

Meeting:	Cabinet member, Corporate Strategy and Budget
Meeting date:	Friday, 22 March 2019
Title of report:	Award of contract for accommodation based support for young people
Report by:	Head of Community resources and commissioning

Classification

Open

Decision type

Key

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To approve a direct award of a contract for accommodation based support for care leavers and other vulnerable young people for the period to 1 November 2020.

The accommodation based support service provides 30 units of accommodation for young people with moderate support needs. The service is currently provided by the supported housing for young people project (SHYPP), part of WM Housing Group. It supports care leavers and young people who are homeless or threatened with homelessness.

Plans to re-commission the service and regularise the contract position in 2018 were deferred, owing to multiple changes of national policy on supported housing, announced by the government. It is now clear that welfare spending on accommodation based services will not be transferred to the council but other changes to the way such services are funded are still being considered by the Government.

It is now proposed to award a contract to SHYPP (WM Housing) for the period ending 1 November 2020. This will help secure continuity of the service for vulnerable young people and provide for the preparation of an open procurement process in 2020. It will give an opportunity for the council to work with the provider to strengthen and update the service. This will address the delivery model, referral arrangements, cost modelling and the demand and delivery model for Ross on Wye, to ensure the service is sustainable. It is proposed that the supported housing after care service (SHAC), operated by SHYPP for care leavers, which is currently funded separately by the council on a spot purchase basis should be incorporated into the new contract.

Recommendation(s)

That:

- (a) a contract be awarded to WM Housing(SHYPP)for the accommodation based service for young people for a period of 31 months to 1 November 2020 with a maximum cost of £410k.**

Alternative options

1. The option of continuing to fund the service without awarding a contract. This option is not recommended as it would involve a potential breach of procurement regulations and the council's own contract procedure rules. It would also limit the capacity of the council to assure appropriate quality of delivery of the service during the period.
2. The option to proceed directly to a re-procurement of the service through a competitive tender process. This is not recommended as it would undermine opportunities to stabilise delivery of the service and ensure continuity of support for vulnerable young people. It is also likely that it would lead to reduced availability in the interim of accommodation for care leavers with support needs.
3. The option to award a contract with SHYPP without incorporating the SHAC service for care leavers with low to moderate support needs. This is not recommended as it would prevent the co-ordinated and consistent managing of referrals and demand among care leavers and other young people. This includes important opportunities for young people to transition to living more independently.

Key considerations

4. SHYPP has been providing accommodation based support and other services for young people in Herefordshire for many years. The current service funded by the council provides 30 units of accommodation on three sites; at Hereford, Leominster and Ross on Wye. The accommodation is operated using a "foyer" model, which combines safe appropriate accommodation with learning and skills opportunities for young people. The

accommodation is a mixture of rooms and self contained flats. The foyers offer support on a transitional basis for up to two years for young people with moderate support needs, to enable them to move-on to living more independently. The service is contracted to support care leavers, looked after young people (LAC) aged 16 or 17 and young people who are homeless or threatened with homelessness. SHYPP also provides other services for young people which are not funded by the council.

5. Herefordshire has a population of approximately 185 care leavers under 25 years old to whom the council and its partners have responsibilities as corporate parents. Of these, around 26 care leavers aged 18 to 21 are identified as having appropriate accommodation needs which are not fully met and there is a further group of those aged 22 to 24. This represents part of the need which can be met by the SHYPP service. Up to 25 looked after young people aged 16 and 17 also have needs which could potentially be met by SHYPP in the future. In addition, a larger cohort of young adults who are homeless or threatened with homelessness will present to the council's housing solutions team each year. It is expected that this homelessness group will account for around 50% of the take-up of places in the service.
6. Typically, a significant number of referrals is made each year to SHYPP foyers by children and families teams and housing solutions team, but in recent times only a minority of those referred have been accommodated by the service. SHYPP has continued to accept a fairly high proportion of self referrals from young people and there have been voids within the premises at times. This has led to some current joint work between commissioners, children and families and WM Housing to review and revise referral and admission practices and the assessment and management of risk. It is apparent that demand for accommodation in the Ross area is not sustained and the implications of this are being reviewed.
7. SHAC is a project within SHYPP offering light-touch supported accommodation in self contained premises for care leavers, who are moving on to independent living. The portfolio of properties used for SHAC has evolved over time and this service has been funded separately on a spot-purchase basis by children and families directorate. It is now proposed to incorporate SHAC and its funding into the contract for the SHYPP foyers and include it in planned re-procurement.
8. In 2016, the council reviewed its funding of contracted services, resulting in changes to SHYPP contracts so as to focus upon accommodation based support and to reduce the dependency on council funding. That funding now represents approximately 20% of the provider's income for the foyers, so that the service is substantially dependent on housing benefit spending. The current level of income from housing benefit is therefore high and not thought to be sustainable, in light of the Government focus on consistency and value for money in relation to supported housing. This balance of funding also provides some complications in re-procuring the service.
9. These complications were the context for the potential re-procurement of the service in 2017/18, which was deferred in response to the policy announcement by Government that welfare system funding for services such as SHYPP would be transferred to councils in 2020. Since it would bring all of the funding for the service under the commissioning control of the council, this would resolve the complexities of procurement and so it was proposed to defer the procurement to 2020 or beyond and award a contract to SHYPP in the interim, pending details of the policy changes. However, in August 2018, the Government decided not to progress its policy proposals, so that there would be no transfer of funding to councils thus prompting a further review of options for SHYPP. The

Government has since announced further options for ensuring cost effectiveness in supported housing and is consulting on them.

10. WM Housing has revised its priorities and approach with regard to supported housing, aligned to an organisational restructure. The new management team has renewed its commitment to SHYPP, but recognises the need to update and reconfigure the services and the way the foyers are operated. It is finalising a specific review of SHYPP and a development project has now been agreed with commissioners and children and families directorate to take forward a revised approach in four key areas;
- Management and decision making around referrals and the eradication of voids
 - The assessment and management of risk
 - Establishing an agreed recognised set of standards for the performance of the services
 - Financial remodelling to achieve some reduction in costs overall and reduced reliance on housing benefit income.

It is necessary to review demand to the foyer in Ross on Wye and consider options for best use of the accommodation in meeting need for emergency support and move-on opportunities, alongside local demand.

11. It is appropriate to ensure that the operation of the service for the time being is underpinned by an appropriate contract document which reflects the nature of the service, the council's requirements and the particular income sources involved. The proposed contract will therefore make provision for;
- The provider's obligations to the council to encompass the whole of the service, notwithstanding the balance of funding sources.
 - A concession provision reflecting that the contract gives the provider access to income from the welfare system.
 - Excluding financial liability to the council in relation to voids but establishing robust referral and admission arrangements to maximise appropriate demand for the service and minimise voids.
 - Evolving the configuration and cost modelling of the service within the term of the contract.
12. The proposed contract award, the review by WM Housing and the joint project to redevelop the service are all required to secure continuity of the foyer and SHAC services and ensure appropriate supported accommodation for care leavers and other vulnerable young people in the context of the council's statutory duties.

Community impact

13. The council's corporate plan includes a specific commitment to supporting young people. The proposal will specifically contribute to priorities of supporting local people to live safe, independent and active lives through providing continuity of accommodation and support which promotes take-up of training, education and employment. The service also enables transition to more independent living for vulnerable care leavers and other young people.
14. Understanding Herefordshire, the local joint strategic needs assessment sets out the numbers and profile of care leavers and looked after children (LAC) in the county, demonstrating a significant need for transitional accommodation and support for young

people, many of whom have moderate support need. It also identifies the population of people threatened with homelessness. Amongst this population is a small but significant group of 16 and 17 year olds who are not LAC or care leavers.

15. The proposed decision has direct relevance to looked after young people and care leavers, to whom the council and others have important corporate responsibilities. It will ensure continuity of accommodation and support available for care leavers in “foyer” settings which provide safe and appropriate housing and support individuals to become more independent and take up learning and employment opportunities. In addition, the SHAC service will enable some care leavers to live more independently in transitional accommodation whilst still receiving some support. This provision will complement new accommodation initiatives for care leavers

Equality duty

16. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The decision provides for continuity of an existing service, without any reduction or significant change to the way the service is delivered. The accommodation service is directed entirely to people sharing the protected characteristic of age. All the users of the service are minors or young adults under 25. The service offers safe and appropriate accommodation and support for young people, in recognition of the increasing challenges faced by them in securing housing for themselves. Some individuals using the service will also share other protected characteristic, particularly relating to disability, gender or sexuality.
 18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. Our providers are made aware of their contractual requirements in regards to equality legislation.
 19. There is no detrimental impact expected from this decision for any group sharing protected characteristics under the Equality Act

Resource implications

20. The revenue costs of the decision are circa £167k per annum. This includes £132k from the commissioning budgets for the SHYPP foyers service within the adults and communities directorate and up to £25k from Children and Families Safeguarding Contracts budgets for six units of SHAC accommodation. There are no capital costs arising from the decision.

21. The funding of the service is included in the medium term financial strategy (MFTS) targets for 2018 to 2021. It is envisaged that funding will continue at existing levels to 2020/21 and beyond, although the existing service will be re-procured to start on 1 November 2020.
22. The council's funding of the foyer service represents approximately 20% of the income to the provider in operating the services. The council's funding of the SHAC project represents 35.4% of the income to the provider in operating it. The great majority of income across the services as a whole comes from housing benefit, including rent and enhanced housing benefit.
23. The proposed contract will have a positive impact on the children and families budget as it is intended to exclude any liability for void periods in either the foyer premises or SHAC properties. Currently the council is liable to meet all the costs of voids, including SHYPP's loss of income from the welfare system. This liability has the potential to exceed the actual commissioning cost to the council in a given period. The revised contract will exclude any liability for voids, whilst rationalising referral arrangements.

Revenue or Capital cost of project (indicate R or C)	2018/19	2019/20	2020/21	Future Years	Total
Adults & Communities commissioning (R)	£132k	£132k	£77k		£341k
Children & Families Commissioning (SHAC) (R)	£ 24.5k	£ 24.5k	£ 14.3k		£ 63.3k
TOTAL	£156.5k	£156.5k	£91.3k		£404.3k

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2018/19	2019/20	2020/21	Future Years	Total
Adults and communities base budget	£132k	£132k	£ 77k		£341k
Children and families base budget	£ 24.5k	£ 24.5k	£ 14.3k		£ 63.3k
TOTAL	£156.5k	£156.5k	£ 91.3k		£404.3k

Legal implications

24. The council has power to enter into contracts with providers of accommodation based services for vulnerable young people under Section 1 of the Local Government (Contracts) Act 1997 on the basis that such services are properly required for the discharge of the council's duties.
25. Given the value of this contract is over £75,000, this contract would ordinarily require a tender under the council's Contract Procedure Rules. However, given the value is below thresholds requiring an OJEU advertisement under the Public Contracts Regulations

(£615,278), the council has the power to grant an exemption to the contract procedure rules in exceptional circumstances.

26. This report indicates there are exceptional circumstances that justify an exemption.
27. Even if a waiver were not justifiable, the risk of a challenge from another potential provider is very low given the short term nature of this arrangement, and given the small size of the provider market.

Risk management

28. The risks arising from the proposed direct award of contract relate to the alternative option of proceeding to an immediate procurement and the potential for challenge under procurement regulations. The mitigation of these risks is set out in the table below.
29. The risks relating to the proposed decision not being approved also relate to potential challenge under procurement regulations and loss of continuity and stability of the current service to vulnerable young people for whom the council has statutory responsibilities.

Risk / opportunity	Mitigation
If the proposed contract is awarded, there may be some risk of challenge from potential providers under procurement regulations.	<p>The complex recent history of contradictory changes in government policy on supported housing provide a clear explanation of why the council has not been able to procure the service up to this point. The fact that the further deferral of re-procurement proposed in this decision is only for one year will limit significantly the risk of challenge as potential providers can see a clear timetable for an open commercial opportunity.</p> <p>In practice, potential providers would face significant challenges in preparing bids or mobilising delivery of these services in a short time. Given the need to identify suitable accommodation to provide 30 units, it is unlikely potential bidders would object to the proposed procurement timescale.</p>
If the proposed contract is not awarded, the council would not be able to re-establish the most appropriate balance of referrals to the service or exclude liability for the cost of void units.	<p>The proposed contract and associated service specification will establish a new integrated approach to referrals and address with the current provider existing barriers to some referrals. Regularisation of referral arrangements will largely exclude the risk of void units and the contract will also exclude any liability on the part of the</p>

council for the cost of any voids.

The re-alignment of referral and other arrangements will be supported by the new form of the contract which will clearly set out the concession which is offered to the provider by the council for operating the service. This concession is in the form of access to income from housing benefit.

If the proposed contract is not awarded and there was no immediate procurement process, the council would face potential challenge under procurement regulations.

The proposed award of contract would mitigate this risk to some degree, alongside a clear timetable for re-procurement in 2020 (as noted above)

If the proposed contract were not awarded and there was to be an immediate procurement, there would be significant risk to the continuity of service and loss of opportunity to rationalise various aspects of delivery and cost modelling.

The risks arising from this scenario would be mitigated in full by the proposed award of contract to WM Housing (SHYPP)

There would also be significant risk of receiving no satisfactory bids for the service from an early procurement, in light of the challenges of sourcing appropriate buildings and the high dependency on income from welfare spending. Taken together these two risks could lead to a suspension or collapse of the service during 2019, associated with very poor outcomes for care leavers and other vulnerable young people.

30. The risks associated with approval of the proposed decision will be managed at a service level.

Consultees

31. Consultation has been undertaken with political groups in relation to this decision. No comments or objections were received.

Appendices

None

Background papers

None