

For General Release

REPORT TO:	Cabinet Member for Homes and Gateway Services
SUBJECT:	Increasing Housing Supply – Real Estate Agency Services
LEAD OFFICER:	Richard Simpson Executive Director of Resources and Section 151 Officer
CABINET MEMBER:	Councillor Alison Butler, Cabinet Member for Homes and Gateway Services, and Councillor Simon Hall, Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: The Council's Ambitious for Croydon outcomes, as set out in the Corporate Plan 2015-18, include providing a choice of home for people at all stages of life and enabling homeless households to access suitable accommodation.	
FINANCIAL IMPACT: The business case for the purchase of the 250 homes highlighted the financial savings achievable by reducing the demand on temporary and emergency housing estimated at £4,000 per property with total projected savings of £1.2m. If the extension of the pilot is not agreed, and no further properties are purchased until the appointment of new providers from January 2019, then those savings will not accrue to the general fund due to additional reliance on alternative, more expensive forms of provision.	
KEY DECISION REFERENCE NO.: 1418HGS. This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.	

The Leader of the Council has delegated to the nominated Cabinet Member the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

- 1.1 Following approval of a waiver pursuant to Regulation 18 of the Council's Tenders and Contracts Regulations, the Cabinet Member for Homes and Gateway Services in consultation with the Cabinet Member for Finance and Resources is recommended to approve the award of contracts with each of Libo London; Caridon Group and Carter Jonas for the provision of Real Estate Agency Services for a period of up to 12 months following award at a total additional cost of up to £2m in accordance with the details of this report.

2. EXECUTIVE SUMMARY

- 2.1 In July 2017, Cabinet agreed to a number of recommendations to increase housing supply to help to relieve the temporary and emergency housing situation in Croydon. This included the rolling investment of £100m for the acquisition of up to 250 properties at market rates.

The commissioning outcomes planned are as follows:

Property Size	Target	Proportion
2 bedroom	140	55%
3 bedroom	110	45%
4/5 bedroom		
TOTAL	250	100%

- 2.2 Following consultation with the Cabinet Member for Finance & Treasury and the Executive Director of Resources, it was initially decided to commission real estate agencies to help with the acquisition of housing properties as a six month pilot scheme. Following a soft market testing exercise, three property agencies (Libo, Caridon and Carter Jonas) were commissioned under director's delegated authority to identify and support the purchase of housing properties on behalf of the Council for the pilot.

- 2.3 This pilot approach has delivered the outcomes required with, to date, the completed purchase of 40 properties since October 2017 with a further 100 plus potential properties in the pipeline. The number of completed purchases as well as the properties in pipeline for acquisitions demonstrates that the 6 month pilot has been highly successful. Accordingly, a compliant procurement strategy for delivering the remainder of the programme has now been considered.

- 2.4 In May 2018, CCB approved the procurement and the transition strategies for Increasing Housing Supply to provide a comprehensive service to deliver the programme.

This proposed procurement Strategy for Increasing Housing Supply proposes to recruit, commission and procure professional services as follows:

- a) Recruit 2 (two) property negotiators to progress the acquisition of properties;
- b) Establish a new framework with up to 5 approved Real Estate Property Agents following an OJEU compliant open tender process.
- c) Commission professional services (i.e. building/property surveying and valuation specialist) through direct award from an existing framework (PfH framework for Technical Support Services, Lot 1 Asset Management).

- 2.5 Prior to the commencement of the new contracts with suppliers, a transition strategy will need to be put in place to maintain the current outcomes from the existing pilots/s. This will include direct awards to the three companies appointed for the pilot for a further period of up to 12 months following award at

a total maximum cost of up to £2m (in addition to fees relating to the pilot as described in paragraph 3 below).

- 2.6 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
30/05/2018	CCB1364/18-19

3. DETAIL

- 3.1 The current pilot schemes with the three suppliers commenced between October and December 2017 for a period of 6 months. To date, the Council has completed on 40 properties. Additionally, there are approximately 100 properties currently with Legal for completion.

The performance to date against the targets are as follows:

Property Size	Target	Proportion	Achieved	Pipeline
2 bedroom	140	55%	23	53
3 bedroom	110	45%	16	47
4/5 bedroom			<u>1</u>	<u>0</u>
TOTAL	250	100%	<u>40</u>	<u>100</u>

The performance to date (first 6 months) has been much higher than expectation. In total, we are on our way to achieving 140 completion against a target of 250. The original expectation was to achieve the 250 target over 2 years. We now expect to achieve the target within 12 - 18 months.

The agency fees paid to date (relating to the 40 completions equates to approximately £250k. The projected fees relating to the 100 properties in the pipeline equates to approximately £630k.

The breakdown of agency fees to date are as follows:

Agency	Fees Paid (completed properties, 40)	Fees estimated (pipeline properties 100)	Total Fees
Libo	£152,887	£202,849	£355,736
Caridon	£91,777	£415,048	£506,825
Carter Jonas	£3,960	£11,880	£15,840
Totals	£248,624	£629,777	£878,401

4. CONSULTATION

- 4.1 Not needed.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1

1 Revenue and Capital consequences of report recommendations:

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Revenue Budget available				
Expenditure				
Income				
Effect of decision from report				
Expenditure				
Income				
Remaining budget				
Capital Budget available	1,800	200		
Expenditure				
Effect of decision from report	1,800	200	0	0
Expenditure				
Remaining budget				

2 The effect of the decision:

The decision to award the three contracts (effectively extending the pilot arrangements), will ensure that the good progress in acquiring housing properties will continue without interruption which will ensure that the financial pressure on homeless services continues to be mitigated, pending the establishment of a framework.

3 Risks:

The award of the 3 contracts will result in the OJEU threshold for procuring services to be exceeded and there is a consequential risk of a challenge from potential other suppliers as the value and spend on the current and proposed contracts will significantly exceed the OJEU financial threshold. It is considered that such risk may be mitigated by the early publication of an OJEU Notice advertising the opportunity to participate in the procurement of a new framework for real estate property agents to the market.

As the pilot contracts were entered into for six months, new contracts will need to be issued to the suppliers and legal support will be sought to finalise these contracts.

4 Options:

Other options have been considered including the recruitment of additional specialist staff (property negotiators) and this option is being followed. If successful, we will be able to reduce the workflow to three suppliers and carry out more work in-house.

The option to end the pilot and suspend property acquisitions for a period of 9 - 12 months has been considered but there is the possibility that the property market may not be as advantageous and productive in 12 months time. It also delays the opportunity to house homeless families and delay the savings on emergency housing.

5 Future savings/efficiencies:

The business case for the purchase of the 250 homes highlighted the financial savings achievable by reducing the demand on temporary and emergency housing estimated at £4,000 per property with total projected savings of £1.2m. If the extension of the pilot is not agreed, and no further properties are purchased until the appointment of new providers from January 2019, then those savings will not accrue to the general fund during due to additional reliance on alternative, more expensive forms of provision.

Approved by: Lisa Taylor, Director of Finance Investment and Risk.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 There are no additional legal risks other than as described in the report

Approved by Sean Murphy, Head of Commercial and Property Law, on behalf of the Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no adverse human resource issues arising from this report. Suppliers will be required to pay LLW as a minimum requirement. TUPE may apply if the work was to continue after the contract end date however this would be managed under the Council's policies and procedures, as with any other human resources issues.

Approved by: Jennifer Sankar, Interim Head of Place on behalf of Sue Moorman, Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 The proposals will have a positive impact for equalities as it will enable the re-housing of the homeless and vulnerable people currently living in bed and breakfast accommodation.

9. ENVIRONMENTAL IMPACT

9.1 There are no adverse environmental impacts arising from the recommendations.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 The proposals will have a positive impact for crime and disorder reduction as it will enable the re-housing of the homeless and vulnerable people.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The decision to award the three contracts (effectively extending the 3 pilots), will ensure that the good progress in acquiring housing properties will continue without interruption which will ensure that the pressure on homeless services will be relieved. There will be significant financial savings recuing the budget for temporary and emergency housing.

12. OPTIONS CONSIDERED AND REJECTED

12.1 The options considered are set out in paragraph 5.1 (4) above.

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BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972 – None