

Item No.	Classification: Open	Date: 25 January 2024	Meeting Name: Cabinet Member for New Homes and Sustainable Development
Report title:		Gateway 0 - Strategic Options Assessment For the procurement of temporary accommodation – Housing Options Service	
Ward(s) or groups affected:		Electoral ward(s); ALL	
From:		Director of Resident Services	

RECOMMENDATION

That the Cabinet Member for New Homes and Sustainable Development:

1. Approves the strategic options assessment outlined in this report to undertake an open tender for a Dynamic Purchasing System (DPS) for the supply and management of Temporary Accommodation (TA), namely Private Sector Leasing (PSL) or Nightly Paid Accommodation (NPA) for a period of six years from May 2024 at an estimated cost of up to £45m per annum making a total estimated cost of £270m.

BACKGROUND INFORMATION

2. The Homelessness Reduction Act 2017 and the Housing Act 1996 (Part VII) requires, that where the duty exists, the council provides accommodation to a household. In all forms of temporary accommodation, the council is the accountable landlord. When the accommodation is acquired via a provider in the form of Private Sector Leasing (PSL) or Nightly Paid Accommodation (NPA), the cost to the council also covers repairs and housing management. This report therefore refers to the procurement of providers for the supply and management of accommodation.
3. Over time the use of TA in Southwark has been increasing, most particularly between 2019 to early 2022 with over 50 providers supplying properties on PSL or NPA basis. This is displayed within the table below:

Table1

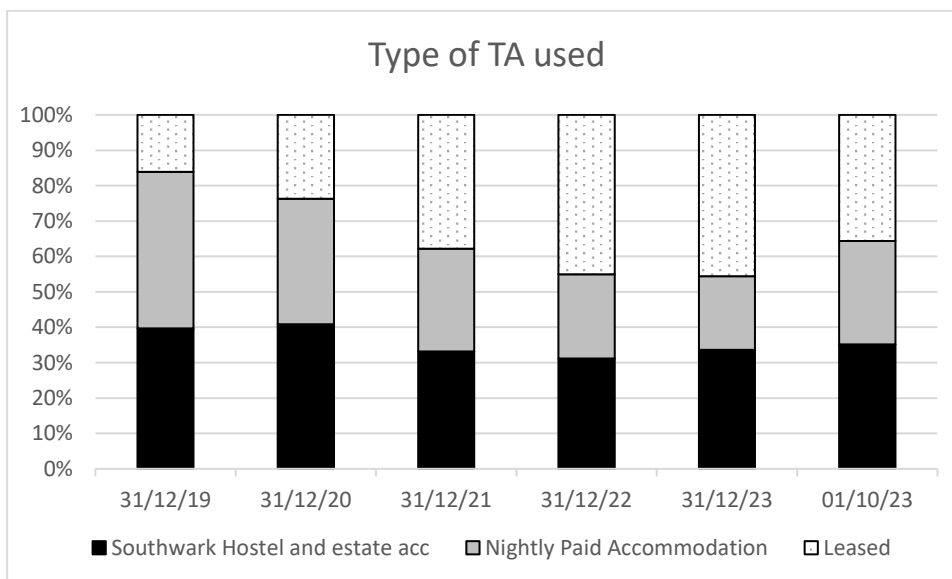
Year End	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Total in TA	2568	2820	3176	3463	3610
% increase	-	9.8%	12.2%	9.2%	4.2%

4. NPA, is based on a non-contractual daily arrangement, and PSL account for two

thirds of the total portfolio and come at a high cost to the council. This is because the payment to the third party is considerably higher than rent recovered. Council homes, held in the Housing Revenue Account properties, including those on Estates and Regeneration schemes, are a vital cost effective additional supply, which has a positive impact on budget management strategies.

5. The council has been using these forms of TA for decades but the use of nightly paid and leased accommodation has been gradually increasing in the last few years and it is now a dominant element of the council's procurement outcomes.
6. The estimated cost of TA, £45m per annum is based on the current budget for landlord rental payments for 2023-24 for both leased and nightly paid, excluding rent recovered. The costs are rising substantially, however, it is anticipated the use of our own Housing stock and alternative investment options currently being explored will reduce the reliance on nightly paid and leased. The council will continue to explore further cost reduction strategies through the work conducted via the councils TA Budget Recovery Board. The estimated costs will be revisited as part of the GW1 once further modelling is completed.
7. The graph below shows a snapshot of the TA portfolio used by the council at year end and the most recent snapshot.

Graph 1



8. A recent review of the data reported to Department of Levelling Up Housing and Communities (DLUHC) shows an upward trend of increasing homelessness approaches and usage of TA across London. The cost of living crisis and increasing costs within the private rented sector market will mean the council will likely continue to require a provision of leased and nightly paid accommodation to meet the homelessness demand.

KEY ISSUES FOR CONSIDERATION

Future service requirements and outcomes

9. The council has over 1,300 PSL units and overly reliant on NPA which is of varying quality and high in cost. The PSL stock is leased for a three year period and on average there are over 500 renewals negotiations per year resulting in large scale hand backs, significant cost increases or conversion to NPA.
10. The council requires in excess of 1,000 units in the short term to reduce reliance on NPA and needs to formalise its procurement approach and have the tools to control the quality and cost of accommodation in a transparent manner. While the council is mitigating the lack of supply through targeted use of the council's own properties, this is not sufficient to meet demand and the ongoing use of NPA.
11. Most London Boroughs have contracts in place with procured suppliers. There are examples of collaboration approaches such as WREN (Waltham Forest, Redbridge, Enfield and Newham) in the Eastern sub-region and the West London Alliance, but these primarily seek to share a common approach in their sub region. The council's proposed procurement route will enable providers in the market, who work across London, to enter into a formal agreement with the council.
12. It is proposed to carry out a procurement to establish a Southwark specific DPS for PSL and NPA. It has similar aspects to a framework agreement but allows an unlimited number of providers to join the scheme at various points in time whilst the DPS is in operation. In order to be admitted to the DPS, providers are required to go through an application and quality assurance process to assess their knowledge, experience and expertise in delivering services. This assessment focuses on key areas such as quality, safeguarding, staffing and contract management.
13. It is noted there is a reducing supply of properties, however there are still plenty of property providers in the market who provide accommodation. Not all of these property providers will provide accommodation suitable for the use of temporary accommodation or are able to provide accommodation at the volume require for the council. Therefore the council will want to test how selected providers will respond to demand and how they will deliver services to residents that meet the council's requirements. This will include the standard form of lease, property specification, housing management standards, repairs standards, compliance with Southwark's Good Homes standard, etc.
14. Individual landlords that provide single or small quantities as private entities will be required to be registered on the DPS and the property managed by the council through the council's DPS as opposed to current standard record keeping. This will enable smaller entities to continue to work with the council.

Strategic service delivery options and assessment

Market considerations

15. The provision of TA, other than the use of the council's housing stock, is largely market driven. The rates being requested by suppliers are well in excess of those agreed by London Boroughs, as set out in the Inter Borough Accommodation Agreement (IBAA) which sets out maximum rates and which are likely to increase further in line with the general private rented sector. Evidence over the last 12 months is showing a dramatic lack in PSL supply and a corresponding increase in NPA. Given that costs across London are increasing by over 30% in the last twelve months and over 40% since April 2023, greater emphasis in procuring outside the London area, while not primarily a cost consideration, it will address the lack of suitable and affordable accommodation not available in London
16. The council could decide to continue to manage the supply and management of temporary accommodation as it does now. However, the council currently has no approved suppliers and the arrangements are resource intensive to manage day to day due to inconsistent practices across different suppliers.
17. A Southwark DPS would automate a number of processes and enable officers to obtain market opportunities more quickly and make placements in a transparent way. While, this procurement route is not in itself a solution to the crisis, a DPS will ensure that Southwark is engaging with the market in a proactive way.

External Procurement

18. A Southwark DPS would offer a more efficient and streamlined process, reducing time in sourcing suppliers and will provide an assurance that governance requirements and property compliance has been achieved. It is proposed to consider the use of Lots based on the lease availability.

In-Source

19. The council also has a substantial number of in-house managed units from Housing Revenue Account properties located on various estates that are allocated as temporary accommodation. However the supply of such accommodation is limited and would not meet the overall demand placed on the council therefore the council will continue to source NPA and PSL to meet the demand.
20. This assessment relates to the supply and management of property primarily through providers and agents who have their contractual relationship with landlord. The council currently manages a small portfolio of leased properties, mainly Right To Buy units from single individual landlords in Southwark and immediate proximity. For the council to replace the role of agents, it will require significant resources for large scale individual acquisitions, as well as increasing its management of void works and day to day repairs.
21. The council is separately investigating the options of alternative supply routes

which in the medium term, combined with its own in-house provision, may provide greater economies and capacity for in-sourcing.

22. Consideration will also be given to how practically current individual landlords who engage directly with the council can be included in the DPS procurement.

Shared Service Delivery

23. A shared service with another authority has not been explored. A shared service would involve a joint procurement and supply management agreement, sharing resources to deliver outcomes. Such an arrangement would not provide greater purchasing power because individual authorities would continue to operate separately according to their supply demands in a market that is dominated by higher costs and low supply. Therefore this is not the preferred option.

Voluntary sector/not for profit

24. There is no options available offered within the voluntary or not for profit sector.

Decommissioning Services

25. This is not an option as the council has statutory obligations under The Homelessness Reduction Act 2017 and the Housing Act 1996 (Part VII).

Policy Framework Implications

26. The council has statutory duties to prevent and relieve homelessness for all eligible homeless applications and to secure accommodation for homeless households who fall into a 'priority need' category under Part VII of the Housing Act 1996 (as amended). This report provides the necessary tools to implement the proposed Homelessness Prevention and Rough Sleeping Strategy and revised Temporary Accommodation Placement Policy, to enable the council successfully avoid homelessness for residents by resolving their housing difficulties at an early stage or securing suitable, alternative accommodation, and in the longer term preventing the need for temporary accommodation.

Recommended Strategic Delivery Option

27. Based upon the information and details outlined in this report it is recommended that the establishment of a Southwark DPS is the most appropriate. Future investigation and details of the approach to delivery of this service will be undertaken to progress that option.
28. The Gateway (GW) 1 will further explore the procurement strategy for an internal DPS system.

Identified risks for the service and recommended strategic option

29. The risks associated with the recommended option are set out below:

No	Risk	Risk level	Mitigation
1	The council maintain a commitment to the principles of the Pan London Agreement (IBAA)	High	Given market condition, most boroughs are breaching the agreement and paying rates in excess of those in the IBAA. The council can consider how to incentivise providers through different approaches.
2	The procurement process fails due to inadequate quality and quantity of submissions	Low	Publication of a Prior Information Notice (PIN) and market engage will ensure that current providers and providers are aware of this procurement. This will be issued on approval of the GW 1 report.
3	The selected suppliers for the DPS fails to provide properties at acceptable cost	Medium	Acceptance of current rates and the use of different financial offers in addition to the length of lease and clear contractual engagement will make the DPS attractive to the market
4	Nightly Paid Accommodation remains a dominant factor in the market	High	This is not a factor that the council can control in the current environment, but approaching leasing differently may assist in reducing the overall use of NPA
5	Low take up for local provision	Medium /High	This is also linked to the prevailing market conditions, cost and quality standards. The availability of local properties that meet the required standards comes at a price. This procurement seeks to attract different entrants through the granting of 10 year leases and the financially rewarding good management and long term availability.

Key/Non Key decisions

30. This is a key decision.

Next Steps

31. Following approval of the recommended procurement option will be further detailed within this report, a GW 1 procurement strategy will be produced and provide details relating to the DPS.

Service Delivery Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 0 decision on the Forward Plan	02/10/2023
DCRB Review Gateway 0	30/10/2023
CCRB Review Gateway 0	09/11/2023
Brief cabinet member	10/01/2024
Notification of forthcoming decision - IDM	13/01/2024
Approval of Gateway 0: Strategic Options Assessment	30/01/2024

Community, equalities (including socio-economic) and health impacts

Community impact statement

32. The council has over 1,200 properties used as TA within the borough. On average it makes over 100 new TA placements per month and most households remain in the same property for over just two years subject to ongoing availability and the supply of longer term homes in the private sector or through the Housing Register. Residents facing homelessness will face significant disruption to their day to day life as they may not be able to be placed in the borough. This could include accessing health care, attending work, etc. Securing TA through a DPS will enable the council to strategically place households into all available accommodation provided to the council in accordance with other published policies such as the Placement Policy for TA.
33. For those households facing homelessness the authority has a duty to provide accommodation in line with the legislation. This availability of suitable and appropriate TA for households facing homelessness will have a positive impact on such households.

Equalities (including socio-economic) impact statement

34. The council works in accordance with the Public Sector Equality Duty under the Equality Act 2010, which requires a council to have due regard to the needs of those individuals and groups having a protected characteristic under the Act.
35. The provision of TA and subsequent placement of households will be made in accordance with the council's Placement Policy for TA and Private Rented Sector Accommodation which has had a full Equalities Impact and Needs Assessment completed in October 2023.
36. The DPS will have due regard to promoting the acquisition of accommodation that will meet the needs of households who have protected characteristics including mental and physical disabilities.

Health impact statement

37. The provision of temporary accommodation, to a specified standard, on longer leases enable households to have more stable homes and this will positively impact health ,safety, quality and affordability.

Climate change implications

38. The council has a commitment to consider the climate change implications for any decision in line with the council's Climate Change Strategy.
39. The recommended DPS option will have a positive impact on the climate as the contract requirements for each TA provision will include minimum energy efficiency ratings.
40. Any larger scale accommodation made available to the council will have a key focus on climate change consideration through the impact of the buildings ensuring they are in line with the Climate Change Strategy.

Social Value considerations

41. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing any procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured. Social value considerations and how the delivery of these services can benefit the local area will be detailed within the GW1 report.

Economic considerations

42. The economic factors will be considered within the GW 1 report.

Social considerations

43. The providers of accommodation will be expected to meet the London Living Wage requirements where appropriate but compliance is not part of this procurement evaluation as the contractual obligations primarily relate to supply and specified management standards.

Environmental/Sustainability considerations

44. Specifications for accommodation provided for the use of TA will encourage the use of environmentally friendly practices and technologies. This will include reducing energy and water consumption, not limiting waste and recycling abilities.

Plans for the monitoring and management of project

45. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

46. The contracts and acquisition of accommodation will be managed by the Housing Supply Team within Housing Services. Management and monitoring will include:
- Compliance with the specification
 - Performance measurements of the provider
 - Service user outcomes
 - Service user satisfaction
 - Financial monitoring
47. The DPS and monitoring of contracts will be reviewed on an annual basis to ensure the delivery of accommodation meets the intended outcomes. This will be done through engagement with the provider of accommodation and Southwark to allow co working and measure outcomes for homeless households.
48. Annual performance reviews will be in line with the council's contract standing orders.

Resource implications

49. Operational staff will be key to the implementation of this new DPS. Working practices will change and therefore new processes and procedures will be devised.

TUPE/Pensions implications

50. There are no TUPE/Pensions implications arising from this report.

Financial implications

51. The contract value of any future DPS system will be explored further in a GW1 report.

Investment implications

52. Investment opportunities through longer leasing arrangements or acquisition of accommodation will be considered outside of the DPS framework and subject to sign off through the appropriate governance routes.

Legal implications

53. Please see concurrent from the Assistant Chief Executive for Governance and Assurance

Consultation

54. Consultation has been undertaken with the market, TA suppliers and operational colleagues to date. This will be expanded upon as details of the proposed new arrangements with providers are undertaken. This will include consultation with service users and third sector organisations.

Other implications or issues

55. No other implications have been identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance H&M 23/075

56. The Strategic Director for Finance notes the procurement strategy and the need for greater governance around TA procurement to provide assurance of standards for Temporary Accommodation that currently leave us open to legal challenge. Financial implications are not yet known, but it is likely to bring about more financial certainty due to the move away from nightly paid which will be further explored in the GW1. The use of our own Housing stock and alternative investment options will be explored concurrently.

Head of Procurement

57. This report seeks approval from the Cabinet Member for New Homes and Sustainable Development to undertake an open tender for a Dynamic Purchasing System (DPS) for the supply and management of Temporary Accommodation (TA), namely Private Sector Leasing (PSL) or Nightly Paid Accommodation (NPA) for a period of six years from May 2024 at an estimated cost of £45m per annum making a total estimated cost of £270m.

58. The Cabinet Member for New Homes and Sustainable Development notes the procurement options are detailed in paragraphs 18 to 25 and recommendation is detailed in paragraphs 27 to 28, the risks are detailed in paragraph 29, the impact on equalities, health and climate change are detailed in paragraphs 34 to 40, social value commitments will be detailed in the Gateway 1, confirmation of the payment of London Living Wage is detailed in paragraph 43, management and monitoring of the contracts is detailed in paragraphs 45 to 48.

Assistant Chief Executive – Governance and Assurance

59. This report seeks approval of the Cabinet Member for New Homes and Sustainable Development for the strategic options assessment for delivery of the a DPS for the supply and management of temporary accommodation for a period of six years from May 2024 at an estimated annual cost of £45m, making a total estimated cost of £270m.

60. Under the council's Contract Standing Orders, a pre-procurement / Gateway 0 (GW0) report is required for any service contract with an estimated contract value of £10m or more, or other strategically important contract for services, goods or works where requested by the relevant cabinet member. The decision to approve this report is reserved to the relevant cabinet member, after consideration of the report by the Corporate Contracts Review Board, but the cabinet member may choose to refer the decision to Cabinet.

61. Paragraph 27 of this report sets out the recommended strategic delivery option,

and subject to the relevant cabinet member approving the recommendation in this GW0 report, a GW1 report will be brought for approval in due course, which will set out a detailed analysis and the approach required to progress and deliver this option. Legal officers from Governance and Assurance will continue to assist and give advice to client officers as the procurement progresses.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Helen Dennis – Cabinet member for New Homes and Sustainable Development	
Lead Officer	Cheryl Russel – Director of Resident Services	
Report Author	Roberto Bruni – Procurement Specialist	
Version	Final	
Dated	24 January 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (For Housing contracts only)	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	No
Corporate Contract Review Board	Yes	No
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		24 January 2024