



Executive
11 August 2010

**Report from the Director of
Housing and Community Care**

Wards affected:
All

**Award of Contract for Procurement and Management of
Temporary Accommodation**

Appendix 4 is not for publication.

- 1.1 This report details the process of the competitive tendering of two contracts for the Procurement and Management of Temporary Accommodation (Brent Direct Leasing Scheme), and makes a recommendation as to award. The Executive gave authority to tender for the contracts at the meeting of 19th October 2009.

2.0 Recommendations

- 2.1 That the Executive award both the Procurement and Management of Temporary Accommodation contracts to Brent Housing Partnership Ltd from 1st September 2010 for 2 years with provision to extend for a further 12 months.
- 2.2 That the Executive approve an extension to the current contract for Procurement and Management of Temporary Accommodation to cover the period from 16th August 2010 to 31st August 2010 until the projected start date of the new contracts.
- 2.3 That the Executive delegate authority to the Director of Housing and Community Care to further extend the current contract for Procurement and Management of Temporary Accommodation beyond 31st August 2010 if required, to allow for a later start date than 1st September 2010 for the new contracts, whether due to delay in obtaining the required Secretary of State consent to the outsourced service or otherwise.

3.0 Detail

3.1 Background to the contract

- 3.1.1 The Brent Direct Leasing Scheme (BDL) is used to provide temporary accommodation for homeless families. At the end of June 2010 there were 367 BDL units in use. As the Council has a target to reduce the use of temporary

accommodation by 2010, it is envisaged that the demand for this service will be a total of 280-400 units in management over the next three years.

- 3.1.2 The current contract for the procurement and management of temporary accommodation has been in operation since August 2004. The Council leases suitable private sector properties and enters into head leases with the property owners, generally for a 3 year term. The tenants enter into a non secure tenancy with Brent Council and pay rent to the Council (generally via the Housing Benefit paid to homeless families). The Housing contractor provides management and maintenance services, such as a viewings and lettings service, rent accounting, rent arrears collection, regular property inspections and administering decants. The Council pays a weekly management fee to the contractor for each property. There are minimum property standards and furniture standards specified by the Council, and the contractor is required to provide a high quality housing management service. Performance is monitored through performance indicators and regular monitoring meetings.
- 3.1.3 The existing contract was awarded to Brent Housing Partnership on the 1st August 2004 and commenced on 16th August 2004 and was for 3 years with provision to extend for a further 2 years. The contract was duly extended until 15th August 2009. (further detail is given below in the legal comments about the contract extension until 31st August 2010).
- 3.1.4 Authority was sought from the Executive on 19th October 2009 to tender for a new Procurement and Management of Temporary Accommodation contract.
- 3.1.5 As set out in that report, authority was sought to tender one contract for the Brent Direct Leasing scheme, together with the South Kilburn Temporary Accommodation scheme. However subsequently officers took the decision to take the South Kilburn element out of the contract. This was because the South Kilburn project did not proceed as it became economically unviable with increases in refurbishment costs with the introduction of the new electrical regulations. In addition it was decided that in order to stimulate the market, the contract be split into two smaller contracts, with the expectation that smaller providers would tender for only one of the contracts, though larger providers would bid for both. In addition, the contract specification was revised to improve the efficiency of the service and value for money for the Council. The new contract has transferred the costs of repairs and maintenance to the contractor and also the cost of procuring new properties. The targets on voids turn around time have been improved, so contractors will incur a financial penalty if a void property is not brought back to management with 10 working days
- 3.1.6 Accordingly when the contracts were advertised, it was for two equal contracts, each to source properties and manage up to 225 properties The advertisement for the tender and the Pre Qualification Questionnaire (PQQ) was placed on the Council's website and the Official Journal of the European Union on the 24th November 2009, with a closing date of 14th December 2009. 15 companies expressed an interest in the tender and 9 companies returned PQQs. 8 PQQs were evaluated and 1 PQQ was rejected as it was received after the deadline.
- 3.1.7 Shortlisting was undertaken on the basis of the contractors' financial and economic standing, business probity, professional and technical capability. This evaluation included consideration of health and safety, quality assurance, equal opportunities and disabilities awareness.

3.1.8 Six of the companies failed the Health and Safety assessment, so could not be considered further. Another two companies did not meet the financial standards required.

3.1.9 An Invitation to Tender was sent to the four remaining companies on 20th April 2010, with a return date of 12 noon of 2nd June 2010.

3.1.10 The tendering instructions stated that the contract would be awarded on the basis of the most economically advantageous offer to the Council and that in evaluating tenders, the Council would have regard to the following criteria together with appropriate weightings:

<u>CRITERIA</u>	Sub-criteria with weightings (if applicable)	Weightings
1. Price (50%)		50%
2. Quality (50%) <i>consisting of the following:</i>		
2.1 Proposed staffing levels to deliver the service		3%
2.2 Proposed method for delivering the specified arrears management service (including rent collection)		10%
2.3 Proposed method for and delivering the specified voids management service		10%
2.4 Procuring, repairing and maintaining properties and managing tenants in properties	a. Procuring – 4% b. Repairs / maintenance – 10% c. Complaints handling – 3% d. Equal Opportunities – 3% e. Anti-social – 2%	22%
2.5 Implementation	a. Timetable to implement service – 3% b. Electronic invoicing – 2%	5%
TOTAL		100%

The quality criteria in the first column are not as approved by the Executive in October 2009; the first three criteria are the same but the other two were added by officers in order to ensure that all aspects of the service were evaluated.

3.1.11 The tender submission was in the form of method statements, giving full details of how they would perform the requirements of the specification and of their approach to working in partnership with the Council and other organisations, together with a pricing document giving the unit cost on a weekly basis that could be used to identify a total contract value on the basis of an assumed management of 200 properties at any one time.

3.2 The Tender Evaluation Process

- 3.2.1 Three tenders were received on the due date. The fourth short listed organisation did not submit a bid and decided to withdraw from the process as they felt they could submit a bid which was going to be financially competitive. All three tenderers bid for both contracts and it was noted that as the two contracts were the same, an assessment that a tender for one contract was the most economically advantageous would automatically mean that the same would apply for the other contract.
- 3.2.2 The bids were evaluated by a panel of an officer from the Affordable Housing Development Unit and two officers from the Housing Resource Centre. The tender documents were evaluated by the officers individually, and the panel then met on the 10th June 2010 to agree the evaluations and complete a scoring grid (Appendices 1 - 3). The marking regime for the quality criteria was as follows:

Assessment	Score	Interpretation
Unacceptable	0	Fails to meet requirement - major omissions/weaknesses
Weak	1	Limited evidence of ability to meet requirement - omissions/weaknesses in key areas
Adequate	2	Meets requirement but with some minor omissions/weaknesses
Good	3	Fully meets requirement
Excellent	4	Fully meets requirement demonstrating added value in proposals for delivery of service

The weightings were then applied to reach a total score.

- 3.2.4 The financial evaluation methodology is shown in Appendix 2.
- 3.2.5 Tenderer 1 scored second in terms of overall quality and second in terms of price. Tenderer 2 scored highest in terms of price due to the lowest price provided, however also scored lowest in terms of quality. Tenderer 3 scored highest in terms of quality however also submitted the highest price therefore scored the lowest for this aspect. Therefore Tenderer 1 scored the highest overall score price and quality. It should be noted that although Tenderer 1 did not come first on the quality assessment it was still very satisfactory.
- 3.2.6 Accordingly it is recommended that both contracts for the Procurement and Management of Temporary Accommodation under the Brent Direct Leasing Scheme will be awarded to Tenderer 1, which is Brent Housing Partnership Ltd.

4.0 Financial Implications

- 4.1 The tender prices quoted by the recommended tenderer is below the budget projection for the next financial year. The tender prices submitted represent a saving on the costs for the current contract. Based on a supply of 350 units, there will be cost saving of £1.64 per unit per week or a year saving of £29,848.
- 4.2 A breakdown of the tender prices is shown at Appendix 2.

- 4.3 The cost of these contracts will be funded entirely through the temporary accommodation management fee received of £40 per week for each property from the Department and Work and Pensions

5. Legal Implications

Housing homeless households

- 5.1 The requirement to provide temporary accommodation to persons in housing need arises under Part VII of the Housing Act 1996 ("the 1996 Act"). The Council is bound by statute under section 193 of the 1996 Act to provide temporary accommodation to homeless applicants who satisfy the following criteria: they are homeless or threatened with homelessness, they are eligible for assistance, they are in priority need of accommodation, they have a local connection with the Borough and they have are not intentionally homeless. The circumstances in which the Council will cease to be subject to any such duty are set out in section 196(6)-(7B) of the 1996 Act, which include the applicant accepting an offer of accommodation under Part VI of the 1996 under the Council's allocation scheme and accepting an offer of an assured tenancy from a private landlord.
- 5.2 The Council also has an interim duty to accommodate homeless applicants in temporary accommodation under section 188(1) of the 1996 Act pending a decision regarding their homelessness applications if the Council has reason to believe that such applicants may be homeless, eligible for assistance and have a priority need of accommodation. That duty ceases once a decision is made and if the decision is that the applicant does not qualify for assistance under Part VII of the 1996 Act, the homeless applicant has the right to request a review of such a decision and in those circumstances, the Council has a discretion (as opposed to a duty) under section 188(3) of the 1996 Act to house the homeless applicant in temporary accommodation pending a review by the Council of its decision. If the decision is that the homeless applicant qualifies for assistance under Part VII of the 1996 Act, the Council is under a duty to provide temporary accommodation under section 193 of the 1996 Act as set out in the previous paragraph.

Secretary of State's consent

- 5.3 It is necessary to apply to the Secretary of State to seek his consent for BHP to manage the properties that are subject to the new BDL contracts pursuant to section 27 of the Housing Act 1985. The housing management of temporary accommodation properties do not come within the remit of the housing management functions that were delegated to BHP in the BHP Management Agreement. Furthermore, this matter does not come within the circumstances set out in the General Consent provided by the Secretary of State in February 2009 pursuant to section 27 of the Housing Act 1985, which is known as The General Approval for Housing Management Agreements 2009.

Procurement Requirements

- 5.4 The contracts for the procurement and management of temporary accommodation are, once aggregated, High Value Contracts under Contract Standing Orders and accordingly, a competitive tendering process must be followed. In addition, this service has been assessed as a part A service under the European public procurement regulations, and so is subject to the full application of the European Public Procurement regulations ("the EU Regulations").

- 5.5 The Council must observe the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period **before** the contract can be awarded. Therefore once the Executive has determined which tenderer should be awarded the contract, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before the contract is concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the regulations.

Contract Start Date and Contract Extensions

- 5.6 This service was last tendered and awarded in 2004. That was a 3-year contract with provision for extension or extensions of up to 2 years, and when these rights of extension were exercised the contract was due to expire on 15th August 2009. A further extension of 10.5 months was authorised by the Director of Housing and Community Care to take the contract through to the end of June 2010. Under EU law a contract extension is treated as a new contract award, so such a contract extension to a Part A service should have been tendered in accordance with the EU Regulations; however at that time it was assumed that the contract was for a Part B service, on the basis that it had been tendered as a Part B service in 2004. The Director then authorised a further contract extension of 1.5 months up to 15th August 2010, in accordance with his delegated authority to extend any contract for up to 12 months. At that point it was appreciated that this service was a Part A service, however this further contract extension was below the EU threshold on the basis of a current monthly value of £26,127.
- 5.7 It is hoped to that the new contract can start on 1st September 2010. As the Director of Housing and Community Care has no further authority to extend the contract under his delegated powers, the Executive is being requested to approve a further contract extension up to 31st August. Then, in case there is delay in obtaining Secretary of State's consent for the delegation of housing management functions as set out above, or for any other reason, the Executive is also being requested to delegate powers back to the Director to grant a further extension should that prove necessary. Again such extensions are below the EU threshold, even when aggregated with all the extensions since June 2010.
- 5.8 As soon as possible after the standstill period ends, and provided that the Secretary of State consent has been obtained, the successful tenderer will be issued with a letter of acceptance and the contract can commence.

6. Diversity Implications

- 6.1 There are variations between the population of Brent and those applying for assistance as homeless. For example, those in the Black category made up just under 20% of Brent's population in 2001, however they accounted for nearly half of all applications as homeless in 2002/03. Furthermore, those in the White category made up just over a fifth of all homeless applications, but were 45% of the resident population in the 2001 census. Reasons for these differences are complex and relate to a variety of social, economic and demographic factors, including income levels, family size, and quality of housing and patterns of tenure.
- 6.2 The Housing Resource Centre's Equality Impact Assessment regarding homelessness and lettings identified that current policy is specifically designed to

ensure that those who are less able to access their own housing solutions are assisted.

7.0 Staffing Implications

- 7.1 The service is currently provided by Brent Housing Partnership and there are no implications for Council staff arising out of the tendering of the new contract.

8.0 Background Information

- 8.1 Any person wishing to inspect the above papers should contact:

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Appendix 1 Quality Scores

			Tenderer 1		Tenderer 2		Tenderer 3	
<u>Evaluation criteria</u>	Weighting	Max Score	Average Panel Score	Weighted Score	Average Panel Score	Weighted Score	Average Panel Score	Weighted Score
Quality	50%							
2.1 Proposed staffing levels to deliver the service	3%	4	3.67	2.75%	2.00	1.50%	3.33	2.50%
2.2 Proposed method for delivering the specified arrears management service (including rent collection)	10%	4	3.33	8.33%	3.00	7.50%	3.33	8.33%
2.3 Proposed method for and delivering the specified voids management service	10%	4	3.33	8.33%	3.00	7.50%	3.67	9.17%
2.4 Procuring, repairing and maintaining properties and managing tenants in properties	22%							
a. Procuring	4%	4	3.00	3.00%	3.00	3.00%	4.00	4.00%
b. Repairs / maintenance	10%	4	3.33	8.33%	3.00	7.50%	3.33	8.33%
c. Complaints handling	3%	4	4.00	3.00%	2.67	2.00%	3.33	2.50%
d. Equal Opportunities	3%	4	3.67	2.75%	3.00	2.25%	3.33	2.50%
e. Anti-social	2%	4	3.33	1.67%	3.00	.50%	3.67	1.83%
2.5 Implementation	5%							
a. Timetable to implement service	3%	4	3.33	2.50%	2.67	2.00%	3.67	2.75%
b. Electronic invoicing	2%	4	3.67	1.83%	3.00	1.50%	3.67	1.83%
Total	50%	44	34.67	42.5%	28.33	36.25%	35.33	43.75%

Each evaluation criteria could attract up to a maximum of 4 marks, the mark awarded was multiplied by the weighting for each of the ten Qualitative criteria detailed in appendix 1 to provide a total score out of the maximum score possible of 40.

For each tenderer, the achieved Qualitative score out of a maximum of 40 from each member of the evaluation panel will be averaged to identify an overall qualitative score for that tenderer.

To identify the final weighted score the following calculation will be applied:

$$\text{Final weighted percentage score} = \text{Weighting} \times \frac{\text{Score}}{\text{Max Score}}$$

Appendix 2

Procurement and Management of Temporary Accommodation Contract – Tender Prices

The tenderers were asked to give a weekly management fee for each unit. A base level of 200 units were used to calculate an annual and total contract value for comparison purposes.

Total Contract Cost

Supplier	Price	% score (lowest scores 100%)	Scaled to fit weighting	Weighting
Tenderer 1	£ 1,734,720.00	96.12%	48.06%	50.00%
Tenderer 2	£ 1,667,328.00	100.00%	50.00%	
Tenderer 3	£ 2,347,800.00	71.02%	35.51%	

This Price evaluation will be conducted for both the TUPE Price and the non TUPE Price (assuming both prices are invited in the tender process, in the Invitation to Tender).

- The 'Price' uses a proportional scoring system to award the maximum score of 50% (corresponding to the weighting for 'Price' criterion) to the lowest price tender. The remaining tenders will be awarded scores to reflect their individual value in relation to that of the lowest price tender.
- For example, where the total contract price for Tender X is £1,000 and for Tender Y £500, Tender Y receives the maximum score of 50% (i.e. 50 points) and Tender X a score of 25% calculated as follows:

$$\frac{\text{Lowest price tender (Tender Y)}}{\text{Tender X price}} \times \text{Weighting} = \frac{£500}{£1,000} \times 50\% = 25\% \text{ (Tender X)}$$

$$\frac{\text{Lowest price tender (Tender Y)}}{\text{Tender Y price}} \times \text{Weighting} = \frac{£500}{£500} \times 50\% = 50\% \text{ (Tender Y)}$$

Appendix 3

Final Tender Scores

The final overall score was reached by adding the qualitative score to the tender price score.

Scoring for Qualitative Criteria and Price

The score for Price was added to the total score for the Qualitative aspects to provide a percentage-based score for each tenderer, and the percentage scores were then ranked and the highest scoring tenderer(s) recommended for appointment.

Breakdown

Bidder	Price	Quality	Total	Position
Tenderer 1	48.06	42.50	90.56	1
Tenderer 2	50.00	36.25	86.25	2
Tenderer 3	35.51	43.75	79.26	3