

Decision Maker: EXECUTIVE

Date: For Pre-Decision Scrutiny by the Care Services Policy Development and Scrutiny Committee on Tuesday 9th January 2018

Decision Type: Non-Urgent Executive Non-Key

Title: UPDATE ON SERVICE PROPOSALS AND PROCUREMENT STRATEGY FOR MODULAR HOME PROVISION

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Chief Officer: Director: Housing (ECHS)

Ward: Borough-wide

1. Reason for report

- 1.1 Bromley, along with all London local authorities is experiencing a significant increase in demand for assistance and accommodation. Members have received regular reports detailing the current pressures in the Housing Division including the significant increase in the number of placements and associated costs with night paid temporary accommodation.
 - 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.
 - 1.3 Executive on 24th May 2017 agreed to the principle of inviting bids from potential suppliers for the development and management of a modular constructed site on York Rise, subject to further market engagement to inform the tender and specification and feasibility study of the site considering both suitability and potential length of use.
 - 1.4 This report provides an update on the market engagement undertaken, feasibility analysis and requests permission to progress to formal tender to appoint a supplier for modular homes, as set out in paragraphs 3.6-3.10.
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2. RECOMMENDATIONS

- 2.1 The Care Services PDS Committee is asked to note and comment on the contents of this report prior to Council's Executive being requested to:
 - i) Proceed to formal tender for a provision of modular build accommodation together with a management contract for a period of 15 years as set out in Paragraph 3.6 of this report;

- ii) Approve the use of the identified site York Rise for the use of modular constructed accommodation;**
- iii) Agree in principal that officers look to identify other suitable sites for use of modular homes which will be reported back to the Executive as and when identified; and,**
- iv) Note that capital funding may be required for the preparation, construction and planning of any modular home site and this will be dealt with in the award report.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: Modular constructed units will provide suitable accommodation in borough to help meet housing needs and safeguard vulnerable adults and children
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Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Children and Young People Supporting Independence:
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Financial

1. Cost of proposal: Not Applicable: Capital investment will be reported once the tender evaluation and full site appraisal are complete
 2. Ongoing costs: Non-Recurring Cost:
 3. Budget head/performance centre: Operational Housing – Temporary Accommodation
 4. Total current budget for this head: £3,783,370
 5. Source of funding: Revenue Support Grant/ capital for initial site preparation, planning and build
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement: The statutory rehousing duty is set out in the Housing Act 1996
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

Estimated number of users/beneficiaries (current and projected): The Council currently has nearly 1600 households in TA. An 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.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Full consultation will be undertaken with ward councillors in assessing and developing the design for accommodation at York Rise both prior to and during the planning application process. This process would be followed for any additional sites identified

3. COMMENTARY

- 3.1 In recent years the Council has experienced a sharp increase in the number of households approaching for assistance and accommodation leading to a significant increase in the number of households having to be accommodated in temporary accommodation. As regularly reported the impact of welfare reform and current market pressures has meant that an increasing proportion of this demand has had to be met by procuring temporary accommodation on a costly nightly rate basis leading to an acute and increasing budget pressure.
- 3.2 The Council has responded with a number of initiatives to reduce the reliance on nightly paid provision and increase the supply of accommodation including, increasing the remodelling 3 former residential units in the borough for use as temporary accommodation securing around an additional 110 units, encouraging the uptake of leasing scheme offers and embarking upon the More Homes Bromley property purchase scheme to acquire 400 additional units over a 2-3 year purchase programme. This additional supply is still not sufficient to meet the level of increasing demand.
- 3.3 The Council is in the process of considering a range of potential options to increase the supply of accommodation for households in need of accommodation that is affordable, one of which is to procure modular constructed accommodation to provide new homes on a relatively speedy basis.
- 3.4 The previous report to executive 24th May 2017 reported on the potential to the council owned piece of land at York Rise for the provision of modular homes. The Executive agreed for officers to proceed with further analysis to assess the suitability of this site and also to engage with the market to obtain a good understanding of market solutions available and to inform future tender in terms of process, specific, length of term and so forth.
- 3.5 Officers have now completed the feasibility and market engagement in order to formalise the final specification and proposed procurement process.

THE PROPOSAL

- 3.6 It is proposed that the Council proceed to tender for a supplier to provide a turn-key solution for the delivery and management of modular constructed homes as set out below:
- a) The installation and management of modular homes on York Rise for a period of 15 years.
 - b) Schedule of rates that can be used for alternative sites (once identified by the Council) which will be uplifted by CPI.
- 3.7 The turn-key solution would include:
- Full detailed analysis of the land capacity to support accommodation in order to make best use of the land
 - Design of units and site layout, recognising the need for an appropriately designed accommodation
 - All consultation and formal planning application
 - Site and utility preparation
 - Acquisition of the units
 - Installation of units and bringing the development up to the necessary standards to let
 - Management of the units and site
 - Disassembly and disposal of the units at the end of the scheme.
- 3.8 The units would provide self-contained living accommodation with a bathroom, kitchen-diner, living area and bedrooms. The construction methods of modular accommodation have improved

considerably in recent years and are designed and engineered with particular attention to thermal and acoustic performance and have fire resistant walls. This means that they are better insulated and are warmer and quieter.

- 3.9 There are a number of different types of modular units available on the market which would need to be assessed for their quality, appearance and delivery timescale. At this stage a preferred type has not been agreed. A number of units now available can stand alone or be converted to form multi-level building block thus providing greater flexibility and more accommodation than conventional provision of this nature with the added benefits of sustainability. The tender will therefore seek a flexible solution which can be adapted to meet a range of sites with varying topography and land capacity should further sites become available for use.
- 3.10 The service providers must allow for the bid for both the construction and management contract of the modular homes although they may do this as part of a consortium arrangement.

CAPITAL

- 3.11 Capital funding will be required to support site preparation, underwrite the planning process and set-up which will be dealt with in the award report for each site identified.
- 3.12 Schemes of this nature may be eligible for GLA innovation funding to offset a proportion of the initial set up costs. It is therefore recommended that officers explore this option alongside the tender process. The outcome will be reported back together with the tender evaluation and final capital funding requirements. Any funding secured would then be used to contribute towards the set up costs. This would be on a scheme by scheme specific basis.

REVENUE

- 3.13 Ongoing management and maintenance costs would be financed through the rental stream.
- 3.14 The Council would have full nominations rights and flexibility of use for temporary and settled housing solutions to best meet demand and statutory rehousing requirements in the most effective way.

4. CUSTOMER PROFILE

- 4.1 Homeless people meeting the criteria to be placed in TA or settled housing. The Council regularly reviews the profile of statutory homeless households to feed into the requirement of accommodation 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

5. MARKET CONSIDERATIONS

- 5.1 Market engagement has been undertaken as part of the preliminary feasibility stage to help inform the final specification and proposed process for the project to ensure that the Council secures the most efficient and effective solution in addition to ensuring that the service package is commercially viable for the market.
- 5.2 There are a number of providers operating in the provision and management of modular homes for use as both temporary and long terms housing.

- 5.3 The market engagement exercises undertaken have assisted in gaining a better understanding of the range of products and service available:
- 5.4 Outright purchase of modular units may not necessarily be in the Council's best interest as this model can bring added costs in relation to disassembly and disposal and also restrictions on the length of schemes to, make them financially viable. In addition many potential suppliers trade on a rent only basis and so would be excluded from a purchase only selection process and this may result in the Council not obtaining best value.
- 5.5 As such the proposal is to invite bids on both a sale and rental option and to proceed with the option which presents the best value for money.
- 5.6 Significant resources are invested by suppliers in developing proposals for any site design and also for submitting bids. There is also a need to be able to assess potential sites quickly so as to avoid unnecessary delays in decisions for disposal or redevelopment and to minimise the costs of keeping a site vacant. Securing a partner will enable potential sites to be assessed in a robust and timely manner to maximise development and regeneration options across the borough. It is also likely to gain further efficiencies through developing an ongoing arrangement.
- 5.7 Market engagement has confirmed that due to the level of set up costs schemes, offered on at least a 15 year basis provide the best value for money and enable running costs to be fully met through the revenue stream. Officers therefore recommend the use of the identified sites for a period of not less than 15 years.
- 5.8 With an increasing market comes a greater range of available modular options. This means that there needs to be a good assessment on the quality and lifespan of units procured to ensure that they fully meet planning requirements and offer ongoing efficiencies in terms of lower running and maintenance costs, particularly in light of the proposed lifespan of the scheme. Market engagement has clearly demonstrated the need for a balanced evaluation to ensure the package is attractive to the market and best value is achieved throughout the life of the scheme. It is for this reason that the 60:40 price quality evaluation is now proposed with a minimum quality qualifying criteria.

6. STAKEHOLDER CONSULTATION

- 6.1 The Council has a published temporary accommodation procurement and placement policy and homelessness strategy, both of which have been developed in consultation with key partners and service users.
- 6.2 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 accommodation provision. The Council continues to liaise frequently with housing providers to gain insight into the market.

7. SUSTAINABILITY / IMPACT ASSESSMENTS

- 7.1 Improving the supply of good quality accommodation 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.

8. OUTLINE STRATEGY & CONTRACTING PROPOSALS

- 8.1 A project team has been set up as part of the Procurement process that will involve officers from Housing, Commissioning, Programmes and Projects, Finance, Legal, Procurement and Renewal and Recreation.
- 8.2 The table below sets out the proposed timescale:

Activity	Draft Dates
Executive meeting	10 th January 2018
Issue OJEU and Contracts Finder Notices	24 th January 2018
Closing date for clarification questions	19 th February 2018
Closing date for Completed Stage 1 (SQ) response	23 rd February 2018
Evaluation of Stage 1	26 th February 2018 - 9 th March 2018
Anticipated Commencement of Stage 2 – Invitation to Submit Initial Tender (ISIT)	12 th March 2018
Anticipated commencement of purdah (pre-election period)	26 th March 2018
Anticipated Closing Date for Stage 2 – ISIT	11 th May 2018
Evaluation of Stage 2 – ISIT responses	14 th May to 1 st April 2018
Stage 3 – Feedback and negotiation based on Initial Tender (as required)	April/ May/ June 2018
Anticipated commencement of Stage 4: Invitation to Submit Final Tender	2 nd July 2018
Anticipated closing date for Stage 4: Final Tender	20 th July 2018
Internal Council authorisation meetings and Members' 'Call In' period	August 2018
Anticipated Award Date and Notification to Candidates (Stage 5: Award)	September 2018
Standstill period (10 days)	September 2018
Contract mobilisation	September/ October 2018
Contract starts	November 2018

PROCUREMENT IMPLICATIONS

- 8.3 Tenders will be evaluated based on 60 % Price and 40% quality , with a minimum quality qualifying score criteria.
- 8.4 This is being undertaken as a restricted two stage process, to limit candidates based on previous experience, followed by a period of negotiation.
- 8.5 As the Service element is significantly greater than the Construction, this is being treated as a Service Contract and therefore does not require the use of a PAS91 Selection Questionnaire. As this contract is chiefly concerned with Housing Management, it is not considered under the Light Touch regime of the Public Contrast Regulations 2015.

9. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 9.1 The provision of modular constructed homes will provide suitable, safe local accommodation to meet housing need enabling the Council to meet its statutory housing obligations and to safeguard and protect those that are most vulnerable.

10. POLICY IMPLICATIONS

- 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 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. The homelessness strategy and forthcoming housing strategy also set out the range of initiatives required to prevent homelessness and secure a sufficient supply of accommodation to meet statutory housing needs.
- 10.3 The provision of additional accommodations through modular construction methods would provide warm, safe and fully equipped homes to meet housing need and reduce the number of families placed into insecure and costly forms of nightly paid provision. Such accommodation can be used flexibly as the Council would maintain full control over nominations to enable use on a best term basis for temporary or settled housing solutions to meet statutory housing need.

11. FINANCIAL IMPLICATIONS

- 11.1 The increasing costs of TA have been reported to Members previously. There is a significant risk in respect of nightly paid accommodation expenditure in the context of welfare reform and rising homelessness. Current projections show this budget pressures rising by £3m by 2019/20.
- 11.2 Once units are in place on the York rise site this will reduce expenditure on nightly paid by at least £7,000 p.a. each, a total of £210k per annum for the scheme. This is a baseline figure for the minimum number of units and will be depending upon the final number and configuration of units.
- 11.3 Ongoing management and maintenance costs would be self-funding through the rental revenue scheme.
- 11.4 There will be capital cost associated with preparation of the site, planning and acquisition and installation of the modular constructed units. The costs of this will not be known until the work is done and this will have to be drawn down from a feasibility budget held in a capital scheme.
- 11.5 The Council would also need to provide a level of contingency funding to underwrite the risk of an unsuccessful planning application

12. LEGAL IMPLICATIONS

- 12.1 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.
- 12.2 Local authorities also have other statutory duties including those under sections 190 and 195 of the 1996 Act to provide accommodation, help and assistance.

- 12.3 Legislation also sets out the suitability requirements for such accommodation and how the duty can be discharged through the provision of a range of settled housing solutions.
- 12.4 The decision to formally tender modular home development on York Rise to meet the Council's statutory rehousing duties in relation to homeless families and secure a preferred provider framework will need to be undertaken in accordance with the Council's Financial Regulation, Contract Procedure Rules and will need to comply with the requirements of the Public Contract Regulations 2015.
- 12.5 Once the Council has made its decision, the Council will need to issue the appropriate Award, observe the mandatory Standstill Period and issue an OJEU and Contract Finder Award Notice as provided for in the above Regulations.
- 12.6 The report author will need to consult with the Legal Department regarding the preparations and execution of the terms of contract and schedules thereto.

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	<ol style="list-style-type: none"> 1. 1. Temporary Accommodation Placement and Procurement Policies 2. 2. Homelessness Strategy 3. 3. Executive report 24th May 2017 – formal consultation on service proposals and procurement strategy for the provision of modular accommodation