



Mayor and Cabinet

Supported Accommodation contract award

Date: 9 March 2022

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Sarah Miran – Commissioning Manager (Supported Housing)
Executive Director of Corporate Resources, Director of Integrated Commissioning

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Timeline and Engagement

July – April 2020	Project groups established for each accommodation pathway & floating support service
July – August 2020	Joint Prevention, Inclusion and Public Health Commissioning Team (PIPHCT) / SLAM review of mental health supported accommodation pathway completed
September - December 2020	YP Pathway review completed by PIPHCT
September 2020 – March 2021	Focus groups with key stakeholders
February 2021	Expressions of Interest for new buildings advertised via the London Portal
March 2021	Key Stakeholder Online consultation
May 2021	Market Warming Event
September 2020 – March 2021	Service User feedback sought via 1:1 meetings and service user feedback questionnaire.
9 June 2021	Permission to Procure report to Mayor and Cabinet
November 2021	Permission to Award report to Mayor and Cabinet
December 2021	Permission to Extend Mayor & Cabinet

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Outline and recommendations

Mayor and Cabinet are recommended to award one mental health supported housing contract to St Mungos to deliver a 12 bed mental health services with a max annual contract value of £433,809 for a period of 5 years with an option to extend for a further 2 years.

The service was subject to a competitive tender process undertaken across July – October 2021 which was unsuccessful. Officers sought permission from Mayor & Cabinet in December 2021 to extend the current arrangements, or for permission to exercise Regulation 32 of the Procurement Regulations to directly award this contract should the incumbent provider not agree to the extension.

As Hexagon (the incumbent provider) are exiting the support sector and no longer wish to manage supported housing services, Officers directly negotiated with St Mungos to take over the support contract for the service from April 2022.

1. Summary

- 1.1 The Prevention, Inclusion and Public Health Commissioning Team (PIPHCT) commissions a range of floating & accommodation based support services to meet the needs of homeless service users who require support to manage and maintain their accommodation.
- 1.2 PIPHCT works to align services with the ambitions of Lewisham Council working in partnership with other directorates such as Housing, Children’s Social Care, Adult Social Care & Clinical Commissioning Group to improve access to the supported accommodation & floating support services to maximize effectiveness and strategic use of these services.
- 1.3 The supported accommodation service set out in Table 1 is due to expire in March 2022.
- 1.4 Permission to procure this service via an open tender process was agreed by Mayor & Cabinet on 9th June 2021 and a competitive tendering process was undertaken across July – October 2022.

Table 1:

Client group	Service description	Current Supplier	Annual Contract Value	Contract end date
Mental Health	12 bed 24 hour sleeping night service	Hexagon	£433,809	31/03/2022

- 1.5 The procurement included amalgamating the existing Hexagon service with 2 other mental health supported housing services managed by Family Action, and Certitde to enhance value for money and to enable the reallocation of resources from these

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

contracts to develop a male only service (identified as a gap in the current mental healthy pathway) .

- 1.6 There were no bids received for the service (known as Lot 2) following a competitive tendering process.
- 1.7 Officers sought feedback on the reasons for providers not bidding, and whether they'd consider the service as tendered viable. 2 providers expressed that they did. In a report dated 3rd November 2021 officers sought authority from Mayor & Cabinet to directly negotiate with one supplier and to seek delegated authority to the Executive Director to award the contract following negotiations.
- 1.8 The proposal received as part of the direct negotiation for Lot 2 ("L2") was not financially viable and did not deliver what was specified.
- 1.9 Mayor & Cabinet agreed to contract extensions for the 3 services that made up L2 in December 2021 whilst officers ran further procurements across 2022. Officers also sought permissions to enter into direct negotiations under Regulation 32 of the Procurement Regulations for any services where the incumbent providers were able to agree to the extension.
- 1.10 Given that Hexagon notified the Local Authority in 2021 of their intention to hand back the Newstead Road contract (which was included in L2) by March 2022 as Hexagon are exiting the supported housing sector, officers have been in direct negotiations with St Mungos to take on the support contract for this service from April 2022. Given that Hexagon currently hold a Full Repairing Lease with SLAM for the Newstead Road building, and the support contract, officers were seeking a partner to take on both the lease and the support arrangements.
- 1.11 These negotiations have been successful and officers are now seeking permission to directly award this contract to St Mungos with a maximum annual contract value of £433,809 for an initial period of 5 years with an option to extend for a further 2 years.

2. Recommendations

- 2.1 Mayor and Cabinet are recommended to award a mental health supported housing contract to St Mungos to deliver a 12 bed mental health supported housing service for the Newstead Road service, with a maximum annual contract value of £433,809 for a period of 5 years with an option to extend for up to a further 2 years commencing on 1st April 2022

3. Policy Context

- 3.1 The Prevention, Inclusion and Public Health Commissioning Team's (PIPHCT) 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, Tackling Drugs to Build a Better Britain and 'Sustainable Communities: Settled Homes Changing Lives'.
- 3.2 The proposed award of the contracts detailed in this report meets the Corporate Strategy 2018/22 as follows:

Priority 3, *Giving Children and Young People the best start in life*; the Young Persons Assessment Centre & Next Steps Care Leaver Service will provide supported

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

housing options for young people aged 16 - 21 including young people leaving care. This service will support young people with their own personal circumstances including how to maintain independent accommodation.

Priority 5, *Delivering and Defending: Health Care and Support*; the services detailed in this report will provide support to access assessments and support for physical and mental health needs and where appropriate refer to primary and secondary NHS services. There will be a strong emphasis on education, training and leisure activities to support service users' self-improvement and assist with re integration into the community

Priority 7, *Building safer communities*; the services listed in this report will support the work within the partnership to combat anti-social behaviour linked to alcohol and drug misuse homelessness and rough sleeping.

4. Background

- 4.1 Supported housing services play a vital role in ensuring key elements of the corporate strategy are delivered and that appropriate accommodation support services are in place to meet the needs of the most vulnerable homeless residents in the borough.
- 4.2 The Newstead Road mental health supported housing service is joint funded via LB Lewisham and South East London CCG.
- 4.3 A comprehensive review of current provision was undertaken by officers across 2020/2021 to inform the procurement approach for these services which was agreed by Mayor and Cabinet on 9th June 2021.
- 4.4 A competitive tendering process was undertaken across July – October 2021 structuring these services into 2 Lots. The tender for Lot 2, which included the Newstead Road service was not successful closing with no bids.
- 4.5 Officers sought feedback on the reasons for providers not bidding, and whether they'd consider the service as tendered viable. 2 providers expressed that they did. Officers sought authority from Mayor & Cabinet to directly negotiate with one supplier and to seek delegated authority to the Executive Director to award the contract following negotiations.
- 4.6 This negotiation was unsuccessful and the proposal was outside of the financial envelope and would not have delivered what was specified.
- 4.7 Officers therefore sought permission to extend existing arrangements with incumbent providers from Mayor and Cabinet in December 2021 to ensure service continuity whilst a further procurement exercise is undertaken across 2022 and 2023, and for permission to negotiate and directly award any contract where the incumbent was unable to continue with these contracts.
- 4.8 As Hexagon has made clear their intention to exit the supported housing sector in 2021, officers were unable to agree an extension with the existing provider. Therefore officers negotiated directly with St Mungos to take over provision of services at Newstead Road. Officers are now recommending the award of the contract for the Newstead Road service to St Mungos from April 2022, with a maximum annual contract value of £433,809 for 5 years with the option to extend for a further 2 years.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

5. Rationale for Direct Award

- 5.1 A competitive tendering exercise was conducted across July – October 2021 to award new contracts for the service set out in Table 1 of this report which was unsuccessful.
- 5.2 Hexagon who are the incumbent provider for this service notified the council in 2021 of their intention to exit the supported housing sector and therefore their desire to hand back the Newstead Road service by March 2022 which was in line with the timeline for the procurements officers ran across 2021. Given the failed procurement officers approached Hexagon to see if they would extend for a short period however they reiterated that they would be exiting the supported housing sector. As the contract is due to expire on 31st March 2022, the Council did not have time to re-procure this service. Therefore officers sought to negotiate directly and award using regulation 32(c) of the Public Contracts Regulations 2015.
- 5.9 As this procurement failed, and there is no option to extend the existing contract, officers sought agreement from M&C in December 2021 to use Regulation 32 of the Procurement Regulations to directly award this service to ensure service continuity and avoid the need to decant this service.
- 5.10 The Newstead Road service is an important part of the existing mental health pathway providing much needed 24 hour supported housing placements which are used by SLAM and the Local Authority to minimise use of costly mental health residential placements.
- 5.10 Newstead Road is owned by SLAM and therefore has been leased to Hexagon who are a Registered Social Landlord (“RSL”). It is important that leasehold arrangements for these services are under an RSL to enable the Local Authority to claim 100% subsidy on Housing Benefit (“HB”) claims from the Department of Work and Pensions.
- 5.11 Officers initially sought an RSL partner to take over the leasehold arrangements to enable the support contract to be subject to open tender. However RSL’s such as Hyde, Optivo, London & Quadrant and Metropolitan Thames Valley Housing Association indicated that taking on a Full Repairing Lease on behalf of an NHS trust was not in line with corporate objectives and to only provide housing management within stock they own.
- 5.12 Officers therefore sought to engage with RSL’s who operate in the supported housing sector and entered into direct negotiations with St Mungos who manage 2 successful contracts in the commissioned Single Adults pathway, and hold a Full Repairing Lease for a Local Authority building (Pagnell Street) as part of these arrangements.
- 5.13 Officers have been working with St Mungos to review the current service model at Newstead Road and to identify opportunities to achieve better value for money on the support contracts as well as how leasehold charges could be minimised through resetting core rents via HB.
- 5.14 It was clear from feedback received from RSLs about the viability of managing Full Repair Leases that to make it financially viable and also to mitigate against any new legislation that will be brought in relating to Energy Efficiency standards in accommodation and the ongoing challenges relating to fire safety, a long lease is required and a support contract over 7 years. Officers consider this to be the only reasonable and viable proposal that will bring further opportunity to achieve value for money for the Local Authority across the 7 years of the support contract, as well as an RSL who can continue to manage the property for use of supported housing or other accommodation based service options required by the LA or CCG.
- 5.15 St Mungos are committed to working with the LA to remodel the service over the next 3

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

years to achieve maximum value for money for the LA & CCG who currently fund the service. Officers will work with St. Mungo's to review the service model and any potential savings on the support contract including utilising enhanced Housing Management charges via Housing Benefit.

- 5.17 The proposal received from St Mungo's will enable the existing service to be continued with minimal disruption for service users, Hexagon staff (who will be subject to TUPE), the Local Authority, SLAM and the CCG.
- 5.19 The proposal provides a secure arrangement to ensure the housing management function can be delivered in the long term to enable this building to continue to operate as supported housing service. Given the market appetite to take on Full Repairing Leases has changed substantially in recent years, officers recommend longer term arrangements to minimise further disruption in the short term when these arrangements expire
- 5.20 St Mungos have a consistently good track record of delivering similar services in Lewisham supporting high needs mental health service users in the borough. They are a reputable RSL that hold many similar contracts both in inner London Boroughs as well as outside of London.

7. Financial implications

- 7.1 The awarded service contract is to St Mungo's for the delivery of a 12 bed mental health supported housing service. The maximum annual contract value will be £433,809 pa. The annual contract will be funded from a combination of LBL core General Fund budget of £98,050 and a Section 256 transfer from Lewisham CCG of £235,759 pa. The CCG are currently fully committed to continue this funding contribution but the service contract allows for flexibility and variation in future years in response to any change in the contribution from the CCG or changes to the Council's Medium Term Financial Strategy.

<i>Awarded Service</i>	Max Annual Contract Value	Max Length of contract	Lewisham CCG &	Total contract value over 7 years
St Mungos	£433,809	7	£235,759	£3,036,663

8. Legal implications

- 8.1 The Council's Constitution contains requirements about how to procure and manage contracts. These are in the Contract Procedure Rules (Constitution Part IV). Some of the requirements in those Rules are based on the Public Contracts Regulations 2015 ("Regulations") with which the Council must comply. The contract that is the subject of this report fall under the Light Touch Regime under the Regulations, which relates to services such as health, social and related services. As such, while the requirements are less onerous than those for other contracts to which the Regulations applies, the obligations still require compliance with principles of equal treatment, transparency and non-discrimination.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 8.2 The report proposes the award of a contract to St Mungos for a period of 5 years with the option to extend for a period of up to 2 years. The value of the contract exceeds £500,000, which means that the contract is classed as a Category A contract for the purposes of the Council's Contract Procedure Rules and they are to be awarded by Mayor and Cabinet.
- 8.3 Under regulation 32 of the Regulations the negotiated procedure without prior publication may be used insofar as is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with. The rationale for negotiation and direct award to St Mungos fits within this as set out in the report. If the proposal to award the contract is approved, award notices must be published on Contracts Finder in the prescribed form.
- 8.4 The decision to award the contract is a key decision and therefore needs to be included in the key decision plan.
- 8.5 The Council has a public sector equality duty (under the Equality Act 2010 (the Act)). It covers nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.6 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 8.7 The duty is a "have regard duty", and the weight to be attached to it is a matter for the decision maker, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 8.8 The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>.
- 8.9 The Equality and Human Rights Commission (EHRC) has issued guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality->

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

9. Equalities implications

- 9.1 The supported housing contract provide services for adults who are require accommodation based support. Each service is required to abide by equality legislation. The service specifications for the new services 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 and were part of the tender evaluation criteria.

10. Climate change and environmental implications

- 10.1 The Council's Environmental objectives are addressed in the contract documentation and are part of the tender evaluation criteria.
- 10.2 There are no environmental implications.

11. Crime and disorder implications

- 11.1 The supported housing services detailed in this report relates to the provision of specialist accommodation based support services for vulnerable homeless 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 Extension of the supported housing services detailed in this report will have a positive impact on health, mental health, and wellbeing by providing housing with support to homeless vulnerable service users in the borough.
- 12.2 The supported housing 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. Social Value

- 13.1 The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured.
- 13.3 The council is an officially accredited London Living Wage (LLW) Employer and is

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Lewisham pay their staff at a minimum rate equivalent to the LLW rate. Successful contractors will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents.

- 13.4 Social Value criteria will be established with each provider for the extension period. The incorporation of Social Value into Lewisham contracts will significantly help the Council to deliver on its strategic corporate and Mayoral priorities and deliver added value for the borough as a whole.
- 13.5 Once contracts have been awarded the Social Value delivery and monitoring will be formally reported on the KPI Performance report.

14. Background papers

- 14.1 Permission to Procure Report for Mayor and Cabinet June 2021
- 14.2 Permission to Award Report for Mayor & Cabinet November 2021
- 14.3 Permission to Extend Report Mayor & Cabinet December 2021

15. Glossary



Glossary.pdf

16. Report author and contact

- 16.1 Sarah Miran - Commissioning Manager (Prevention, Inclusion & Public Health Commissioning)
- 16.2 Financial implications – Abdul Kayoum, Group Finance Manager, Community Services, Abdul.kayoum@lewisham.gov.uk
- 16.3 Legal implications – Mia Agnew, Senior Lawyer, Legal Services. Mia.agnew@lewisham.gov.uk

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>