

Finance and Resources Committee

10.00am, Thursday, 7 October 2021

Award of Flexible Purchasing System and Contracts for Temporary Accommodation

Executive/routine	Executive
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1. Recommendations

- 1.1 It is recommended that Finance and Resource Committee:
- 1.1.1 Grant delegated authority to the Executive Director of Place, in consultation with the Convenor and Vice-Convenor of the Committee, to finalise and admit providers to the Flexible Purchasing System.
 - 1.1.2 Grant delegated authority to the Executive Director of Place or such officers as he may sub-delegate to, to subsequently award Call-Off contracts, in line with the Council's Contract Standing Orders.
 - 1.1.3 Note that the Flexible Purchasing System is a mechanism to award contracts in compliance with the Public Contracts (Scotland) Regulations 2015 and the duration of the Flexible Purchasing System has been advertised as 10 years.
 - 1.1.4 Note that the maximum total spend is estimated to be £434 million over the full term of the Flexible Purchasing System (circa £43m per annum), this figure being based on current demand and historical spend analysis.

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Award of Contract for Temporary Accommodation and Associated Services, Flexible Purchasing System

2. Executive Summary

- 2.1 The City of Edinburgh Council has a legal statutory duty under the Housing (Scotland) Act 1987 to provide temporary accommodation to people who are homeless or face homelessness.
- 2.2 The nature of Edinburgh's housing market poses significant challenges to providing temporary accommodation within Edinburgh, particularly as the demand for temporary accommodation is easily influenced by changes to the political, legal, economic and social landscape.
- 2.3 Increasing demand, combined with emergent need and lack of contractual flexibility can lead to; non-compliant spot purchasing, increased cost, 'unsuitable' accommodation and residents being placed in accommodation which is not suited to their support needs.
- 2.4 The establishment of the Flexible Purchasing System aims to alleviate those challenges by allowing the Council to react to changes in demand through increasing capacity quickly, compliantly and with a focus on needs of the residents and value for money.
- 2.5 The Flexible Purchasing System will align to the Council's Rapid Rehousing Transition Plan (RRTP) and The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 (the Unsuitable Accommodation Order).
- 2.6 Delegated Authority is being sought to finalise and admit providers to the Flexible Purchasing System since supplier due diligence is still ongoing and may not be complete in advance of this meeting of the Committee. Delaying approval until the December meeting of the Committee will impact on the Council's ability to capitalise on additional potential capacity that the Flexible Purchasing System will offer.

3. Background

- 3.1 The City of Edinburgh Council has a legal statutory duty under the Housing (Scotland) Act 1987 to provide temporary accommodation to people who are homeless or face homelessness.
- 3.2 Additionally, The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020, aims to improve temporary accommodation standards, however, it also renders a percentage of Edinburgh's current temporary accommodation unsuitable due to the size and makeup of the accommodation.
- 3.3 The Council currently has several different temporary accommodation contracts, however due to the fast paced, ever changing landscape of temporary accommodation, demand has outstripped the contracted supply. This has left the Council's current provision unsustainable due to a lack of capacity, accommodation proportionate to support needs and contractual flexibility.

3.4 Lack of Capacity

- 3.4.1 The Council currently has approximately 1100 contracted beds across all forms of accommodation which are continually at full capacity, additionally circa 850 beds are currently being secured via spot purchasing in order to meet demand.
- 3.4.2 The financial cost associated with non-compliant spot purchasing have a significant impact on the Council's overall budget.

3.5 Lack of Accommodation proportionate to Support Needs

- 3.5.1 A key objective of the RRTP is 'where temporary accommodation is required, this will meet the needs of the household'.
- 3.5.2 Due to capacity issues, securing accommodation which is proportionate to resident's support needs is even more challenging, which can cause limitations on employment opportunities or caring responsibilities.

4. Main report

- 4.1 Commercial and Procurement Services (CPS) have been working with key officers within Homelessness and Housing Support on a procurement process to establish a Temporary Accommodation & Associated Services Flexible Purchasing System.
- 4.2 Upon reviewing the current situation as discussed above it was agreed a new system was needed to allow the Council to better meet its duty to provide temporary accommodation in line with both the Council's RRTP and the Unsuitable Accommodation Order.
- 4.3 The Flexible Purchasing System has been designed for Homelessness and Housing Support services to allow flexibility within a contractual procurement model, ensuring the Council can react to demand and award contracts in compliance with the Public Contracts (Scotland) Regulations 2015.

- 4.4 Establishment of the Flexible Purchasing System aims to achieve the following;
- 4.4.1 Let a fit for purpose, sustainable contract which is capable of incorporating continuous improvement; reduce non-compliant spot purchasing; maximise value for money and challenge the market to provide better value; house residents in accommodation suited to their needs; improve responsiveness to demand and compliance with regulations; promote Fair Work, Sustainability and Community Benefits, increase stability of supply and incorporate the findings of the Rapid Rehousing Transition Plan, including Housing First into Service Delivery.
 - 4.4.2 Savings achieved through the Flexible Purchasing System will also contribute to the efficiencies required to be delivered through the Homelessness transformation Prevention programme over the next three years.
- 4.5 Due to the nature of the service CPS was able to undertake a procurement procedure in accordance with the Public Contracts (Scotland) 2015 Regulations with the Light Touch Regime applied, allowing improved flexibility whilst still complying with the requirements for transparency, non-discrimination and equal treatment.
- 4.6 CPS published a Prior Information Notice (PIN) on 3rd February 2021 to engage with the market, as described further in section seven.
- 4.7 Using the Light Touch Regime has allowed the Council to build a system capable of changing, growing with demand and incorporating continuous improvement by having pre-qualified providers and removing the requirement to continually advertise contracts. The Flexible Purchasing System will be held on Public Contracts Scotland – Tender (PCST) which allows the Council to open and close the system in line with its changing requirements. When open, the system will allow new entrants to apply to join the system throughout the term without the need for an additional regulated procurement process. Any such applications will only be approved if the provider meets the required criteria, which minimises risk to the Council. Criteria may be amended by the Council from time to time as required.
- 4.8 The system has been designed to allow for the re-procurement of suitable current contracts, when they expire and future requirements including pilots and new models of delivery. Contracts must fall within the scope and nature of the Flexible Purchasing System to do so.
- 4.9 The 10-year proposed term will allow a sustainable temporary accommodation system to be developed. This will allow the Council time to work with providers to gradually build a sustainable supply of appropriate temporary accommodation at the same time as implementing purchasing preferences on a case by case basis to secure better, 'suitable' accommodation.
- 4.10 The Flexible Purchasing System has been split into four main categories; these categories are broad to allow future requirements to be procured through the system. Sub-categories have been used to define individual requirements, these can be amended or added to throughout the term of the system, to reflect demand and ensure the system remains fit for purpose.

4.11 The current categories are as follows;

Category 1: Temporary Accommodation with access to visiting support	1A - Private Rented 1B - Home Share 1C - Shared House
Category 2: Temporary Accommodation with access to residential support	2A – Supported Lodgings 2B – Shared House Inclusive of Support
Category 3: Emergency Accommodation with access to visiting support	Emergency Accommodation when no capacity is available through Category 1 & 2.
Category 4: Associated Services	Further sub-category to be added as required. For example; Street Work, Visiting Housing Support and Homelessness Prevention.

- 4.12 Each Category has a defined set of criteria dependent on the nature of the service being procured.
- 4.13 Once established, the Council will Call Off individual contracts (Call-Offs) for each requirement. The Council has reserved the right to negotiate all Call-Offs to ensure the service is in the best interest of the service users and achieves value for money.
- 4.14 Category 2 – Temporary Accommodation with access to residential support and Category 4 – Associated Services – were set up for future use when required. Currently contracts are in place for services which would come under these categories, for example; Long Term Supported Accommodation, Homelessness Accommodation with Support for Adults and Young People, Shared Accommodation with Support for Women Suffering Domestic Abuse. Providers were encouraged to apply to join the Flexible Purchasing System and indicate which sub-category they would be able to provide. When required, contracts will be awarded to pre-qualified provider(s) using mini-competitions or direct award as appropriate.
- 4.15 In an attempt to improve the overall quality of temporary accommodation and to encourage compliance with the Unsuitable Accommodation Order, Call-Offs will be awarded for properties which do not breach the Unsuitable Accommodation Order, wherever possible. In order to secure suitable accommodation, it is intended these will be offered longer term contracts, of approximately 2-5 years.
- 4.16 Category 3 is the Council's least preferred form of temporary accommodation, as the accommodation is less likely to be suitable however there is an understanding as identified within the Council's RRTP that there may be situations where there is no capacity immediately available through Category 1 or 2, but the duty to provide accommodation still exists. Where this is the case the Council can award short term call-offs to pre-approved providers through Category 3, to bridge demand in

emergency circumstances without relying on spot purchasing. Call offs will be made on the basis of the best interests of the service user, capacity and ranking. Where possible call-offs will be awarded to Category 3 properties with kitchen and laundry facilities.

- 4.17 After a briefing session for potentially interested providers as described in Section 7, the Flexible Purchasing System was advertised on Public Contracts Scotland, for a period of approximately 6 weeks. Further information on the tender evaluation outcome can be found in appendix one.
- 4.18 It is anticipated that the Flexible Purchasing System will commence on 1 November 2021 for an initial period of 10 years, the Council can cease use of the Purchasing System at any time.

5. Next Steps

- 5.1 Early indications suggest that the procurement has attracted new capacity however, due diligence is still ongoing and as such finalised capacity may change.
- 5.2 If the proposed approach is approved by the Finance and Resource Committee, CPS will continue to work with the service area to finalise the providers to be admitted to the Flexible Purchasing System.
- 5.3 The Council will review each provider's offering and award contracts which maximise the capacity of suitable accommodation, in line with the Council's priorities.
- 5.4 As the Flexible Purchasing System will be open for application to new providers or previously unsuccessful providers who wish to reapply, throughout the term, resources of both Partnership and Planning and CPS will need to be managed.
- 5.5 The Flexible Purchasing System and subsequent contracts will be managed by Commissioning Officers within Partnership and Planning.
- 5.6 CPS will engage with the Commissioning Officers, to ensure that effective administration and contract management of the Flexible Purchasing System is delivered.
- 5.7 Where providers are unsuccessful in their initial application, they will be able to re-apply as the opportunity will remain open to new applications. If providers need additional support or training to be successful, they will not be penalised or disadvantaged for doing so.
- 5.8 In line with the Public Contracts (Scotland) Regulations 2015, CPS shall publish Contract Award Notices for every new contract as required.

6. Financial Impact

- 6.1 The proposed service costs would be met from the Council's Housing, Family Support and Fair Work budget.

- 6.2 Due to the market and to reduce the financial impact, the cost: quality ratios have been influenced by the high level of mandatory criteria required by regulations such as; HMO (House of Multiple Occupancy) licensing standards. In addition, some accommodation will also be legally subject to the requirements of the Unsuitable Accommodation Order.
- 6.3 It is anticipated that the total value of the Flexible Purchasing System over the 10-year term could be up to £434m. The anticipated annual value has been established by using current contracts value, current spot purchasing value (excluding COVID-19 accommodation) and future requirement (estimated for contract purposes to be up to 10% growth and based on current rates).
- 6.4 The total value is based on the current mix of temporary accommodation services. This may change over time and will be determined by the implementation of the Homelessness Transformational Prevention Programme and the Rapid Rehousing Transition Plan which are intended to reduce homelessness presentations and decrease demand for temporary accommodation. The reduction of spot purchasing, more extensive use of low-level support accommodation, purchase of properties for temporary accommodation, use of negotiation, increased competition and longer-term contracts for sustainable accommodation will also impact on the total value.
- 6.5 There may also be circumstances when additional demand for temporary accommodation must be met, such as Public Health emergencies (COVID-19) and a Refugee crisis (Afghanistan).
- 6.6 Successful admission to the Flexible Purchasing System is no guarantee of contract.
- 6.7 Finance and Housing, Family Support and Fair Work will establish a spend analysis tracker to ensure contracts are awarded within budget.
- 6.8 The Flexible Purchasing System has a mechanism for price reviews to better reflect market conditions and will be undertaken periodically to achieve value for money, as appropriate Delegation of Authority to the Executive Director of Place will allow for a more responsive, flexible approach to changing trends in homelessness presentations.
- 6.9 The costs associated with procuring this contract are estimated from £20,001-£35,000.

7. Stakeholder/Community Impact

- 7.1 As the market is predominantly made up of sole trader, micro and SME organisations, it was anticipated several providers would be inexperienced in tendering. As provider buy in was identified as a key measure of success, it was essential to support as many interested providers as possible throughout the process.
- 7.2 In order to engage as many organisations as possible CPS published a Prior Information Notice (PIN) on 3 February 2021 to engage with the market and advertise a Talking Tenders Event.

- 7.3 This event was held virtually in conjunction with the Supplier Development Programme (SDP) on 23rd February 2021. The event thoroughly explained the proposed approach to interested providers, explaining the process of application and developing a step-by-step guidance document. The Supplier Development Programme also offered a range of additional support. There were 71 notes of interest on the PIN with 76 event attendees.
- 7.4 Of those who noted interest on the PIN, 48% were micro organisations, 21% small organisations, 16% medium organisations and 15% large organisations.
- 7.5 94% of attendees reported they felt more confident and encouraged to bid for the opportunity after attending the event.
- 7.6 Presentation slides, a recording of the event and the Q&A were all made publicly available via PCS after the event, alongside information on future SDP Webinars on subjects such as Sustainability, Fair Work Practices, Community Benefits and the use of tendering systems. In addition, providers were issued bespoke step by step guides on how to apply to join the System and how to navigate the online portals.
- 7.7 Once the opportunity was open for application, an additional Webinar was held in conjunction with the Supplier Development Programme, which demonstrated a live walk through of the online tender portal, showing where and how to upload the relevant documents and complete submissions. Again, the recording and Q&A were shared with all providers after the event.
- 7.8 As part of the tendering process questions were included within the tender submission in relation to Fair Work Practices, Sustainability and Community Benefits. Responses demonstrated examples of actions to reduce emissions, make efficient use of energy, use biodegradable or recycled products, minimise waste and use sustainable materials.
- 7.9 Responses also showed a commitment to deliver community benefits, proportionate to contracts awarded, examples include Employability and Skills, Supply Chain and Business Collaboration, Community Engagement and Funding/Sponsorship.
- 7.10 An IIA and DPIA have been completed. The IIA has been submitted for publication.

8. Background reading/external references

- 8.1 [The City of Edinburgh Council's Rapid Rehousing Transition Plan.](#)
- 8.2 [The Unsuitable Accommodation Order.](#)
- 8.3 [Homelessness Services – Use of Temporary Accommodation.](#)

9. Appendix

- 8.4 Appendix 1 – Summary of Tendering and Evaluation Process.

Appendix 1 – Tender Evaluation Outcome

Contract	CT0627 Temporary Accommodation & Associated Services Flexible Purchasing System.
Contract period	120 months
Estimated Contract Value (including extensions)	£434 Million
Procurement Route Chosen	Restricted Procedure – Dynamic Purchasing System with Light Touch Regime.
Admission to the Flexible Purchasing System (Category 1 & 3)	Admission Criteria: <ul style="list-style-type: none"> - SPD (Single Procurement Document) - Financial Probity Assessment - Tender Submission - Pricing Schedule - Property Portfolio - Indication of Capacity - Police Scotland Check
Admission to the Flexible Purchasing System (Category 2 & 4)	<ul style="list-style-type: none"> - Financial Probity Assessment - SPD - Police Scotland Check

Category 1 – Temporary Accommodation with Access to Visiting Support		
Tenders Returned	35	
Outcome	Ranked pool of providers based on cost, quality evaluation.	
Cost, Quality Split	Cost: 80	Quality: 20
Quality Threshold	50% of overall average tendered score.	
Evaluation Criterion and Weightings	Criteria	Weighting %
	Q1. Service Delivery Pt.1	20
	Q2. Service Delivery Pt.2	15
	Q3. Management & Staffing	15
Common Questions	Q4. KPIs & Performance Management	10
	Q5. Fair Work Practices	10
	Q6. Business Continuity	10
	Q7. Sustainability	10

	Q8. Community Benefits	10
Evaluation Team	Evaluated by officers from Homelessness and Housing Support.	
Call-Off Methodology	Mainly direct award, with option to mini-competition if required. Call-Offs will be made on the basis of price, capacity, best interests of the residents and ranking.	

Category 2 – Temporary Accommodation with Residential Support		
Tenders Returned	13	
Admission Methodology	Pass / Fail to provide unranked pool of appropriate providers.	
SPD Compliance	SPD verified by officers from CPS.	
Call-Off Methodology	As required, mini-competitions will be undertaken with pre-approved providers. Bespoke tender documents (including Tender Submission, Pricing Schedule, Property Portfolio and Indication of Capacity) will be issued to appropriate providers. Submissions will be evaluated by officers from Homelessness and Housing Support and ranked in line with contract specific cost: quality weightings. Awards will be made to providers based on ranking and consider best interests of the residents and capacity. Police Scotland and Financial Probity Assessments will be refreshed as required. The Council has reserved the right to Direct Award where appropriate to do so.	

Category 3 – Emergency Accommodation with Access to Visiting Support		
Tenders Returned	4	
Outcome	Ranked pool of providers based on cost, quality evaluation.	
Cost / Quality Split	Cost: 80	Quality: 20
Quality Threshold	50% of overall average tendered score.	
Evaluation Criterion and Weightings	Criteria	Weighting (%)
	Q1. Service Delivery – Part One	20
	Q2. Service Delivery – Part Two	15
	Q3. Management & Staffing	15
Common Questions	Q4. KPIs & Performance Management	10
	Q5. Fair Work Practices	10
	Q6. Business Continuity	10
	Q7. Sustainability	10
Evaluation Team	Q8. Community Benefits	
	10	
Evaluation Team	Evaluated by officers from Homelessness and Housing Support.	
Call-Off Methodology	Mainly direct award, with option to mini-competition if required. Call-Offs will be made on the basis of price, capacity, best interests of the residents and ranking.	

Category 4 – Temporary Accommodation Associated Services	
Tenders Returned	9
Admission Methodology	Pass / Fail to provide unranked pool of appropriate providers.
SPD Compliance	SPD verified by officers from CPS.
Call-Off Methodology	As required, mini-competitions will be undertaken with pre-approved providers. Bespoke tender documents (including Tender Submission, Pricing Schedule, Property Portfolio and Indication of Capacity) will be issued to appropriate providers. Submissions will be evaluated by officers from Homelessness and Housing Support and ranked in line with contract specific cost: quality weightings. Awards will be made to providers based on ranking and consider best interests of the residents and capacity. Police Scotland and Financial Probity Assessments will be refreshed as required. The Council has reserved the right to Direct Award where appropriate to do so.