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# London Borough of Bromley

Part 1 - Public

Agenda  
Item No.      Agenda  
Number

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**Decision Maker:**      **Executive**

**Date:**                      **Wednesday, 24 May 2017**

**Decision Type:**              Non-Urgent                      Executive                      Non-Key

**Title:**                      **FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND  
PROCUREMENT STRATEGY FOR TEMPORARY ACCOMMODATION  
MODULAR HOME PROVISION**

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**Chief Officer:**              Ade Adetosoye, Deputy Chief Executive and Executive Director ECH&S

**Ward:**                      Borough wide

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## 1. REASON FOR REPORT

- 1.1 Members receive regular reports outlining the key activities, new initiatives and pressures in the Housing Division. This report summarises the current pressures around temporary accommodation provision and activities currently underway and seeks approval to proceed to invite bids to pilot the use of modular homes for the provision of temporary accommodation as part of the overall strategy to reduce the current use of costly nightly paid provision.
- 1.2 The Council spends more than £4.5m (net) procuring temporary accommodation (TA) for homeless households every year and demand for this service is forecast to increase. TA is currently procured through a mixture of block and spot contract arrangements.

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## 2. RECOMMENDATIONS

- 2.1 **Members of the Executive & Resources PDS are asked to note and comment on the contents of this report and proposed action to increase the supply of cost effective TA to meet statutory homeless requirements.**
- 2.2 **Members of the Executive Committee are asked to agree:**
- **Progression to invite bids from prospective providers to undertake a pilot temporary modular home development on York Rise for use as TA to meet the Councils statutory rehousing duties in relation to homeless families.**
  - **The proposed next steps for procurement and evaluation and appointment of a provider is as set out in paragraph 9.3 of this report**

## Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Supporting Independence
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## Financial

1. Cost of Proposal: Choose an item. [Click to enter text](#)
  2. Ongoing Costs: Choose an item. £[Click to enter value](#)
  3. Budget Head / Performance Centre: Temporary Accommodation
  4. Total current budget for this head: £3,783,370
  5. Source of funding: Revenue Support Grant
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## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: [Click to enter text](#)
- 

## Legal

1. Legal Requirement: Statutory Requirement. The Council has a statutory duty for the provision of temporary accommodation
  2. Call-in: Call-in is applicable. [Click to enter text](#)
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The Council currently has 1439 households in TA and initial assessment of site suggests that between 30 and 36 units may be able to be accommodated subject to more detailed analysis and final bid outturn.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: Full consultation will be undertaken with ward councillors in assessing the use of York Rise for use of modular homes in then in any proposed designs.

### **3. COMMENTARY**

- 3.1. Members receive regular reports outlining the key activities, new initiatives and pressures in the housing division in relation to fulfilling the Council's statutory homeless and TA duties. The report provides an update on the current position and activities being undertaken together with details of the proposal to pilot the provision of alternative more cost effective temporary accommodation through the use of modular units.
- 3.2. The number of people living in TA and the cost of this continues to rise, now dominating overall provision with no prospect of any reduction over the next few years. In order to meet the continued demand for TA the Council secures units in several ways. The most advantageous arrangements are via housing association temporary lets and the most costly are spot purchased nightly paid units. The Temporary Accommodation Procurement and Placement policies set out the range of procurement routes and temporary accommodation schemes. These were also reported in detail in Gateway report on temporary accommodation presented to the Executive Committee in January 2016, with updates through the bi-annual performance monitoring to Members.
- 3.3 The table below shows the numbers of properties currently used for general needs TA split by source. This includes the initiatives currently underway in relation to the property purchase scheme with Mears, refurbishment and temporary use of a former residential home and renewed campaign to increase the volume of leasing scheme units. For the purpose of this report specialist supported accommodation which may be used as temporary accommodation as part of a housing pathway is not included.
- 3.4 If the growth estimates and the current projections to increase supply are correct the Council will reduce the proportion of TA provided via nightly paid accommodation by March 2018 from 59% to 52% slowing the current rate of increase but nonetheless leaving a significant shortfall and reliance on costly forms of nightly paid accommodation. It must also be noted that continued reductions in housing association lettings form re-lets and new builds, alongside the impact of forthcoming welfare reform changes and increased duties arising from the Homeless Reduction Act are likely to increase demand further during this period.

	Type of Accommodation	Current Units 2016/17	% of total required	Estimated Units by 31/3/18	%
A	Housing Association (fixed proportion of lettings from permanent stock offered as TA)	298	20%	240	15%
B	Private Sector Leasing (Bellegrove, Manorfields & 5 Bromley owned)	270	18%	310	18%
C	Private Sector - Mears	26	2%	206 (based 15 month)	12%
D	Block Booking	18	2%	18	1%
E	Private Sector temporary use - Benedict House	0	0%	40	2%
		<b>612</b>	<b>42%</b>	<b>814</b>	<b>48%</b>
	<b>Total Required</b>	<b>1,439</b>	<b>100%</b>	<b>1679 (estimated 20 per month)</b>	<b>100%</b>
	<b>Shortfall of Units</b>	<b>827</b>	<b>58%</b>	<b>865</b>	<b>52%</b>

3.5 The Mears model assumes that 15 new properties will be acquired each month until all 400 properties are purchased.

### Conclusions

3.6 The current position means that the gross outturn for nightly paid provision was £12,476,213 for 2016/17.

3.7 In order to meet the demand for TA the Council will continue to seek the number of units required for the best possible value for money achievable in this difficult market. However, as has been previously reported there are limitations on the volume of units able to be acquired direct form housing associations (as this simply decreases the supply of move-on accommodation) and leasing properties due to the current restrictions on benefits against rising rental prices meaning that in many cases providers are being effectively priced out of the market.

3.8 The Council needs to secure a much higher percentage of accommodation through a wider range of schemes to reduce the current reliance on high costs nightly paid units. In light of the recent changes to TA subsidies, the 4 year freeze in benefit levels and continued private sector rental increases it is advisable to seek options which reduce the financial 'top up' risk to the Council for the provision of TA.

3.9 It is accepted that the Council will need to make some placements in other local authority areas, however there are real risks attached to doing this in volume and recently other London

Boroughs have faced significant six figure sum fines for placing out of borough or in shared accommodation.

- 3.10 As such, a range of accommodation is being sought both within the borough and then 'radiating outside of the borough, focusing on those areas with easy transport links and also where clients have indicated that they would have support networks, access to employment and so forth thus continuing to ensure that the Council meets its statutory obligations in relation to the suitability criteria for TA.
- 3.11 If the Council does not take further procurement action to increase the range of temporary accommodation initiatives the costs of temporary accommodation will continue to increase and the risk of challenges because of the location and type of accommodation offered will increase. Therefore "no action" is not an option. In line with the agreed procurement strategy additional schemes are reported for consideration and member approval.

**The proposal:**

- 3.12 Bromley has a number of land sites which it is seeking to regenerate and develop for both residential and commercial opportunities. However in all cases development can take a number of years between identification and an actual developer starting on site. In many cases the land essentially remains dormant during this period.
- 3.13 Approval is therefore sought for the principle to utilise such sites during this period for the provision of temporary accommodation using good quality modular homes. These units are built off site and can be installed in a relatively short time period once planning permission has been granted. They can then be dismantled and moved on ensuring that the site is vacant as soon as development work is due to start.
- 3.14 A initial pilot site has been identified at York Rise which could accommodate in the region of 30-36 family sized units, subject to full feasibility and consultation.
- 3.15 The Executive considered a report on the disposal of this site on the 11 January 2017 (DRR16/093 Disposal of Small Halls Site, York Rise, Orpington). Authority to dispose of this site had been given in March 2016, but it had also been agreed that the temporary use of the site as a car park be explored. The Council's recent disposal practice was to go to market seeking offers subject to planning. However, this had led to offers being made on the basis of unrealistic schemes which could not obtain planning consent. It was therefore proposed to try an alternative approach whereby planning permission for an optimal scheme would be obtained prior to re-marketing the site. This would potentially generate a larger capital receipt. The Executive was particularly interested in exploring the possibility of a joint venture.
- 3.16 The report had been scrutinised by the Executive and Resources PDS Committee on 4th January 2017. The Committee supported the recommendations, but with the benefits of ensuring an overage clause and looking at whether the disposal should be considered as part of a joint venture. In addition, the PDS Committee commented that it would also be helpful to have some information on the extent to which £46k represented value for money for obtaining planning consent on the site, and the Chairman of the Committee commented that a transparent, "open-book" approach was required.
- 3.17 It was resolved that (1) The appointment of Cushman & Wakefield be approved to develop a scheme in order to achieve best consideration for the site by a) The submission of a planning application; b) Once planning permission has been achieved, exploring the possibility of a joint venture and marketing the site on a non-conditional basis; and c) Post marketing, evaluating the bids received, recommending a prospective purchaser for the site via a report to the Portfolio

Holder for Resources seeking his approval for the disposal of the site to the recommended purchaser. It was also agreed that the estimated cost of £46k be met from the Investment Fund.

- 3.18 The proposal to utilise the York Road site for 30-36 units would not prevent the development of the scheme for disposal of the site and its subsequent planning permission. The grant of planning consent would last for three years and therefore there is a window of opportunity for this site to be utilised for a maximum of 3 years from the date of this report for temporary housing purposes.
- 3.19 As the Council does not currently own or manage housing stock it is proposed to seek a housing provider partner currently providing modular units to undertake the full range of services including assembly, management and dismantling at the end of the term in return for guaranteed use of the land during the defined period and guaranteed nominations from the Council.
- 3.20 The nominal arrangement would be for the provider to lease such units with running costs being met through the rental stream able to be charged to tenants and the applicable TA management fee grant.
- 3.21 In order to fully identify the potential of the site and secure best value it is proposed to invite partners to submit bids detailing their proposals and terms for the site under a competitive, negotiated process.
- 3.22 As this is an initial pilot scheme with the potential to utilise further sites it would be proposed to ask bidders to provide details for a 3 year one site only scheme together with 5 and 10 years in the event further sites can be identified for move on of the modular homes.
- 3.23 Based upon the current average net cost of nightly paid provision a 30 unit schemes comprising of 2 and 3 bed units would offer annual savings of approximately £216,090. Each additional unit would provide a further saving of on average £7,203 per year.

#### **4. SERVICE PROFILE / DATA ANALYSIS**

- 4.1 See Paras 3.5, 3.7, and 3. 17 for Service Metrics / Benchmarking.

#### **5. CUSTOMER PROFILE**

- 5.1 Homeless people meeting the criteria to be placed in TA. The Council regularly reviews the profile of statutory homeless households to feed into the requirement of TA in terms of the profile, size and nature of accommodation required. Currently the broad requirements are as follows:
- 30% - single person, couples or pregnant households with no other dependent children
  - 55% - 2 bedroom accommodation – single adult or couple with up to 2 children
  - 15% - 3+ bedroom –families with 3 or more children

#### **6. MARKET CONSIDERATIONS**

- 6.1 Temporary Accommodation is a tough market with all London Boroughs facing increasing difficulty in procuring the level of cost effective accommodation required.

- 6.2 The number of registered providers (RPs) offering leasing scheme properties has reduced in recent years with providers commonly complaining that the current management fee allowance and restriction on benefits is not sufficient to cover their costs.
- 6.3 A key difficulty in achieving a sufficient supply of TA is that whereas Councils are in some ways bound to their geographical area the providers are not and therefore they play Councils off against each other to achieve the most favourable price. Although London Councils have jointly reached an agreement about maximum prices inner London boroughs still purchase placements in outer London boroughs which force the outer London boroughs to place in surrounding areas.
- 6.4 Schemes such as use of existing buildings, property purchase or modular homes provide a level surety of supply and protection from the current increases in private market rents.
- 6.5 There are a number of providers operating in the provision and management of modular homes for use as both temporary and long terms housing. Inviting tenders will enable a full assessment of the market to achieve best value.

## **7. STAKEHOLDER CONSULTATION**

- 7.1 The Council has a published temporary accommodation procurement and placement policy which was developed in consultation with key partners and service users.
- 7.2 The Council has consulted widely with other housing authorities in London and South East who have developed similar modular schemes. London Councils Housing Directors group has undertaken extensive data sharing in relationship to the TA market (providers, prices, availability) and homeless demand. The Council continues to liaise frequently with housing providers to gain insight into the market.
- 7.3 Through this consultation and research it has been established that providers would be responsive to an invitation to tender for the provision of a modular homes scheme.

## **8. SUSTAINABILITY / IMPACT ASSESSMENTS**

- 8.1 Improving the supply of good quality TA will have a positive impact on homeless people placed by the Council. If the exercise is successful in accessing more TA within Bromley, or retaining this TA for Bromley residents (as opposed to residents from other boroughs) this will enable people and their families to retain contact with their own community, health resources, schools etc. This will have a positive impact on the well-being of Bromley residents and the life chances of children.

## **9. OUTLINE PROCUREMENT STRATEGY & CONTRACTING PROPOSALS**

- 9.1 **Estimated Contract Value** – £329,674.80 per annum based on full gross rent for a 30 bed scheme (the management fee element would equate to £62,400)
- 9.2 **Other Associated Costs** – Initial capital may be applicable for planning application fees, surveys etc. This can be met from uncommitted Payment in Lieu funding. Any requirement will be reported back alongside evaluation of tenders for approval by the Executive Committee.
- 9.3 **Proposed Contract Period** – Initial period of 3 years for first pilot site with the option to extend to 10 years subject to move on site availability

9.4 Members are agreed to agree the proposed process as set out below:

- A funding prospectus setting out the Council’s bidding requirements (e.g on such matters as unit sizer, design, quality, nomination rights etc.), key funding conditions and scoring criteria is developed by the corporate officer project team which includes commissioning, procurement, finance, legal and, renewal and recreation and housing. Representatives from planning will also provide advice as required.
- Providers are invited to tender during a 6 week timeframe
- An initial assessment of bids is made by the officer project team and follow up meetings with prospective providers are arranged as required in relation to competitive dialogue and negotiation.
- Evaluation will be based on the methodology recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA). Tenders will be evaluated based on 70% Price and 30% Quality. The overall weightings for this contract evaluation have been set to identify the Most Economically Advantageous Tender (MEAT) and deliver the best possible combination of whole-life cost and quality to meet the Council’s requirements. Evaluation will be based on:

Cost	Quality
<ul style="list-style-type: none"> <li>• Acquisition/Set up costs</li> <li>• Rental cost</li> <li>• Management fee</li> <li>• Providers ability to provide appropriate certification / insurance for properties</li> <li>• Providers financial status / credit check</li> </ul>	<ul style="list-style-type: none"> <li>• Proven ability to deliver and manage temporary accommodation schemes of this nature</li> <li>• Management standards</li> <li>• Property condition and maintenance</li> </ul>

9.5 A report setting out all details of the bids received, evaluation and recommended provider is reported to Executive Committee for approval.

## 10. **POLICY CONSIDERATIONS**

- 10.1 The housing objectives are set out in the relevant business plans. These objectives are compliant with the statutory framework within which the Council’s housing function must operate and incorporate both national targets and local priorities identified from findings of the review, audits and stakeholder consultation.
- 10.2 The Council has a TA procurement and placement policy (elsewhere on this agenda) which seeks to ensure compliance with the statutory framework for the provision of temporary accommodation meeting the requirements for suitability whilst seeking value for money in all placements.
- 10.3 The Council’s TA procurement and placement policy takes account of statutory guidance together with case law requirements to fulfil the Council statutory duty for the provision of TA . This has been reviewed to reflect market, legislative and case law changes and a report is elsewhere on this agenda.



## **11. COMMISSIONING & PROCUREMENT CONSIDERATIONS**

1.1 The proposals made are a combination of Property, Service, Supply and Construction activity all of which have different statuses under the Public Procurement Regulations. However, it is considered that the predominate purpose of this requirement is “Construction / Works”. As such, although on the face of it being less than the EU limit for works (£4.1M), and given the opportunities the approach may provide to roll out further, if the initial arrangement is found to be successful, the process to be used to pursue the tender and placement of the works will follow a fully compliant EU Process, using a Competitive Procedure with Negotiation tendering arrangement.

## **12 FINANCIAL CONSIDERATIONS**

12.1 The increasing costs of TA have been reported to Members previously.

12.2 The table below provides a breakdown of the nightly paid bed and breakfast costs

Bed Size	Average of Landlord Weekly Charge	Average of Weekly Subsidy claimed by LBB	Average of Weekly Personal Charge	Average of Weekly Cost to LBB	Average annual Cost to LBB
Room	193.87	164.40	16.10	13.37	695.24
Studio	235.41	194.11	-	41.30	2,147.60
1 Bed	267.70	182.25	-	85.53	4,447.56
2 Bed	327.64	208.20	-	119.44	6,210.88
3 Bed	384.73	227.10	-	157.63	8,196.76
4 Bed	474.95	342.28	-	132.67	6,898.84

12.3 The current average net annual costs for 2 and 3 bed units is £7,203. This would potentially be saved if the modular units were procured. The potential saving for a 30 unit site this would equate to £216k on current nightly paid arrangements.

## **13. LEGAL CONSIDERATIONS**

13.1 The Council have a statutory duty under part VII (as amended by the Homelessness Act 2002) to secure suitable temporary accommodation for priority homeless households.

13.2 Local authorities also have other statutory duties including those under sections 190 and 195 of the 1996 Act to provide accommodation, help and assistance.

13.3 Under section 188, part VII of the Housing Act 1996 local authorities have a duty to secure accommodation for homeless households that are eligible for assistance and have a known priority need pending a decision on any duty owed under the 1996 Act. This is known as the ‘interim duty’.

13.4 The decision to invite bids from prospective providers to undertake a pilot temporary modular home development on York Rise for use as temporary accommodation to meet the council’s statutory rehousing duties in relation to homeless families will need to be undertaken in accordance with the Council’s Financial Regulations and Contract Procedure Rules and compliant with the requirements of the Public Contract Regulations 2015.

- 13.5 Once the Council has made its decision, the Authority will need to issue the appropriate Award Notices, observe the mandatory Standstill Period and issue an OJEU and Contract Finder Award Notice as provided for in the above Regulations.
- 13.6 The report author will need to consult with the Legal Department regarding the execution of the contract.

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	Gateway temporary accommodation January 2016 Homeless Contingency draw down Executive Report 15 <sup>th</sup> November 2016 Temporary Accommodation Placement and Procurement Policies Homelessness Strategy  Appendices to be included
	Version CP@5/16