1. SUMMARY

1.1 Temporary accommodation is currently procured through a Framework Agreement, comprising of 26 agencies across 3 property types. This Framework Agreement is due to expire 12th May 2015 with the option to extend for up to 12 months. The Council therefore needs to ensure supply from the 13th May 2015.

1.2 The purpose of this report is to advise Cabinet of officers decision to extend the existing framework agreement for up to 12 months to accommodate those newly presenting themselves as homeless and to delegate the decision on the set up a Dynamic Purchasing System (DPS) to pilot securing temporary accommodation for those within existing expensive placements. This is a collaborative approach being pursued with 3 other London Boroughs.

1.3 The recommended approach will allow all suitable management agents to be accredited and enrolled to the system at any time maximising the supplier base for accommodation, and focussing on the high Net Loss cases to determine the likely success of the DPS at securing additional properties.
2. RECOMMENDATIONS

2.1 For the reasons set out in the report Cabinet is recommended to:

- Note an extension of the existing framework agreement for a period up to 12 months for homeless applicants and those assessed as homeless.
- Delegate the decision on whether to use a DPS to procure temporary accommodation on a pilot basis as set out in paragraph 3.12 to the Specialist Housing Advisor and the Director of Finance in consultation with the Portfolio Holder for Housing.

3. PROPOSALS

3.1 All Local Authorities have a statutory duty under the Housing Act 1996 Part VII, (as amended by the Homelessness Act 2002) where appropriate, to provide emergency temporary accommodation for homeless applicants pending investigations into their application. This is known as the 'Interim duty'.

3.2 Local Authorities also have additional statutory powers to provide help and assistance to other categories of people, often this means providing accommodation to some of the most vulnerable members of the Community including for example people with mental health issues, physical disabilities and learning disabilities.

3.3 Local Authorities are also bound by statute to provide suitable temporary accommodation to applicants who are then assessed as homeless until a homeless household can obtain a settled housing solution. This is referred to as the ‘Primary duty’.

Families are charged rent by the Council for the accommodation provided to them. In the majority of cases the rent is met by housing benefit. The Government puts limits on the housing benefit which it will pay for temporary accommodation. The difference between the rent paid by the authority to the landlord and the rent charged to tenants is the “true cost” or “net loss” for that unit.

3.4 Temporary accommodation for Waltham Forest is currently secured through a Framework Agreement, comprising of 26 agencies. Spend on Temporary Accommodation in 2013/14 was £16.5m. This Framework is due to expire 12th May 2015. The Council therefore needs to ensure that arrangements are in place from the 13th May 2015.

3.5 The aim of the Framework was to take control of the varying management rates accommodation was being offered for by agencies, through collaborating with neighbouring boroughs (Redbridge and Newham) and setting the rates for each type of accommodation secured. These management rates were based on the Housing Benefit subsidy available for temporary accommodation.

3.6 During the lifetime of the Framework Agreement there have been significant shifts in the private rented market in London and in the pattern of demand as expressed in new “approaches” made to the Housing Solutions service, i.e. customers presenting in a situation of actual or threatened homelessness. As such, the Framework agencies have been unable to procure anywhere near the number of properties needed to accommodate all the homeless households.
3.7 The service has no control over the selection by private landlords and owners of the managing agents they appoint to manage properties on their behalf. Because of the number of properties needed it has not been possible for the service to refuse accommodation from ‘off-contract’ agencies. These agencies were permitted to put forward properties at asking rates unrelated to the subsidy level, many of which have been acquired by the service due to lack of available accommodation from Framework agencies.

3.8 As an example, at the end of October 2014 there were 952 nightly let arrangements of which 571 (60%) were with ‘off-contract’ agencies and only 381 via those appointed to the Framework Agreement.

3.9 Given the volatility of the property market, by fixing a list of ‘contracted’ agencies through a traditional contracting model it’s almost certain to mean the need to secure accommodation ‘off-contract’ to meet demand. A DPS will create a flexible accredited agency list for temporary accommodation allowing suitable new entrants to the niche temporary accommodation market, to be added to the DPS as soon as identified and accredited. Meaning that all agencies would be required to sign up to the property and management standards set out in the current Framework Agreement.

3.10 To test the success of securing temporary accommodation in this way, the system will be used exclusively to focus on the most expensive Nightly Let accommodation (known as the Net Loss list) to assess its ability to secure additional properties.

3.11 As at September 2014, there were 684 placements which were of True/Net Loss. The aim initially for the DPS is to tackle the 426 placements where the loss is over £50 per week. The annual value is £7,280,000.

3.12 The use of a Dynamic Purchasing System (DPS) to secure cheaper accommodation to cover the Net Loss List from May 2015 is subject to further discussions with the DPS provider (Matrix) to agree final details. It is therefore recommended to delegate the decision to set up the DPS to the Specialist Housing Advisor and the Director of Finance in consultation with the Portfolio Holder for Housing.

A DPS is permitted under the Public Contracts Regulations 2015 and EU Directives. A DPS has benefits over traditional framework agreements by being a fully electronic process from inception through to performance monitoring and it allows agencies to join at any point during its validity – therefore encouraging market development with local and/or SME providers.

The DPS operates by initially running a fully compliant open tender procedure to accredit and enrol agencies on to the DPS (only agencies that meet the Council’s quality standards can join). Agencies are then held within the system where their credentials are continuously monitored and checked by the system operator. The process for removal of agencies from the system will be in line with the DPS terms and conditions. Each individual requirement is then created, distributed and evaluated within the system. This list of agencies will remain in place for a period of 4 years and new agencies can apply and be enrolled at any time during this period (providing they can meet the Council’s quality standards). During this process the Council will retain the ultimate decision as to which agencies to secure accommodation from, based on homeless household needs.

Benefits of using a DPS for Temporary Accommodation include:
- It gives more niche, specialist, local and/or SME providers an opportunity to win business with the Council and develop new services.
- It will allow for the more rapid development of new supply to meet changing and emerging needs and demands.
- It will allow the Council to address poor quality provision rapidly. This will be supported by effective data and management information.
- It allows the Council greater flexibility during the life of the contract to respond to changing policies / initiatives to tackle temporary accommodation.
- It will allow a collaborative approach with other Local Authorities as the DPS is developed, and flexible enough to increase the number of agencies able to supply accommodation.
- Reduction in officer time when searching for accommodation as the market can be approached in one single online communication.

3.13 The best use of the DPS initially will be to source new accommodation for the most expensive nightly let arrangements (known as the True/Net Loss). Agencies will be invited to identify cheaper options for these specific households i.e. more economical nightly paid properties or properties that can be offered as Private Sector Leasing arrangements. The use for this focussed cohort will enable the service to monitor the effectiveness of the system before considering a roll-out to more temporary accommodation placements.

3.14 In tandem, the pan-London Housing group supported by London Councils have agreed rate caps for Nightly Let accommodation based on the Broad Rental Market Area which the DPS will help to enforce.

3.15 If the DPS can secure additional accommodation at the agreed capped rates or under, then the potential savings available are circa £2500 per night. This does not include the time saving for the Housing Team where the process to identify properties is much simplified and time intensive.

3.16 There are a number of cost models available to the council, the most risk adverse would be a gain-share based on actual savings made meaning that should the system fail to secure the accommodation at the necessary rates then no fee is paid. With the potentially high savings achievable a cap of gain-share for Matrix will be agreed.

3.17 The current offering is for a £25,000 implementation fee, and a 25% share of the savings achieved up to circa 1-1.5% of the total value of placements made (circa £72k-100k).

3.18 As this is a new area for Matrix to use a DPS and, if successful, a long-term aim is to sell this system to other public sector bodies to secure Temporary Accommodation, and being the one of the founding authority’s there is potential to agree an income from future revenue generated.

3.19 Consideration is currently being given to a range of short, medium and long term measures to tackling the issue of expensive temporary accommodation with an emphasis on prevention of homelessness. These will be subject to a further Cabinet report later in the year.
4. OPTIONS & ALTERNATIVES CONSIDERED

4.1 Continue as is
The existing Framework Agreement has the option to extend for up to a period of 12 months, and whilst the success of the DPS is being assessed there is a need to exercise this extension to ensure supply for ‘New Entrants’ to the service. The authority can then be confident that the bulk of agencies used have been contracted compliantly.

4.2 Establish a new Framework Agreement
The main failings of the existing Framework Agreement is that the fixed rates are restricting appointed agencies from securing properties from landlords and owners as they can choose to use ‘off-contract’ agencies who the authority still need to secure supply from, at higher rates. Secondly, new agencies present themselves to the authority at any time and without means to accredit them to the Framework Agreement, meaning new agencies can be used compliantly. With a new Framework Agreement the authority could remove any cap to rates and appoint all agencies that apply given they pass minimum standards, however the issue of not being able to appoint new agencies during the Framework period would remain.

4.3 Do nothing
As the authority has a statutory duty to place homeless applicants into emergency accommodation there will always be a need to secure temporary accommodation from agencies. To ensure an effective supply chain the Authority needs a mechanism to accredit agencies.

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

5.1 A Dynamic Purchasing System has benefits over traditional framework agreements as it allows providers to join at any point during the 4 years and so enables market development. Therefore a key benefit to Waltham Forest in this recommendation is that Officers can work with our local SME providers in order to support their development so that they can be in a position to join the DPS and to compete effectively for work.

5.2 Given the localised nature of Temporary Accommodation, this contract will continue to provide opportunities for local employment either directly or indirectly through property maintenance, etc.

6. CONSULTATION

6.1 The report has been prepared in consultation with Ascham Homes Housing Team, along with Housing for Enfield, LB Redbridge and LB Newham.

6.2 The business case and recommendation to deliver Temporary Accommodation via a Dynamic Purchasing System was presented at the Strategic Procurement Board on 16th December 2014 and was approved.

6.3 A market engagement event will take place during March to inform agencies of our approach.
7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

7.1.1 It is recommended that Matrix Ltd is appointed to provide a DPS for provision of temporary accommodation. The cost to the Council will be £25,000 as a once only payment. The Council’s three partner boroughs will pay similar amounts.

7.1.2 The proposed agreement provides for additional payments to Matrix based on 25% of the savings made by the system. These payments could be substantial. For instance based on potential savings reported in paragraph 3.15 they could be £228,000 per year. This represents a significant risk to the Council which will require careful drafting of the agreement to limit this risk. It is proposed to cap these payments at 1 to 1.5% of the total value of placements limiting payments to £72k to £100k.

7.1.3 The Council is facing increasing demand for temporary accommodation and the rates charged by landlords have been increasing resulting in increasing cost to the general fund budget. The gross cost of nightly accommodation is expected to be about £14m in the current year and could be £18m in 2015/16. It is essential to get the best value for this expenditure consistent with providing acceptable standards of accommodation. The proposed DPS system will initially apply to only a part of the nightly accommodation and then be rolled out more widely.

7.2 Legal

7.2.1 As set out in paragraphs 3.1 – 3.3 the Council has various statutory duties and powers under Part VII of the Housing Act 1996 as amended to provide temporary accommodation.

7.2.2 The existing framework contract was tendered in accordance with the Public Contracts Regulations 2006 and may lawfully be extended.

7.2.3 A Dynamic Purchasing System is a lawful procurement procedure under the Public Contracts Regulations 2015.

7.3 Equalities and Diversity

7.3.1 There is no potential for adverse impact on protected groups as the dynamic purchasing system should mean a greater ability to secure accommodation of the same or bettering standards than present.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 There is no direct impact arising from this report regarding sustainability at this stage. Providers on the Dynamic Purchasing Solution (DPS) framework will be checked for the environmental, company and business compliance, and sustainable workforce development by the usual and compliant process and policies as set by the DPS provision. The process will comply with financial regulations and the relevant requirements detailed under Crime and Disorder Act 1998 and best practices of human resources and immigration checks and regulations.

7.4.2 The requirements will be detailed as part of the contract terms and conditions and the DPS specifications of the service in joint working with the Council commissioning, procurement, legal and Ascham Homes.

BACKGROUND PAPERS