



**Mayor and Cabinet –**

**Approval to Procure and award Report**

**Report title: Mental Health Supported Housing Contract Permissions to Procure and Approval of Extensions**

**Date: 8 March 2023**

**Key decision: Yes**

**Class: Part 1**

**Ward(s) affected: All**

**Contributors: Commissioning Manager Supported Housing**

**Outline and recommendations**

Mayor and Cabinet are recommended to authorise officers to run a procurement for a 15 unit 24 hour supported housing service for people with mental health needs. This will be made up of 2 buildings currently used for 2 separate supported housing contracts. The contract will be for a period of 3 years, with an option to extend for 2 further years, commencing 1st of April 2024. The contract will have a capped yearly cost of £529,000 per year, a 5 year value of £2,645,000.

Mayor and Cabinet are also recommended to extend three supported housing contracts by one year, to give officers time to run good quality open procurements to which the market will be better able to respond. All of these contracts have their last year of permitted extension expiring on April 2024. The contract values for the year are:

- £387,902 for Lewisham Assessment and Recovery Centre.
- £543,899 for Young Persons Specialist Service.
- £854,950 for Honor Lea & Rokeby House.

<b>Timeline of engagement and decision-making</b>	
July – April 2020	Working group established for the Mental Health pathway services
July 2020 – March 2021	Working group made up of Prevention, Inclusion and Public Health Commissioning (PIPHC) Team / South London and Maudsley Trust (SLaM) review of mental health supported accommodation pathway completed. Including market and service user consultations.
6 June 2021	Mayor and Cabinet gave 1) Permission to extend the Equinox Supported Housing Contract to April 2024 and 2) Permission to procure Supported Accommodation and Floating Support services 6 <sup>th</sup> June 2021.
August 2021	The mental health supported housing 2021 contracts received no viable tenders, resulting in two failed procurements.
8 December 2021	Mayor and Cabinet approve the extension of the Peabody Mental Health contract until March 2024 to give time to run further procurements.
February – March 2022	Project group re-formed to design new mental health supported housing contract Edward Street and Family Action
April – May 2022	Market warming for the new contract
November 2022	Following the award of the mental health supported housing contract Edward Street and Family Action, the working group meets to decide on options for the remaining Mental Health Supported Housing contracts.

## **1 Summary**

- 1.1 Mayor and Cabinet are recommended to authorise officers to run a procurement for a 15 unit 24 hour supported housing service for people with mental health needs. This will be made up of 2 buildings currently used for 2 separate supported housing contracts. The contract will be for a period of 3 years, with an option to extend for 2 further years, commencing 1st of April 2024. The contract will have a capped yearly cost of £529,000 per year, a 5 year value of £2,645,000.

## Key Decision

1.2 The two current contracts which make up the new one to be procured are:

Client group	Service description	Current Supplier	Annual Contract Value	Contract end date
Mental Health	8 bed male only 9-9 service	Peabody	£122,774	01/04/2023
Mental Health	45 bed medium support service	Equinox Care	£407,000	02/04/2023

## 2 Recommendations

Mayor and Cabinet are recommended to:

- 2.1 Authorise officers to run a procurement for a 15 unit 24 hour supported housing service for people with mental health needs. This will be made up of 2 buildings currently used for 2 separate current supported housing contracts. The contract will be for a period of 3 years, with an option to extend for 2 further years, commencing 1st of April 2024. The contract will have a capped yearly cost of £529,000 per year, a 5 year value of £2,645,000.
- 2.2 Approve the subsequent award of contract to the preferred service provider, provided the contract value is within authorised limits set out 2.1.
- 2.3 Delegate authority to the Executive Director for Community Services (in consultation with Director of Law and Corporate Governance) in accordance with the award criteria published in the tender documentation and agree final form of contract.
- 2.4 Delegate the decision to extend the contract within the permitted extensions as set out in this report to the Executive Director for Community Services.
- 2.5 Extend three supported housing contracts by one year, from April 2024 to 31<sup>st</sup> March 2025 to support subsequent procurements to which the market will be better able to respond. All of these contracts currently expire on 1<sup>st</sup> April 2024. The contract values for the year are:
  - £387,902 for Lewisham Assessment and Recovery Centre.
  - £543,899 for Young Persons Specialist Service.
  - £854,950 for Honor Lea & Rokeby House

### **3 Policy Context**

- 3.1 The Prevention, Inclusion and Public Health Commissioning (PIPHC) Team's supported housing funding is an important strand in the delivery of many government priorities. It plays a key role in delivering national strategies such as the Reducing Reoffending National Plan, the new National Drugs Strategy, and the National Statement of Expectations for Supported Housing.
- 3.2 The services within this report meet the corporate strategy 2022/25 as follows:
- 3.3 Children and Young People. The supported housing provision procured and monitored by the PIPHC Team contributes to ensuring the most vulnerable children and young people are protected from harm. Supported housing gives options for supporting young people leaving care.
- 3.4 Quality Housing. The recommendations in this report will support improvement of supported housing provision procured and monitored by the PIPHC Team, which gives people with support needs safe, comfortable accommodation that they can be proud of and happy living in. This increases the offer of safe and comfortable accommodation to more of Lewisham's residents.
- 3.5 Safer Communities. The services commissioned by the PIPHC Team work to prevent people entering the criminal justice system, including young people. Supported housing services work as part of the Safer Lewisham Partnership's Public Health approach to youth violence, aiming to reduce knife crime and sexual exploitation.
- 3.6 Health and Wellbeing. Recommendations in this report will support improvement of services commissioned by the PIPHC Team, in particular their work to improve health outcomes through more psychologically informed environments and improved access to health services.

### **4 Background**

- 4.1 PIPHC commissions a range of floating and accommodation based support services to meet the needs of service users who require support to manage and maintain their accommodation.
- 4.2 PIPHC works to align services with the ambitions of Lewisham Council working in partnership with other directorates including, Housing, Adult Social Care and Children's Social Care (CSC) to improve access to supported accommodation and floating support services and to maximize effectiveness and strategic use of these services.
- 4.3 The two current services making up this new contract were last procured via tendering directly from a joint Framework agreement with LB Southwark. This Framework agreement ended in August 2019 and has not been renewed. Both services are joint funded by LB Lewisham and the South East London Integrated

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Care Board (ICB). The contract management of both services is carried out by LBL PIPHC.

- 4.4 A working group made up of senior colleagues from PIPHC, South East London ICB, and SLaM met regularly since 2021 to make decisions on the Mental Health Supported Housing Pathway. A broad market consultation and needs analysis were carried out as described in the Mayor and Cabinet report *Supported Housing Permission to Procure* dated 9 June 2021. This has informed the Supported Housing Commissioning in 2021, 2022 and 2023.
- 4.5 Key findings from both the needs analysis and working group were the need for higher levels of both support and cover. There was less need for lower support services and more need for services with 24 hour cover. SLaM need services which can provide medication management support up until 11pm.
- 4.6 The Peabody contract went to market in 2021 as part of a larger new contract. This procurement failed as it received no tenders. On 8 December 2021 Mayor and Cabinet gave permission to extend the Peabody contract by two years to April 2024.
- 4.7 The Equinox contract was extended for two years until April 2024. This contract is made up of a 7 bed building which has a Registered Social Landlord and 32 other units across 6 other buildings which are owned by private landlords. The private landlords would only work with Equinox, so if the contract was to be open procured this would risk losing 32 units. In 2021 PIPHC ran a market warming exercise asking for buildings from landlords willing to be used for supported housing contracts. This market warming produced no suitable buildings. In 2022 PIPHC carried out a desk top review of all the buildings used for Supported Housing Pathway services. The landlords were asked about their appetites for expanding supported housing services in Lewisham. Of the 13 landlords in the funded Supported Housing Pathways only 2 were keen to expand their provision. This understanding of the building market means it is unlikely that the 32 units would be replaced via an open procurement.
- 4.8 In November 2022 the working group met to discuss options for the Peabody and the Equinox contracts.
  - Option 1: Go to market with both contracts in a similar composition. This would retain the number of units but there would be limited room for improvements. The funding package would stay the same and inflationary pressures would likely cause higher bids than the current contract value. Given the landlord arrangements with the 7 privately owned buildings Equinox would likely be the only viable tender for that contract.
  - Option 2: Redesign the contracts to achieve outcomes more aligned with mental health services. By combining the two contracts, both buildings owned by Registered Social Landlords could receive uplifted support contracts by pooling the funding for the two contracts. This would provide 15 high needs Mental Health Supported Housing units. This approach would likely result in the loss of 32 low needs units from the Mental Health Supported Housing Pathway.

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- 4.9 The clear recommendation of the working group was for option 2, and officers have proceeded on that basis.

## 5 Procurement Approach

- 5.1 The recommended length of the new mental health contract will be an initial 3 years with the option to extend by a further 2 years. The value of the contract will be capped at £529,000 per year.
- 5.4 The proposed procurement route is an open tender process.
- 5.5 Officers from SLaM and the South East London ICB will be invited to sit on the evaluation panel, to help ensure quality is assessed from their expert perspective.
- 5.6 PIPHC will aim to recruit and train a service user to sit on the evaluation panel for assessment of tenders from a perspective of lived experience. The PIPHC service user involvement Officer will lead on this work.
- 5.7 The service specification has been designed based on a full needs assessment and consultation with service users, the provider market, and stakeholders in 2021. In addition the service specification has been further remodeled in 2022 by a working group with representation from the South East London ICB and SLaM. For details on needs assessment and consultations please see the report *Supported Housing Permission to Procure MC 9 6 21*, attached in background papers.
- 5.8 In February 2023 officers carried out a market warming event over Microsoft Teams. During this event officers presented the service specification, answered questions on the procurement and gauged interest.
- 5.9 Opportunity to view the two buildings will be given to all tendering organisations during the tender stage. LBL officers will facilitate these viewings.
- 5.10 Officers would look to issue the tender on the 'ProContract' portal at the start of April 2023, and the tender would close at the end of May 2023. The moderation panel is booked for June 2023. The contract will be awarded in August 2023, with the new service launched in April 2024.

## 6 Contract extensions

- 6.1 There are three other Supported Housing contracts due to come to an end in April 2024:
- Lewisham Assessment and Recovery Centre. This contract is held by St Mungo's and has a yearly value of £387,902. This service provides assessment and supported housing in a 24 hour staffed setting for adults with complex needs.

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- Young Persons Specialist Service. This contract is held by SHP and has a yearly value of £543,899. The service provides supported housing for Care Leavers and homeless young people, including 16 and 17 year olds. The provision is a mixed level of support across 5 buildings.
  - Honor Lea & Rokeby House. This contract is held by One Housing and has a yearly value of £854,950. This service provides assessment and supported housing in two 24 hour staffed buildings for adults with serious and enduring mental health needs.
- 6.2 PIPHC ran five procurements in 2021, two of these failed due to lack of tenders. In 2022 officers consulted with the market to better understand why tenders were not received. A common reason was there being too many contracts to apply for in a single period. The market of supported housing providers is specialist and limited. Providers have limited capacity to apply for tenders and are forced to choose which to apply for when many come to market at the same time. By asking the market to respond to two instead of five contracts the chances of receiving good quality tenders are increased. No supported housing contract commissioned by PIPHC come to an end in 2025, so the market can be presented with two Lewisham contract in 2023 and three in 2024, this is more likely to be manageable for the market.
- 6.3 Officers are seeking permission to extend all three contracts by one year, from April 2024 to April 2025.

## **7 Financial implications**

- 7.1 The new contract will have maximum annual cost capped at £529,000 pa which is in line with the current joint funding arrangements for the two existing contracts with Peabody and Equinox Care. The contact is a joint funding arrangement between London Borough of Lewisham and the South East London Integrated Care Board (ICB).
- 7.2 The new annual contract cost will be funded from a combination of £364,817 from the existing General Fund budgets for Supported Housing and an annual contribution of £165,029 from the ICB which it is proposed will be incorporated into the annual S256 agreement. The amount currently contributed to the existing contracts by the ICB of £165,029 is paid directly to Equinox Care.
- 7.3 Overall costs for the procurement will be capped at the overall existing contract level of £529k pa but will potentially contribute to service savings required as part of the councils Medium Term Financial Strategy.

## **8 Legal implications**

### Approval to Procure

- 8.1 The report seeks approval to procure a provider for the Mental Health Supported Housing Contract. Given the potential spend on this contract this would be categorised by Contract Procedure Rules as a “Category A” contract. The report sets out the other options considered and explains why this is the recommended option.
- 8.2 Assuming that Mayor and Cabinet accepts the recommendation to procure a provider, the Contract Procedure Rules (“CPR”) place requirements on how that should happen. The CPR require that when letting contracts steps must be taken to secure value for money through a combination of cost, quality and competition, and that competitive tenders or quotations must be sought depending on the size and nature of the contract (Rule 5). The requirements of the CPR would be satisfied by use of an open tender procedure. As a Category A contract, it would be for Mayor and Cabinet to take a decision on the award of any contract. Given the potential spend on this contract the Public Contracts Regulations 2015 as amended by the Public Procurement (Amendment etc) (EU Exit) Regulations (“the Regulations”) will apply.

### Approval to Award

- 8.3 This report proposes that Mayor and Cabinet approve the award of a contract for Mental Health Supported Housing Contract. This report further proposes that Mayor and Cabinet instruct the Executive Director for Community Services (in consultation with Director of Law and Corporate Governance and the relevant portfolio holder) to give effect to this decision by applying the selection criteria to determine and enter into contract with the preferred contractor.
- 8.4 The decision to award the contract contained in this report is a Key Decision under the Constitution as it has a value of more than £700,000. It is therefore required to be contained in the current Key Decision Plan and the Council’s Key Decision procedure must be followed.
- 8.5 Provided that the final contract value is within authorised limits set out in this report and the preferred service provider is selected in accordance with the selection criteria published in the tender documentation, then the selection by Executive Director for Community Services of the preferred service provider in accordance with Mayor and Cabinet’s direction will not be a Key Decision. For audit purposes a written record should be kept setting out how the selection process has been applied and the preferred contractor selected, and officers from Legal Services should be consulted as necessary throughout the selection and award process.

### Extension of contracts



- 8.6 This report also recommends to extend three contracts by a further 12 months beyond their original contract terms. Some variations to existing contracts may trigger a requirement to undertake a new competitive tender process. The Council's Contract Procedure Rules set out which variations can be made without a new competitive process (Constitution Part IV I, paragraph 17 of Contract Procedure Rules). This report explains why the extensions to the contracts for a further year are proposed.

Contract Procedure Rules say that where a contract variation is 'not substantial', the variation can be made (paragraph 17.5). The definition of 'substantial' takes into account matters including the nature and size of the proposed change relative to the original contract, and the likely market effect of the change (including the change to the scope and economic balance of the contract). There is a reasonable argument that the proposed extension is not substantial. As such, the variation does not trigger a requirement to undertake a new procurement. On that basis, therefore, the proposed changes are allowable under the Council's Contract Procedure Rules paragraph 17.

The decision to extend the contract with One Housing for provision of services at Honor Lea & Rokeby House is a Key Decision under the Constitution as it has a value of more than £700,000. It is therefore required to be contained in the current Key Decision Plan and the Council's Key Decision procedure must be followed.

## **9 Equalities implications**

- 9.1 The service is required to abide by equality legislation. The service specification for the varied service will focus on reducing barriers to accessing accommodation and support for all underrepresented groups in line with the Equality Act 2010, and have considered the potential impact on all of the nine protected characteristics.
- 9.2 The Council's Equalities objectives are addressed in the contract documentation.

## **10 Climate change and environmental implications**

- 10.1 The Council's Environmental objectives are addressed in the contract documentation.

## **11 Crime and disorder implications**

- 11.1 The supported housing service detailed in this report relates to the provision of specialist accommodation based support services for vulnerable Lewisham

residents. This will therefore make an important contribution to the work of the Safer Lewisham Partnership and link in directly with the Safer, Stronger Communities outcome to 'minimise harm caused by homelessness and rough sleeping'.

## **12 Health and wellbeing implications**

- 12.1 The supported housing service detailed in this report relates to the provision of specialist accommodation based support services for vulnerable Lewisham residents. This will therefore make an important contribution to the work of the Safer Lewisham Partnership and link in directly with the Safer, Stronger Communities outcome to 'minimise harm caused by homelessness and rough sleeping.
- 12.2 The varied service will have a positive impact on social, economic and environmental living conditions that indirectly affect health by providing good quality accommodation with support to address health issues early on and to ensure wrap around services are in place.

## **13 Background Papers**

- 13.1 [Supported Housing Permission to Procure MC 9 6 21](#)

## **14 Report author and contact**

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