
Decision Maker: EXECUTIVE

Date: For Pre-Decision Scrutiny by Renewal, Recreation and Housing PDS
Committee on 6 September 2023

Decision Type: Non-Urgent Executive Key

Title: HOUSING MANAGEMENT CONTRACT (APPROVAL TO
PROCEED TO TENDER)

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Ward: All Wards

1. Reason for decision/report and options

- 1.1 This report seeks approval to proceed to procurement for the housing management and associated services for the Bromley owned portfolio.
- 1.2 This report details the findings of specialist legal and financial advice in relation to the Beehive portfolio and seeks approval to proceed on the recommendation as set out in paras 3.11 to 3.17.

2. RECOMMENDATION(S)

The Renewal, Recreation and Housing PDS Committee is asked to:

- 2.1 Note the report and provide their comments for consideration by the Council's Executive.

The Council's Executive is recommended to:

- 2.2 For future Housing Management arrangements:
- i) Approve proceeding to procurement for housing management services for Bromley owned housing portfolio via a compliant open tender. The estimated annual value being £2m with the contract to commence from 1 April 2024 for a ten-year term (with the option to extend for a further five years) at an estimated whole life value of £30m.

- ii) To note that, as per the previous report to Executive there are resource requirements that will be built up as part of the 2024/25 budget process in order to meet the Council's statutory obligations in relation to stock ownership and affordable housing management.
- iii) For the Beehive Scheme, following receipt of specialist legal and financial advice approve to proceed on the recommendation detailed for the future management of the portfolio, as set out in paras 3.11 – 3.17.

Impact on Vulnerable Adults and Children

1. Summary of Impact: The accommodation provided ensures that the Council is able to meet its statutory responsibilities in respect of housing. The Council's house building programme is focused on affordable housing and seeks to ensure that vulnerable adults and young people are supported to remain in their own homes wherever possible or to secure alternative suitable and sustainable accommodation solutions.

Transformation Policy

1. Policy Status: Existing Policy: The Housing Management Contract will support existing priorities set out in the Council's Housing Strategy to support Bromley Residents into settled homes.
2. Making Bromley Even Better Priority
 - (1) For children and young People to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
 - (2) For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
 - (3) For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
 - (4) For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
 - (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

Financial

1. Cost of proposal: Estimated £30m whole life contract costs (10+5 years), plus £0.2m p.a. staffing costs
2. Ongoing costs: Estimated £2m p.a. contract costs, plus £0.2m staffing costs
3. Budget head/performance centre: Operational Housing
4. Total current budget for this head: £8.3m
5. Source of funding: LBB General Fund or Housing Revenue Account

Personnel

1. Number of staff (current and additional): Three Additional - see section 3.18 to 3.26.
2. If from existing staff resources, number of staff hours:

Legal

1. Legal Requirement: Statutory Requirement:
2. Call-in: Not Applicable

Procurement

1. Summary of Procurement Implications: See section 6

Property

1. Summary of Property Implications: See Section 7

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: See Section 8
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Customer Impact

1. Estimated number of users or customers (current and projected): More than 5,000 households' approach with housing difficulties which could lead to homelessness each year. At present there are just over 3000 households included on the Housing Register. There are currently approximately 1500 households in Temporary Accommodation these are predominantly located outside the borough. This includes c.1,100 households in costly nightly paid Temporary Accommodation.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 In September 2022 officers submitted a report to the Executive (HPR 2022/050) which outlined the Council's current Housing Management Contract provided by Orchard & Shipman (now Pinnacle) and set out options for future procurement.
- 3.2 Prior to proceeding to procurement via a compliant open tender, officers confirmed a further scoping exercise would take place in the form of soft market testing, alongside procuring specialist legal and financial advice for the longer-term management of the Beehive portfolio.
- 3.3 In addition to the above, officers detailed that there would be a review of the resources required to oversee the contractual management of all associated Housing Contracts, alongside ongoing development and governance of the Housing Revenue Account. This was anticipated to be a minimum of three positions, a Head of Service post and at least two additional officers.

Soft Market Testing

- 3.4 In January 2023, officers proceeded with a soft market test exercise seeking to engage with suppliers in an informal discussion to assist the Council in developing appropriate procurement documentation, understand whether the market has experience of delivering similar services and what appetite there is to bid for a contract of this nature and size.
- 3.5 The soft market test questionnaire was published on 6th January 2023 however due to a very low response rate this was considered unsuccessful; this exercise was repeated in May 2023. Whilst again limited responses were received, the content of those responses enabled officers to identify key themes e.g., the desired length of contract, the services currently available in the market and elements of the proposed portfolio that may require more specialist management expertise.
- 3.6 On review of the findings of the Soft Market Testing as well as scoping the current services provided within the Council, it is intended that the Council will remain the statutory landlord responsible for the long-term asset management of the HRA portfolio with a Contractor appointed as managing agent to provide and deliver a range of operational housing services. Whilst Beehive will have a different leasing structure, the services required are in keeping with those required for the HRA, these have been broadly listed below for reference:
- i. Lettings
 - ii. Rent, Housing Benefit & Income Management
 - iii. Tenancy Management
 - iv. Voids and Empty Property Management
 - v. Repairs and Maintenance
 - vi. Risk & Compliance
 - vii. Neighbourhood and Estate Management
 - viii. Community Development and Resident Engagement.
 - ix. Floating Support.
 - x. Right to Buy (Oversight of process, where applicable)
 - xi. Performance monitoring
 - xii. Customer Care, Complaints, Member Enquiries, Environmental Information Regulations and Freedom of Information requests.
- 3.7 Officers have collated a full and detailed specification identifying the core services to manage the housing stock as well as providing flexibility to add additional properties or removing sites as they are agreed by the Council for either development or disposal as the Council continues to work through its Transformation Programme.

- 3.8 The initial quantum being 247 properties as identified below, with an assumed future volume bringing the anticipated combined total to approx. 400 units.
- I. Four affordable housing developments, 95 Self-contained properties.
 - II. One multi - unit facility, approx. 62 rooms providing short term accommodation, with shared/communal facilities.
 - III. Ninety self-contained properties in and around the Borough of Bromley.
- 3.9 There is an additional multi-unit facility (54 Units) currently in use which will not be included in the initial quantum of properties pending a review of future use. This property requires substantial refurbishment works and therefore has been identified for potential regeneration. Subject to the required approvals, it is anticipated that this building ,which is currently providing accommodation for homeless households, will be decanted, redeveloped, and added to the assumed future volume of units following completion of works.
- 3.10 As a provider of Social Housing the Council will be looking to award a contract to a Registered Housing Provider who has no enforcement action against them with the Regulators. In addition to these two requirements and given the nature of this contract the Provider will also be required to demonstrate that they have the ability to provide the necessary services within the Borough.

Beehive

- 3.11 As referred to in the report to the Executive in September 2022 (HPR 2022/050), and in preparation for the tender exercise the Council were to seek specialist legal and financial advice to determine the options for the long-term management of the Beehive Properties.
- 3.12 The options considered were transferring the properties into the HRA and/or leasing them to a Wholly Owned Company/Limited Liability Partnership or to a Registered Provider which will be able to grant assured shorthold tenancies.
- 3.13 The following options have been considered at this time:
- 3.14 **Option One** - The Council as the Leaseholder and for units to be transferred into the Housing Revenue Account (HRA). – **Not Recommended**
- I. On initial review this would have been the preferred option as there are no adverse tax implications and would be in line with the remaining portfolio with the Council as the statutory landlord. Unfortunately, this is not a viable option as the Council would be unable to uphold the financial obligations under the lease with Beehive.
- 3.15 **Option Two** - Wholly Owned Company/Limited Liability Partnership – **Not Recommended**
- I. This is an option that remains available to the Council, with the Council owned company being the statutory landlord. However, with no assumed future growth of this portfolio and the additional governance that would be required, further consideration would need to be given and appropriate business plan fully worked through, it has therefore been identified as not suitable at this time.
- 3.16 **Option Three – Lease** Re-procure (Renewal of sub-lease) to a Registered Provider which will be able to grant assured shorthold tenancies. – **Recommended**
- I. This is a continuation of the current leasing structure of the portfolio with the properties being held in the general fund. Whilst ownership and control are relinquished to third party, the Council can exercise that control through lease and housing management arrangements.

- 3.17 With approval, it is intended that the Beehive portfolio will be included in the formal tender exercise under recommended Option Three. With the Council seeking to appoint a housing provider on a fixed term sublease, to provide housing management and associated services with the council having 100% nomination rights.

Resources Proposal

- 3.18 The Council transferred its housing stock to Clarion Housing Association (formerly known as Broomleigh) in 1992 and subsequently closed its Housing Revenue Account ("HRA"). In July 2020 the Council approved the re-opening and setting up of the HRA for the provision of affordable housing and has recently been developing housing on Council-owned land.
- 3.19 At the time of reopening the HRA the Council had no in-house expertise or capacity for the operational running or management of residential housing stock within either Housing or Strategic Property.
- 3.20 The quantum of properties acquired either through self-delivery or leasing had not been sufficient for the Council to consider a wider resource plan for the HRA and Housing Management. Departmental functions within Housing, Regeneration, Corporate Transformation, Finance and Strategic Property have been supporting the inception of the new housing stock and management of the same however, this has placed increased pressure particularly on front line operational departments.
- 3.21 In September 2022, Members approved the recruitment of a Head of Housing Schemes for a two-year fixed term. The Head of Housing Schemes together, with cross departmental personnel, has completed a review of the long-term resource requirements needed to manage the Housing Management Contract and meet the statutory HRA obligations. This is being built into the 2024/25 budget process.
- 3.22 In addition to the Council owned portfolio this review also included wider consideration to the management of all Bromley's Housing Contracts, these have been listed below for reference:
- I. Mears More Homes – 400 Units
 - II. Beehive – 76 Units
 - III. Meadowship 1 & 2 – Approx 440 Units
- 3.23 This review identified that the Operational Housing Management of these contracts had been split across front line officers to assist in managing the workload. Whilst day to day matters were being addressed, officers were often reactive which results in ineffective contract management and increased risk.
- 3.24 In anticipation of the new Regulatory Consumer Standards and Code of Practice (April 2024) alongside the amendment to the Social Housing (Regulations) Bill which will make professional qualifications mandatory for social housing managers, it is imperative that the Council take steps to recruit required personnel now to enable proactive management required for the Council owned portfolio.
- 3.25 Given the responsibilities involved in being a Social Landlord Provider referenced above and the complexities of holding our own stock, it is too much of a risk, both financially and reputationally for the Council to not put resources in place to manage the HRA and the various Housing Contracts.
- 3.26 The staffing resources required to effectively manage this are being built up as part of the 2024/25 budget process and will ensure that the Council is able to manage its statutory obligations in relation to stock ownership and affordable housing management.

Procurement and project timescales

3.27 The table below provides an indicative procurement timetable:

Procurement Stage	Find a Tender and Contracts Finder Notice Issued	Sep-23
	Issue SQ and ITT with all other Procurement Documents	Sep-23
	Closing date for Clarification questions	Oct-23
	Closing date for return tender Responses	Oct-23
	Evaluation of the Tender Responses	Oct-23
	Potential Clarification Interviews	Oct-23
	Final Evaluation of Tender Responses	Nov-23
Internal Authorisation	RR & H PDS -	Nov-23
	Executive	Nov-23
Mobilisation	Anticipate Telling Tenders	Dec-23
	Contract Mobilisation	Jan- March 24
	Contract Start	1st April 2024

3.28 The proposed tender process will be carried out with support from Corporate Procurement in line with the Council's Contract Procedure Rules and compliance with the Public Contracts Regulations 2015 requirements via a 1-stage open process. Prospective bids will be evaluated on a 60% price and 40% quality split.

3.29 It is intended that following the evaluation period, subsequent papers will be brought back to Members in the November 2023 committee cycle. Subject to the number of bids received this may cause delay to the above timeline, and a Special RR&H PDS meeting may be required, week commencing 20th November 2023.

3.30 Estimated Value of Proposed Action - To proceed to procurement for a Housing Management contract for a ten-year contract with the option to extend for a further five years. The contract is intended to commence from 1 April 2024 at an estimated annual value of £2m (whole life value of £30m).

3.31 For the Housing Management contract, the contract length is based on the size and nuances of the stock in addition for the need to make the scheme financially viable in terms of the 8–10-year cyclical maintenance cycle.

4. FINANCIAL IMPLICATIONS

4.1 This report recommends that Executive approves proceeding to procurement for housing management services. The estimated annual value being £2m with the contract to commence from 1 April 2024 for a ten-year term (with the option to extend for a further five years) at an estimated whole life value of £30m. Whilst the properties are held within the Council's General Fund, the cost of this contract will be funded from the Operational Housing revenue budget.

4.2 In July 2020, the Council approved the re-opening and setting up of the Housing Revenue Account (HRA) for the provision of affordable housing. In the event that a cohort of the

properties being managed under this contract are transferred into the HRA, a proportionate amount of the housing management contract costs would also be chargeable to the HRA and would be accordingly factored into the HRA financial planning.

- 4.3 To note that, as per the previous report to Executive there are resource requirements that will be built up as part of the 2024/25 budget process in order to meet the Council's statutory obligations in relation to stock ownership and affordable housing management.

5. LEGAL IMPLICATIONS

- 5.1 This report seeks approval to proceed to procurement for housing management services for Bromley owned housing portfolio via an open tender at an estimated value of £2m. The proposed contract will commence from 1 April 2024 for a ten-year term (with the option to extend for a further five years) at an estimated whole life value of £30m. The background to this is set out in the executive report HPR 2022/050.
- 5.2 The Council has certain legal duties and powers towards persons to whom the council provides housing tenancies to under the Housing Act 1985 and must comply the regulatory requirements and standards set by the Regulator of Social Housing under the Housing & Regeneration Act 2008 and the Housing and Regeneration Act 2008 (Registration of Local Authorities) Order 2010. The Council therefore have the legal power to manage those tenancies and to enter a contract with a provider for the provision of general housing management services.
- 5.3 This is a services contract for the purposes of the Public Contracts Regulations 2015. As the value exceeds the relevant threshold under the Regulations the Council is required to carry out a fully compliant Procurement exercise.
- 5.4 The Council's specific requirements for authorising proceeding to procurement are covered in 1.3 of the Contract Procedure Rules with the need to obtain the formal Agreement of the Assistant Director Governance & Contracts, the Director of Corporate Services and the Director of Finance for a procurement of this value. In accordance with CPR 2.1.2, Officers must take all necessary professional advice and this procurement must be carried out using the Council's e-procurement system (CPR 3.6.1). Executive approval is required for a procurement of this value (CPR 5.4).
- 5.5 Procurement colleagues have confirmed elsewhere within this report, the actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

6. PROCUREMENT IMPLICATIONS

- 6.1 This report seeks approval to proceed to procurement for housing management services for Bromley owned housing portfolio via a competitive Open tender, for a period of ten years with an option to extend for a further five years from 1 April 2024. The estimated value being £2m . per annum with an estimated whole life value of the Contract being £30m.
- 6.2 The Procurement Competition process requires an Invitation to Tender making use of public advertisement (including Contracts Finder and Find a Tender).
- 6.3 This is an above threshold service contract covered by Schedule 3 of the Public Contract Regulations 2015.
- 6.4 The Councils specific requirements for authorising proceeding to procurement are covered in Rules 1 and 5 of the Councils Contract Procedure Rules with the need to obtain the approval of PDS, and Executive following agreement of the Assistant Director Governance & Contracts, the Director of Finance, the Director of Corporate Services for a procurement of this value.

- 6.5 In accordance with Contracts Procedure 2.1, Officers must take all necessary professional advice.
- 6.6 In compliance with the Council's Contract Procedure Rules 3.6, this procurement must be carried out using the Council's e-procurement system.
- 6.7 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.
- 6.8 There are no direct Procurement implementations in relation to the resource proposal to oversee the contractual management of all associated Housing Contracts or the Beehive Scheme.

7. PROPERTY IMPLICATIONS

- 7.1 Strategic Property have been consulted as part of this process and confirm that they support the recommended approach for the retendering of the management contract. As the recommended approach is to continue under a similar arrangement to the one that is currently in place (i.e. a lease structure) there will be no material impact that Strategic Property needs to provide further comment on.

8. CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS

- 8.1 The Public Services (Social Value) Act 2012 requires Local Authorities to have regard to economic, social, and environmental wellbeing in connection with public service contracts. In doing so, the London Borough of Bromley contracted services must consider these factors when tendering for a new service and measures must be put in place to ensure that Providers adhere to the Council's Social Value and Local /National Priorities.
- 8.2 In proceeding to procurement, the new Housing Management contract and service specification will be reviewed to maximise the Social Value opportunities. For example, Providers will be asked to convey via the tender their Social Value strategy which will include detail on what they will do to grow the local economy e.g., via apprenticeships and work placements for residents. Providers will also be asked to consider the impact of their service on the environment. This may include encouragement of active travel for staff and service users and resource efficiency in terms of sourcing equipment, in line with the Council's Net Zero Carbon ambitions.

9 CUSTOMER IMPACT

- 9.1 The accommodation provided ensures that the Council is able to meet its statutory responsibilities in respect of housing. The Council's house building programme is focused on affordable housing and seeks to ensure that vulnerable adults and young people are supported to remain in their own homes wherever possible or to secure alternative suitable and sustainable accommodation solutions.

Non-Applicable Headings:	Ward Councillor Views
Background Documents: (Access via Contact Officer)	Housing Management Procurement option HPR 2022/050