided through the Oxford Social Lettings Agency (OSLA) at present. Homeless applicants can be moved into this accommodation once the Council has accepted a statutory homeless duty to them. It is predominately family accommodation. It is procured under a Housing Association Leasing Scheme (HALS) model, with the housing association (OCHA and Catalyst operating together) leasing property from private landlords; providing a management and maintenance service themselves; and then giving the Council the exclusive nomination rights to these units
- 3 As at 30th September 2011, the breakdown of households in temporary accommodation was:

Temp Accom:	Households:
Nightly Charge	9
PSL	67
Hostels	26
OSLA	69
Other	1
Total	172

- 4 It is the OSLA contract that the Council is seeking to re-procure. OSLA (comprising of Oxford Citizens Housing Association and Catalyst Communities Housing Association) has provided accommodation under this scheme since around 1992. The most recent agreement with them was in 2007, for an initial term of two years. The contract was then extended for a further two years, and expired at the end March 2011. It has since been extended, under the same terms and conditions, to accommodate the procurement process
- 5 The Council's requirement for temporary accommodation has been in steady decline from 2004 to 2011. (Overall, reducing use by around 85%, from 1,100 households in temporary accommodation in 2004, to 156 households in March 2011.) We have had a small, but sustained increase in demand since April 2011 however. This is due to a range of factors, not least the negative impact of the Local Housing Allowance (LHA) changes on the Council's ability to prevent homelessness through assisting customers to access the private rental market. This recent change makes it increasingly difficult, at present, to accurately predict our temporary accommodation requirements in the medium term
- 6 In 2011/12, the Council expects to have a net spend of approximately £660,000 on temporary accommodation provision overall. Approximately a quarter of this spend is on the current OSLA contract
- 7 Through the procurement exercise, not only did the Council seek to re-secure an organisation to effectively supply and manage high quality temporary accommodation, but it sought to improve the value for money of this service; to secure greater benefits to meet housing need; and to adopt a solution that gave a high degree of flexibility in a changing external environment
- 8 The Council requested that tenderers put forward schemes using the existing HALS model, or a Temporary to Permanent (T2P) model. The T2P model is new, and seeks to use the higher rents typically associated with temporary accommodation (through PSL and HALS models) to finance the purchasing of temporary accommodation. Over a period of time, typically 10-15 years, some of these units can be converted into permanent social rented accommodation, at nil grant, to increase the local social rented housing stock. The Council's preference was for a T2P solution, but we were concerned that the delivery of this would be unviable to many organisations as Oxford has relatively high house prices and comparatively low Housing Benefit/ LHA rates

Tender Process

- 9 The value of the contract necessitates an OJEU procurement process,

- and the tender notice was advertised in May 2011, by way of open tender
- 10 Two providers submitted tenders, one to deliver accommodation through the HALS model, the other through either the HALS or T2P model (or both). Both were evaluated and invited to interview
 - 11 Interviews were conducted in September 2011, and tenders evaluated on the basis of 60% quality criteria, and 40% on cost
 - 12 To ensure full compliance with European (OJEU) procurement processes, the Council is to re-advertise the T2P option, with a clear contract term of 10 years, with an option to renew for a further 5 years. The Council will seek to include an opt-out break clause, in the Council's favour, at year 5 also. This contract length (potentially 15 years) is substantially longer than that usually awarded by the Council, but this is being considered as units could be converted into permanent social housing after the contract has been operating for ten years or more, with potentially improved conversion rates between years 10 and 15 of the contract. These conversions would not be financially viable for any contract term less than ten years

Benefits

- 13 If the Council were to award a contract following the T2P model, then the following benefits should be realised. If this is not possible, then the HALS model would be expected to deliver similar levels of service to that currently enjoyed, but there would not be any significant additional benefits to the Council
- 14 Savings and Improved Value for Money - The T2P contract is expected to be considerably cheaper to the Council than the current OSLA contract, with no nomination fees charged to the Council. (These are currently £1,400 per annum, per property.) The management fee charged as part of the rent could also be lower, with proposed rent levels within acceptable limits – either pegged to LHA (at the current HB subsidy cap) or at 80% of market rate. There are no set-up costs proposed, and acquisitions could hopefully fall in line with any natural wind-down of the current OSLA contract (to minimise additional charges there) and to make for an effective transition
- 15 Flexibility – The T2P tender proposal allows for up to 40 units of temporary accommodation to be initially procured, but this could be scaled up to 80 units if this is required. Equally, if the demand for temporary accommodation falls during the contract period, then the agreement would be that the accommodation could be offered to the Council as a homeless prevention solution (for customers to be assisted through the Home Choice scheme, for example); or to the wider public through direct lettings at sub-market rates

- 16 Conversions – It would not be unreasonable to expect to convert around 28 out of 40 units of accommodation, into permanent social rented accommodation (hopefully at target rents, if this arrangement is able to continue), after 10 years, or approximately 35 units after 15 years. The remaining units would either be sold, or might continue to be rented at the higher rents. Annual reviews would be undertaken to see whether these projections continue to hold, and to determine the best time to make any such conversions. A tenderer would also be expected to specify a 'conversion floor' in the event of all worst case assumptions being applied, showing the minimum amount of conversions after 10 years
- 17 Quality - Accommodation of a similar standard, location and mix, to that currently provided is required to be offered. A similar level of management service is also expected, albeit not necessarily with an established office base in the City. However modern working methods to address geographic issues, including telephony services and mobile/home working could be employed

Other Options

- 18 'Continue as we are' was not an option as the current contract had expired, and there remains a high level of demand for temporary accommodation in order for the Council to meet it's statutory duties
- 19 The option of sourcing the Council's additional accommodation needs directly (through a PSL model) was considered, but rejected on the grounds that this would incur significant additional costs
- 20 The option of making more use of Council owned accommodation has been explored, and additional use is being made, on a short term basis, of two disused sheltered housing schemes. It would not be prudent to remove accommodation from permanent letting use to provide temporary accommodation however, as this would remove these units from those available to the Allocation team to let to, in order to provide through-put in temporary accommodation
- 21 The strategy with regard to reducing temporary accommodation use, has for the past few years been to undertake this in a gradual, planned way, alongside a number of homeless prevention measures, including the lowering of allocation targets to the homeless list. Whilst in the short-term, temporary accommodation requirements could be quickly reduced by allocating all social housing to this list, this is likely to be legally challengeable, and would quickly send the wrong message to the wider public, that the only way to secure social housing in the city would be to present as homeless. In the longer term therefore, this approach would be expected to see increasing demand for temporary accommodation, through homeless presentations

- 22 Another option is to adopt an alternative approach and place a greater reliance on private rented accommodation, secured by the Council to prevent homelessness, but not used as temporary accommodation – such as the emerging Privately Managed Accommodation (PMA) model. This option is not ruled out, and could be explored alongside existing provision. It may be difficult to take forward in Oxford however, even under new proposals on the discharge of homeless duty contained in the Localism Bill, due to the current buoyancy of the private rental market and comparatively very low LHA rates

Level of Risk

- 23 This is essentially a ‘business as usual’ approach, albeit through a different delivery model. Potential risks identified however, are:

Risk	Likelihood	Mitigation
Unable to agree mutually acceptable contract terms with the preferred supplier	M	It is hoped that this risk can be mitigated through the tender process and through reference checks with other local authorities. The recommendations in this report also seek to ensure that the Council is in a position to award a contract
Contract no longer satisfies the requirements of Oxford City Council	L	The contract allows for sufficient flexibility to help overcome this. There will also be appropriate break clauses in the contract for non-performance, as well as the option for the Council to exit the contract at the end of the initial contract term
That national policy changes (for instance to HB/ LHA/ or HB subsidy formulas) impact on the ability to deliver this model at the agreed rates, or limit the number of potential permanent conversions	M	We would seek to appoint a provider who was able to demonstrate a willingness to adapt their models (even during contract terms) with other authorities, on similar grounds. Regardless, contract

		<p>clauses will seek to provide clarity on the acceptable deviations in rates, with minimum standards and expectations clearly set-out</p>
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Climate Change/ Environmental Impact

- 24 We would seek to appoint a provider who shares the Council’s commitment to environmental sustainability.

Equalities Impact

- 25 We would seek to appoint a provider who was willing to support the Council’s Living Wage and comply with equality and diversity obligations

Financial Implications

- 26 The Council already has sufficient budget provision for this contract, and has already identified savings associated with these budget lines (mainly based around assumptions on the declining use of temporary accommodation)
- 27 It is expected that further savings may be possible from 2013/14 on, if we are able to appoint to the T2P model. In such an eventuality, these savings would be unlikely in the 2012/13 year however, due to the costs (to be fully established) of winding-down the current OSLA contract

Legal Implications

- 28 A legally compliant procurement process is being followed, as outlined previously in this report. The TUPE obligations on any successful tenderer have also been outlined in the tender documentation. A legally binding contract will be entered into with the successful tenderer

Conclusion

- 29 That this contract has the potential to offer an exciting new opportunity for Oxford City Council, to deliver a Temporary to Permanent accommodation model, and deliver good quality accommodation locally, that returns public expenditure in this area, back into the long term provision of affordable housing. Failing that, that the Council has

thoroughly tested the market, and appointed a suitable supplier to deliver leased accommodation at the best available market rate

- 30 The reports recommendations, if approved, place the Council in a strong position to award a contract for temporary accommodation provision shortly after the expiry of the current OJEU advert, and before the end of December 2011. This provides for suitable lead-in times for any new contract, and for TUPE arrangements to be put in place, should this be required, by March 2012. The intention would be to award any T2P contract on a 10 year basis, with an option to extend by a further 5 years, or failing that, to award a contract using the HALS model, for 3 years, with an option to extend by a further 2 years. These differing contract terms, ensure that the Council benefits from any conversions in the T2P model, but limits the HALS contract to a shorter contract term

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Background papers:

None

Version number:

3