

<u>Report Title</u>	Newcastle Housing Advice Service Contract
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<u>Portfolio:</u>	Finance and Resources / Economic Development, Regeneration and Town Centres
<u>Ward(s) affected:</u>	All

Purpose of the Report

The delivery of a housing advice, homelessness and housing register service is a statutory function, which means the Council has to provide assistance to assist individuals and families who are homeless or threatened with homelessness who apply for help. This report sets out the options available for the provision of the Council's statutory homelessness, housing advice and housing register services for April 2014 onwards when the current extended contract expires.

Recommendations

- (a) To retender the Newcastle Housing Advice Service Contract for a 3 year contract with an option to extend for a further 3 years subject to satisfactory performance and funding.**
- (b) That Cabinet approve the proposal to accept variants bids as part of the retendering of the Newcastle Housing Advice Service Contract.**
- (c) That Cabinet require the successful contractor to work with the Council to enhance the customer journey in future years of the contract.**
- (d) That the Executive Director for Regeneration and Development is authorised in consultation with the Portfolio Holder to finalise the specification/service outline.**

Reasons

In line with the Council's overarching aim to seek at least 10% savings from all newly commissioned contracts, it is anticipated that the future budget for the service will be reduced from £300,000 to £270,000, therefore it is necessary for the Council to consider ways to deliver the service in more efficient ways. The report outlines the options available and highlights how the retendering process will enable future delivery of the service to be brought in within the desired budget when the current contract expires at the end of March 2014.

1. Background

- 1.1 The core objective of the Council's Homelessness Strategy is 'to ensure that homeless levels in the Borough remain as low as possible through prevention and to provide a quality service to those affected by homelessness'.
- 1.2 The Council has a statutory duty under the Housing Act 1996, as amended by the Homelessness Act 2002, to provide homelessness, housing advice and housing register services in the local authority area.
- 1.3 The Council fulfils this duty through Newcastle Housing Advice (NHA), which is a housing advice, options and homelessness service, currently delivered on behalf of the Council under contract by Aspire Housing Ltd. Overall, monitoring information indicates that the

service performs well and provides support to some of the most vulnerable people within the community of Newcastle-under-Lyme.

- 1.4 Since 2000, when the Council transferred its housing stock to Aspire Housing (formerly Newcastle under Lyme Housing), the Homelessness, Housing Advice and Housing Register Service has been delivered by Aspire Housing via sequential contracts. The current contract commenced in September 2009 for a term of two years and seven months, plus it had the option to extend for a further 2 years, subject to satisfactory performance.
- 1.5 In 2012, the contract was renegotiated by Council Officers and extended for 2 years (1st April 2012 – 31st March 2014). The negotiated contract extension brought about cost efficiencies of £50K and a number of amendments to the original specification/service outline.
- 1.6 The NHA service consists of the following elements:

Housing Options & Advice

NHA delivers a number of preventative services to customers to minimise the risk of them becoming homeless in the first instance. These services include offering guidance and support to all residents including private tenants on what housing options exist to enable them to remain in their current accommodation or secure alternative more suitable and sustainable accommodation. When appropriate the service will also refer customers to other specialist agencies in order to prevent homelessness. This element of the service is known as a housing options approach and its success stems from intervening as early as possible to prevent homelessness and the advice is tailored towards the individual needs of the customer.

The success of the preventative approach is demonstrated in Shelter’s value for money in housing options and homelessness services report (2012). Shelter’s research highlighted that authorities can achieve cost savings and deliver better outcomes for customers by prioritising spending on prevention advice and assistance. The research showed an average saving of £1,286 per household prevented (average prevention unit cost £826) from becoming homeless compared to the cost of when an authority is required to meet a ‘full duty acceptance’ (acceptance unit cost £2,112). The report also highlighted that the savings are potentially higher if an authority is required to meet the full duty for a household that is not in receipt of the local housing allowance and in such circumstances, the savings could be as high as £7,680 per prevention. Based upon the evidence contained within the Shelter report coupled with the Council’s experience in this field, a move away from prevention and an approach of dealing with homelessness when it arises would therefore be more expensive and detrimental to the lives of those most vulnerable households in the Borough.

The table below shows the number of customers coming to the service seeking advice and support with their housing needs.

NHA Activity	2009/10	2010/11	2011/12	2012/13
Telephone Enquiries	>3449*	15307	12175	14341
Reception Enquiries	1970	4970	5553	5459
Enquiries leading to open cases	1283	2514	2663	1859
Interviews (by appointment)	737	668	587	465
Interviews (walk ins)	94	97	90	67

* Introduction of new phone system in 2009, which at first could not report volume of calls per team.

During 2012-2013 there were 1859 open cases of which 549 cases of homelessness were prevented as per the P1e definition. In order to record homelessness preventions on the P1e

Government return there must be the expectation that a household's homelessness has been prevented for at least 6 months and there are auditable records available.

Homelessness Assessments and Decision Making

If it is not possible to prevent a customer presenting as being homeless, NHA will take a formal homeless application and carry out investigations. In each case an assessment will take place to determine whether the applicant is actually homeless, eligible for assistance, in priority need and not intentionally homeless.

Since the introduction of a preventative approach in 2005, the borough has seen a substantial reduction in the number of homeless households presenting and being accepted as statutorily homeless; during 2012-2013 there were 40 homelessness decisions compared to 544 in 2004-2005.

Temporary Accommodation

If an applicant meets the homelessness criteria the Council has an immediate duty to provide temporary accommodation for them and anyone who normally resides with them. The Council has a dedicated unit of temporary accommodation, which is provided under a separate service level agreement with Aspire. Alongside the unit, households may also be placed in hostel or refuge accommodation or, as a last resort, in bed and breakfast accommodation. The Council's duty is to make accommodation available; however the household is liable for the costs associated, although Housing Benefit and Council Tax may be claimed when applicable. The co-ordination of the provision of temporary accommodation also sits within the responsibilities of the NHA contract.

In 2012-2013 thirty households' accessed temporary accommodation in the borough (excluding those accommodated under severe weather provision).

Housing Register

The NHA service operates a joint housing register with Aspire Housing. Alongside the register the Council also shares a joint Housing Allocation Policy which outlines how a customers' housing need will be assessed and prioritised against other applicants and the mechanism for letting social housing in the Borough. The management, operation of the register and exercise of the Council's nomination rights falls within the remit of the NHA contract.

At the end of March 2013 there were 2343 applicants registered on the joint housing register. During 2012/13 there were 782 lettings via the housing register.

2. Issues

2.1 Cost

The current service costs £301, 000 per annum and the cost of the contract is met within the Housing and Regeneration Service budget. The current contract for the NHA service will expire on 31st March 2014. The corporate aim to make at least a 10% saving on all newly commissioned contracts means that the new service should be delivered for no more than £270,000 per annum.

2.2 Market testing

Due to the complex nature of the work involved and to ensure impartially, previous tendering exercises for this service having included external professional input. In 2003, when the service was first retendered a housing consultant was used to review the current service, develop a specification/service outline which would reflect the impact of the introduction of the Homelessness Act 2002 and assist in the production of a shadow bid.

In 2008 support was provided from an independent homelessness and housing advice specialist; an independent review of the existing service and an in house costing exercise was produced. The decision was made to retender the service leading to Aspire Housing being awarded the contract.

In 2012 an internal multi-disciplinary re-tendering working group was established to co-ordinate the third retendering exercise for the NHA service. The group embarked upon a benchmarking exercise of the services provided by local authorities across the country. The exercise highlighted the difficulty in comparing a like for like service as there were many factors that differed across the authorities, for example the number of visitors and number of preventions delivered. Of those that were similar the NHA service costs were comparable.

In November 2012 the Council's strategy to procuring the new contract was to consider open market tendering including a comparative in-house bid.

Council Officers then consulted with members over the strategic direction for the service and its future delivery. Economic Development and Enterprise Scrutiny considered the issues and accepted the proposal of the NHA Contract Retendering Working Group to develop an in-house proposal, as an option to be considered as a tender submission for comparison purposes and to ensure the best service is delivered, whilst achieving good value for money aims. The Portfolio Holder then approved this approach and specification/service outline via a delegated approval.

As part of the process expressions of interest have been sought and four service providers in the market (including the incumbent) expressed an interest in the delivery of the future service.

On 17th June 2013 the procurement process commenced with a contract notice being placed in the Official Journal of the European Union and direct advertising of the opportunity on the Council's website to potentially interested parties.

As part of the initial stages of the procurement it became clear through discussion in the in-house group and through clarification questions from potential tenderers that there was great interest in submitting "variant bids" rather than delivering the standard specification/service outline within the set budget. This highlighted that the original specification/service outline would benefit from greater detail being supplied to support the submission of variant bids and, in particular, what elements of the service the Council was prepared to accept variant bids on. This resulted in the procurement process being ceased to give officers time to amend the OJEU notice, enhance the specification/service outline details in terms of the variant bids and to enable the in-house bid to be reviewed to ascertain if this was a suitable option.

Officers are therefore requesting that members reconsider the future delivery options for this service and make a decision on the way forward in light of the additional information that has come to light during the procurement process of this service.

Future Delivery Options

The following options are available to the Council.

Option 1 – To retender the contract for the NHA service

Option 2 – To not retender and bring the NHA service in-house to be delivered by the Council

Option 3 – To extend the current contract with the existing provider for a further short term period

	Option 1: Retender a revised NHA specification/service outline.	Option 2: Not to retender and bring the service in house to be delivered by the Council.	Option 3: To extend the current contract with the existing provider for a further short term period.
Advantages	<p>Fit for purpose service being delivered within desired budget.</p> <p>VFM tested and demonstrated through a competitive tender process.</p> <p>Contractor would be responsible for the day to day delivery of the service, including the attendant risks.</p> <p>Opportunity via the variant bid process for new and innovative approaches to service delivery, balancing customer focus and financial efficiencies.</p>	<p>Direct control of the service.</p> <p>The Council would not be locked into a contract and would be able to tailor the service as and when required.</p> <p>The Council would save resources required by the tendering process and partner agencies do not waste money putting together bids.</p>	<p>An extension would enable a robust process mapping of the current service with the active compliance of the current incumbent.</p> <p>No disruption / change in service of for customers.</p>
Disadvantages	<p>Uncertainty until tenders are received as to the proposed methodology of service delivery.</p> <p>Potential disruption to current services if the contract is awarded to a new provider.</p> <p>An alternative provider may be unfamiliar to the Council and it may be time consuming or even difficult to establish relationships.</p> <p>Towards the end of the contract period the</p>	<p>Costs associated with bringing the service in-house.</p> <p>There could be future implications in relation to nomination rights and accessing suitable accommodation options.</p> <p>Missed opportunity to test the market on number of areas including value for money.</p> <p>Internalisation of risks</p>	<p>Budget implications as current contract costs are higher than future budget for the service.</p> <p>Missed opportunity to test the market.</p> <p>Assumption that current incumbent is willing to extend.</p>

	existing providers' performance could deteriorate due to uncertainty of future contract award & bidding process workload.	associated with service delivery.	
Risk	<p>Viability – MEDIUM Organisations which initially expressed an interest do not submit a bid.</p> <p>Finance-HIGH Tenders submitted may not come in within budget. If this was to occur the Council could then consider bringing the service back in-house as an alternative.</p>	<p>Finance - HIGH Short term and possibly long term budget implications.</p> <p>The Council could bring the service back in house making radical alterations involving redundancy.</p> <p>Finance – MEDIUM Unknown long term commitment of government funding in relation to homelessness.</p> <p>Time – HIGH There is a considerable amount of work to be done to transfer the service to NBC.</p> <p>Service Delivery-MEDIUM Potential for an increased demand on service in the future due to welfare reforms.</p>	<p>Finance-HIGH This would not deliver targeted savings requiring the Council to make savings through other services.</p> <p>Reputation-MEDIUM Local media attention.</p> <p>Possibility of a challenge from OJEU, following the notice of contract award and extension may result in reputational damage for the Council.</p>

Preferred Option

The preferred option is Option 1 – to retender a revised specification/service outline as this option is most likely to deliver the service within the desired budget allocation.

In considering the issues outlined above it is worth highlighting that the retendering and production of a new specification/service outline involves significant officer resources to ensure that a good service is procured. Officers are therefore recommending that a three year contract is awarded with the option for a further three year contract extension, subject to satisfactory performance.

The option to retender also provides the additional opportunity for interested parties to submit variant bids, which could demonstrate further innovation and ways to deliver the service efficiently without impacting adversely upon the customer.

The Council has received expressions of interest from external agencies to deliver the service and therefore should give them the opportunity to bid for the service through a tender process and for this to determine whether the desired levels of efficiency can be achieved.

Service specification/service outline and standards

The current service provider has been successful in meeting the outputs of the contract. Officers consider that the current contract has been fit for purpose and has helped to deliver the prevention model which provides a range of options and services to prevent homelessness from happening rather than the service being reactive and placing people in temporary accommodation whilst completing a homeless application. However it has become increasingly important to improve service efficiency and deliver better quality services without increasing costs or to deliver the same quality of service for less. The requirement to deliver the services within a lower budget has given officers the opportunity to review the current specification/service outline.

In reviewing the options for the future delivery of the NHA service the new service will need to address

- Homelessness Prevention
- Homelessness applications and assessments
- Securing temporary accommodation, but reducing the use of B&B
- Securing permanent accommodation
- The management and operation of the Housing Register

In developing the draft specification/service outline officers have considered the opportunities for securing efficiencies through producing an outcome orientated specification/service outline based on the statutory duties.

In tendering the contract the Council would receive appropriate costing for the specification/service outline; i.e. a compliant bid.

In addition innovative approaches to the future delivery of the NHA service can be encouraged by allowing potential bidders to submit variants to the standard specification/service outline. A variant bid is a bid which is different from that specifically requested in the tender documents; examples of a variant bid would be the position of a different pricing structure or new and innovative ways of delivering the service. A variant bid may vary from the specification/service outline provided that they are clearly identified, including all cost and benefit ramifications.

Variant bids should normally meet the requirements of the specification/service outline but offer special features which are additional to, or which vary from, those included in the standard bid. Variant bids should be treated as separate options to be appraised alongside the standard bids to see whether their special features offer benefits worth pursuing in terms of improved value for money.

The evaluation of variant bids must follow the same methodology as the evaluation of the standard bid, therefore any variant needs to be developed within set parameters that are outlined in the specification/service outline. However, in relation to any variant bids, the following broad questions should be borne in mind whilst undertaking the evaluation of variant bids:

- Do the proposed changes offer value for money?
- Do the proposed changes impact negatively on the customer journey and outcome?
- Do the proposed changes represent a more appropriate allocation of risk?
- Do the proposed changes impose additional costs on the Council?
- Do the proposed changes indicate a clear understanding of the nature of the services required by the Council?
- Do the proposed changes reflect an understanding of the way in which the service is likely to alter over the course of the contract period?
- Do the proposed changes undermine the ability of the Council to achieve the performance standards?

As part of the Contract Strategy it is recommended that the tender specification/service outline highlights which areas of the service the Council is prepared to accept a variant bid. The current specification/service outline has been amended to the basic statutory responsibilities with a preventative ethos. Variants could be considered for:

- Service location – the specification/service outline acknowledges the benefits of having a Newcastle town centre base as customers are able to travel on public transport, combine the journey with other tasks such as shopping, going to the bank, etc. The Council should be interested in variant proposals which may be able to offer a high quality service utilising different approaches which detail how the face to face contact will be delivered effectively.

- Accessibility - the specification/service outline states that the service should be open Mon-Fri 9am – 5pm; tenderers could offer a variant number of hours to which the service is open for customers and on which days.

- Publicity and branding – the specification/service outline states the use of the NHA brand to promote impartiality and independence however tenderers may have an alternative approach which may utilise existing services. The Council would need to assess the effectiveness of the proposed branding to ensure customers are aware of the service and understand what it provides.

- Housing Register - the specification/service outline, highlights that the housing register element should deliver the current Housing Allocations Policy; variant bids could consider offering a service which meets the primary objectives of the policy (i.e. local connection and evidence of housing need) but utilises a more efficient approach.

- Housing Advice – the specification/service outline, outlines a triage approach however tenderers may be able to demonstrate an equally effective advisory service.

- Homelessness prevention – the homelessness prevention toolkit includes deposit guarantee, one off payments scheme and rent guarantee scheme; tenderers may be able to demonstrate alternative toolkits.

Following consideration of these issues a decision is required from Members as to whether these are acceptable variants for the tendering process and will result in acceptable service provision.

Future Contract Development

In light of the Welfare Reforms and the anticipated increase in customers requiring advice and support to sustain occupancy of their home it may be advantageous to consider in future years ways of enhancing the customer journey.

The Council could as part of the specification/service outline require the contractor to work with the Council and other agencies such as the DWP to develop more comprehensive integrated services in future years.

If this is desired then the contract specification/service outline will need to highlight this and state that the contractor would be required to use best endeavours to deliver enhancements and comply with any legislative changes. It should also be highlighted to the contractor that should processes need to be re-engineered in order to deliver improved services then this is expected as part of the contract price and will be taken forward as part of the contract management.

3. Proposal and Reason for Preferred Solution

- 3.1 To cease further work on the in-house option and retender the contract on the open market.
- 3.2 That Cabinet members make a decision on the scope of variant bids focussed around the following elements:
 - Service location
 - Accessibility
 - Publicity and branding
 - Housing Register
 - Housing Advice
 - Homelessness prevention
- 3.3 That Cabinet members make a decision on the inclusion of the requirement for the successful contractor to work with the Council to enhance the customer journey in future years of the contract.

4. Outcomes Linked to Corporate Priorities

- 4.1 The NHA service contributes to meeting the Council's Corporate Priorities for creating a Borough of opportunity and healthy and active communities.

5. Legal and Statutory Implications

- 5.1 The Council is statutorily responsible and accountable for the discharge of its homelessness duties, even where it has contracted out the delivery of services.
- 5.2 Under the Housing Act 1996 and the Homelessness Act 2002, the Council is required:
 - i) to ensure that advice and information about homelessness and preventing homelessness is available to everyone in the borough free of charge
 - ii) to assist individuals and families who are homeless or threatened with homelessness who apply for help. This means receiving homelessness applications and investigating and deciding whether a statutory duty is owed to the applicant. The main statutory homelessness duty is owed to applicants who are eligible, unintentionally homeless, and in Priority Need. In these cases the Council has to secure accommodation for the applicant and their household: temporary accommodation if needed and permanent accommodation thereafter in order to discharge this duty.

Applicants in Priority Need means pregnant women, applicants with dependant children, 16 & 17 year olds, under 21 year olds who were in care between the ages of 16 & 18, applicants who are homeless due to an emergency such as fire or flood, and people who are vulnerable due to old age, mental or physical illness, time spent in care, prison or the armed forces, violence or other special reason.

- 5.3 Any procurement will have to comply with the Council's Financial Regulations and Standing Orders.

6. Equalities

- 6.1 The Council's procurement tender process has regard to equalities, including the evaluation of equalities and diversity policies concerning employment practice and service delivery and workforce diversity monitoring.

7. Financial and Resource Implications

- 7.1 The Medium Term Financial Plan includes an annual budget of £300,000 for the service. In line with the Council's overarching aim to seek at least 10% savings from all newly commissioned contracts, there is a broad expectation that the budget for the service will be reduced from £300,000 to £270,000 with effect from the next financial year (2014/15).

8. Major Risks

- 8.1 There is a risk that the tendering process will not result in a service able to meet the needs of our vulnerable residents within the reduced budget.
- 8.2 If the service is delivered unsatisfactorily, there would be a significant impact on the homeless household both in terms of financial and social costs.
- 8.3 If the service is delivered unsatisfactorily, the Council would be open to a legal challenge as to how it had failed to meet its minimum duty. This would mean that Council would still have to provide assistance to the homeless household and cover any cost awarded against them,

9. Key Decision Information

- 9.1 The service affects residents in all wards of the Borough, with a potential total expenditure of £1,620,000 over the 6 year life of the contract should the extension be utilised.

10. Earlier Cabinet/Committee Resolutions

- 10.1 Cabinet approved the Homelessness Strategy 2010-15 in 2009.
- 10.2 Economic Development and Enterprise Scrutiny considered on 20th March 2013 the issues and accepted the proposal of the NHA Contract Retendering Working Group to develop an in-house bid, as an option to be considered as a tender submission for comparison purposes and to ensure the best service is delivered, whilst achieving good value for money aims. The Portfolio Holder then approved this approach and specification/service outline via a delegated approval.

11. List of Appendices

- 11.1 None.

12. Background Papers

- 12.1 Draft service specification/service outline and tender documentation.