

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT VARIATION / EXTENSION REPORT

Title of Report	Extension of Temporary Accommodation Dynamic Purchasing System
Key Decision No.	CED S286
CPIC/HPB Meeting Date	4 December 2023
Classification	Open
Ward(s) Affected	All
Cabinet Member	Cllr Sade Etti, Deputy Cabinet Member For Housing Needs and Homelessness
Key Decision	Yes
Group Director	Rob Miller, Strategic Director Customer & Workplace
Original Cost of Contract	£118,000,000 (£16m per year spend 4 years, 18m per year spend 3 years)
Value of Proposed Variation	£80,000,000 (£20m per year spend)
Total cumulative value of the contract including all previous variations and the proposed variation if agreed	£198,000,000 spend over 10 years

1. Cabinet Member's Introduction

- 1.1 The report provides a business case for the extension of the current Dynamic Purchasing System (DPS) used to procure temporary accommodation for homeless residents. The extension will enable the Benefits & Housing Needs Service to fulfil its statutory duty to house homeless households.
- 1.2 Hackney finds itself on the frontline of the housing crisis, with over 3,000

households currently in temporary accommodation. The DPS is essential in ensuring that we have the accommodation needed on any given day for those residents that approach us as homeless.

- 1.3 At the same time, we acknowledge the challenges of the DPS and the desire to move to a more effective, integrated system. This report seeks an extension of up to four years, but if the necessary internal work on systems can be completed before that date, work will commence to bring forward a replacement.

2. Group Director's Introduction

- 2.1 The DPS is used to procure temporary accommodation (stage 1 emergency, and stage 2 private sector leased accommodation) for the homeless residents that the Council has a statutory duty to house. The current DPS has been running for almost 7 years and is due to expire on 26th January 2024. This report addresses what action needs to be taken prior to the end of the current DPS term.
- 2.2 The DPS system was recommended as the most effective way of enabling all types of temporary accommodation to be procured within one system on a continuous basis. The initial procurement was for a four year term - see Key Decision No. FCR N19 - Cabinet Procurement Committee Meeting 23rd January 2017.
- 2.3 The DPS system was then extended for a further three years through to January 2024. This was to allow a comprehensive review of systems to take place which had been on hold due to the resource impact of the Covid19 pandemic. This was agreed at Cabinet Procurement Committee Meeting 7th December 2020. The Benefits and Housing Needs Service has not had the capacity or resources to restart the review of this system due to the impact of the pandemic and the recovery needed from the criminal cyber attack.
- 2.4 The system involves suppliers completing a series of online questions about the provision and management of properties they wish to provide for temporary accommodation. These responses are then evaluated by a panel of up to four officers from the Benefits and Housing Needs Service.
- 2.5 The DPS, which is always open to bids, allows suppliers to apply to join throughout its duration. Unsuccessful suppliers can reapply to join at any time, and are provided feedback to support their applications. The open nature of the DPS is a significant advantage as it allows new suppliers to join and properties to be provided on a continuous basis.
- 2.6 Currently there are 31 suppliers on the DPS. In the financial year 2022/23 a total of £18,369,448 was paid to these suppliers for temporary accommodation.

- 2.7 The DPS is a stand alone system with no contract management module.
- 2.8 Although the DPS has limitations, currently it is the best option for the Benefits & Housing Needs Service to continue with business as usual. Over the last three years progress has been made on developing new systems. But there is still a significant amount of manual processes that surround the DPS which mean that we can not effectively implement an alternative system at present.

3. Recommendations

- 3.1 Cabinet Procurement and Insourcing Committee is recommended to agree to extend the current Temporary Accommodation Dynamic Purchasing System for a period of up to four years, from 26th January 2024 to 26th January 2028.**

4. Related Decisions

- 4.1 The current Dynamic Purchasing System was procured in 2016 with the Contract Award Report agreed at Cabinet Procurement Committee in January 2017.
- 4.2 A three year extension of the contract was agreed at Cabinet Procurement Committee in December 2020.

5. Background and details of the proposed variation

- 5.1 The DPS was procured in 2016, to replace two framework agreements (one each for stage 1 and stage 2 accommodation) which had been the source of temporary accommodation suppliers for the Council. This model offered an ineffective solution, as Frameworks are closed after the tender process, restricting the service to only those providers appointed to the Framework. The nature of the accommodation needs in Hackney meant that suppliers were required urgently and this resulted in a large amount of off contract spend as officers used non Framework providers to meet urgent need, which was either non compliant (under Council Contract Standing Orders [CSOs], which state spend must be covered by a contract or a STA), or covered by a large number of Single Tender Actions (STAs).
- 5.2 The Dynamic Purchasing System model offered a resolution to this issue, as suppliers can join a DPS at any stage of its duration, and can try again if their application fails. This allows for the service to encourage more suppliers to join the DPS, offering a wider variety of accommodation options, giving a more compliant solution and reducing off contract spend and STAs.
- 5.3 The DPS system was then extended for a further three years. This was to allow a comprehensive review of systems to take place which had been on

hold due to the resource impact of the Covid19 pandemic. This was agreed at Cabinet Procurement Committee Meeting on the 7th December 2020.

- 5.4 The DPS is currently divided into 4 categories based on the types of properties required by the Council. These categories are Bed and Breakfast, Hostels, Annexes and Private Sector Leased accommodation. During the 4 years of operation, the current DPS has seen bids from a wide variety of providers, including local small and medium enterprises and larger, national companies.
- 5.5 This model will continue during the extension period. The volume of work under each category is reliant upon the requirements of residents being placed into temporary accommodation.
- 5.6 The comprehensive review of systems that was due to take place has been disrupted by the impact of the cyber attack. The key systems that were utilised by the Temporary Accommodation Team i.e. Temporary Accommodation Payment to Landlord (TAPL) and Universal Housing (UH) were lost in the attack.
- 5.7 Work is ongoing to build new systems to replace the manual processes that are currently in place. Meaning at this time we are not in a position to integrate any alternative property management system.
- 5.8 The proposal is therefore to extend the current DPS contract by four years to allow the new systems to be fully built and embedded into the Benefits & Housing Needs Service.
- 5.9 Following the new systems being embedded this will also allow time for a further option appraisal to be carried out based on revised requirements.

6. Alternative Options (Considered and Rejected)

6.1 Build A Bespoke Management System In House

- 6.1.1 This option was rejected for two reasons, firstly the significant cost and resources required from the Council to develop and build a bespoke in-house system. Secondly, the other systems currently in use within the service are manual or in the process of being rebuilt following the cyber attack. Meaning we are not currently able to clearly define the integration required for any management system to work effectively

6.2 Purchase ADAM Or Another Temporary Accommodation Property Management Software Solution.

- 6.2.1 The ADAM product can either be purchased and utilised as a direct replacement for the DPS or can be joined as part of the WREN Group (Waltham Forest, Redbridge, Ealing and Newham).

6.2.2 Utilising the ADAM solution through the WREN Group has the following advantages:

- Councils use many common suppliers and 49 of our suppliers are already on the ADAM system.
- ADAM supports suppliers through the application process. Removing the need for the time consuming chasing, evaluating and scoring.
- Once a supplier is approved available properties are loaded onto the system for Councils to book. Currently this is all done manually via emails between various officers and suppliers.
- All the relevant safety certificates are also uploaded with the property and the system provides prompts for when these are due to expire. Again these are currently provided manually via email exchange with the supplier. Documents are being stored on google drives and logged on a spreadsheet to track expiry dates.
- Payments are automatically adjusted for overpayments utilising the booking dates entered. Payments currently have to be manually adjusted.

6.2.3 The main issue regarding the potential use of ADAM is the manual processes that are currently used within the Benefits & Housing Needs Service. Following the loss of legacy systems in the cyber attack, bookings and payments are made via a complex network of spreadsheets.

6.2.4 Development work is ongoing to build new systems that will allow booking and payments to be carried out more effectively. Until these are operational, the Benefits & Housing Needs Service isn't in a position to accurately scope the integration requirements of ADAM.

6.2.5 ADAM is designed purely to procure, book and make payments for temporary accommodation from private providers. The Benefits & Housing Needs Service also needs to make payments for void Council properties used for temporary accommodation and leased properties.

6.2.6 This option was rejected as the research carried out into using ADAM (or an alternative system, if available as the market is extremely small) highlighted the need for clear, effective integrations between ADAM / the system and other Hackney systems, such as payments and housing allocations, in order to achieve the best results. As set out above, these processes are currently manual and carried out utilising a complex network of spreadsheets, so integration isn't currently possible or cost effective. Also there is currently ongoing work building new systems for temporary accommodation bookings and payments, until these have progressed further, it is not possible to effectively integrate a management system such as ADAM.

6.3 Procure a new Dynamic Purchasing System

- 6.3.1 This option was rejected for three reasons. Firstly, the time required to complete the full Find a Tender process needed to set up a new Dynamic Purchasing System would be significant, a minimum of six to nine months. The process would not be complete prior to the end of the current DPS and short / medium term Single Tender Actions would need to be put in place for all DPS suppliers.
- 6.3.2 Secondly, the time and resources required, from both the Council in setting it up and the suppliers in applying to join (current DPS providers would have to reapply to join the new system) would be significant. The Benefits & Housing Needs service is currently under extreme pressure due to the increase in homeless approaches, the impact of the Housing Crisis on supply and the cost of living crisis, meaning it is not possible to undertake this resource intensive piece of work.
- 6.3.3 Thirdly, the procurement of a new DPS would not resolve the wider issues, regarding the volume of manual processes currently being utilised to provide and manage accommodation. As discussed in this report, work is ongoing to build new systems to resolve this. The commitment to a new DPS would not fit into the long term strategic goals of the service area, and may add further complication.

7. Justification for the proposed contract variation

- 7.1 The extension would allow the Benefits & Housing Needs Service to continue to function with business as usual and ensure greater compliance of spend than if the DPS were not in place.
- 7.2 Through the work of the Housing Supply Team the number of suppliers on the DPS has been increased.
- 7.3 This option wouldn't require any additional cost as the system is already fully operational and supported in house.
- 7.4 The DPS offers a compliant solution, under the Public Contracts regulations 2015, to the procurement of temporary accommodation suppliers.

8. Whole Life Costing/Budgets

The provision of temporary accommodation for homeless residents is a statutory duty and therefore financing for procurement of accommodation is available. This is provided via Government grants, Housing Benefit subsidy and Council funding.

9. Risk Assessment/Management

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
No DPS in place - no compliant contracts / spend	Low ▾	High ▾	High ▾	Extend current DPS. Encourage, and provide support for non-DPS suppliers to join.
Loss of suppliers due to extending DPS	Low ▾	High ▾	Low ▾	Support suppliers through the process to join the DPS.
Non compliance with procurement regulations	High ▾	High ▾	High ▾	See comments below

8.1 Currently we have 50 suppliers that are outside the DPS. 41 of these are non-compliant under the Council CSOs as the spend is not covered by a contract or STA. Extending the DPS as proposed in this report will not necessarily rectify this situation, however the contract management officer will be continuing to work with suppliers to move them on to the DPS. Steps that have been taken to move suppliers onto the DPS are:

- Support / training sessions for suppliers to assist with the software aspect of completing the tender.
- Raising awareness of the DPS via Landlord forum and supplier meetings.
- Regular chasing and discussion with suppliers.
- Rent increases not being agreed until the DPS tender process has been completed.
- Possible suspension of payments until the tender process is completed.

8.2 Purchasing ADAM would reduce the number of non-compliant suppliers to 33 as more of our suppliers are on the WREN group DPS. ADAM would work with the remainder of our suppliers to support them to join the WREN group DPS.

8.3 If a new DPS was procured all suppliers would need to reapply. This would be an opportunity to ensure that all became compliant. However a new DPS would not be available by January 2024 and so non compliant spending would take place or numerous Single Tender Actions would be required. Further, supporting all suppliers through this process would require a team of officers being employed solely for this purpose.

9. Savings

9.1 The proposed extension of the DPS will not lead to any savings. However it

will also not result in any additional cost. It will allow the service to continue with business as usual.

10. Sustainability Issues and Opportunities, Social Value Benefits

10.1 Procuring Green

10.1.1 Included in the DPS are questions relating to the environmental sustainability of the properties the suppliers will be providing.

10.2 Procuring For A Better Society

10.2.1 Procuring temporary accommodation helps provide assistance to some of the most economically disadvantaged residents in Hackney.

10.2.2 We work with other London boroughs by utilising the pan London rates to ensure that we don't overpay for accommodation.

10.3 Procuring Fair Delivery

10.3.1 Procuring temporary accommodation is the first step to helping support some of the most vulnerable residents in Hackney into a settled home.

10.3.2 Where possible we procure temporary accommodation within Hackney so that residents can remain local.

10.3.3 Procuring locally also allows families to maintain continuity with schools and contribute to the local economy.

10.4 Equality Impact Assessment and Equality Issues

10.4.1 The procurement of temporary accommodation is part of the Homelessness Strategy. Attached at Appendix 1 is the equality impact assessment that supports the strategy.

10.5 Social Value Benefits

10.5.1 DPS temporary accommodation suppliers will be providing high quality accommodation to vulnerable residents.

11. Contract Management Arrangements

11.1 The management of the current DPS contracts is incorporated into roles in the Housing Supply Team, in particular the Contract Management Officer and the Housing Supply Team Manager. This will continue going forward.

- 11.2 Also intrinsically linked to the management of the DPS contracts are the Temporary Accommodation Team. They have the majority of day to day dealings with suppliers and tenants so will highlight issues that need to be discussed with suppliers at contract meetings e.g. speed of repairs and property standards in accordance with the Housing Health & Safety Rating System.

12 New Key Performance Indicators

Not applicable

Main KPI Targets Set	Monitoring
1. Comply with LBH minimum property standards	Inspections by LBH and / or setting the standards.
2. Providing all necessary documentation relating to safety / standards	Prior to initial let. Also via inspection and supplier contract meetings.
3. Adhering to repairs priority schedule - Appendix C of the DPS Service Specification.	Housing Supply Team monitors time taken for repairs and quality of the repairs. Supplier liaison / escalation, inspections and contract meetings.

13 Comments Of Interim Group Director Of Finance

- 13.1 This report seeks approval of the proposed extension to the current Dynamic Purchasing System (DPS) used to procure temporary accommodation for homeless residents.
- 13.2 The value of the proposed contract extension is £80m across a four year period, with an estimated annual cost of £20m. The actual expenditure will vary depending on the level of supply required for the service to meet its statutory obligations.
- 13.3 As outlined in Section 2 (2.6) of this report, there are currently 31 suppliers on the DPS, and in the financial year 2022/23 a total of £18.37m was paid to these suppliers for temporary accommodation.
- 13.4 All spend relating to the provision of temporary accommodation will be funded through existing service budgets and recovery of housing benefit in line with LHA 2011.

- 13.5 All payments made to suppliers are, and should continue to be paid in arrears. This approach ensures financial accountability and aligns with our established processes.

14 VAT Implications On Land & Property Transactions

- 14.1 The Council does, where appropriate and necessary, sign up to short term (usually 3 years) leases with some providers.
- 14.2 Where a Landlord is granting the Council a lease on a building the VAT liability of that supply would rest with the Landlord, unless there is room for challenge if they are charging VAT where it is a normal residential accommodation. Once the buildings are leased to the Council, if the accommodation is then rented out to residents under a statutory obligation then it may be classed as Non-business and outside the scope of VAT.
- 14.3 In order to determine the VAT status of each leased property, the Council will ask the Landlord to provide copies of their VAT registration certificate and any option to tax that they have in place on the said building. This documentation will be confirmed with Finance and Legal.

15 Comments Of The Acting Director of Legal, Democratic and Electoral Services

- 15.1 The proposed extension of the Dynamic Purchasing System, (DPS), outlined in this Report under paragraph 3.1 would constitute a variation of contract under paragraph 4 of the Council's Standing Orders, (CSO). Pursuant to CSO 4.9, this Report is being presented to Cabinet Procurement and Insourcing Committee as the total cost of the contract including the contract extension exceeds the sum of £2m.
- 15.2 CSO 5.4 provides that, "*Where a Framework Agreement or DPS has been established by the Council for the supply of goods, works or services, Officers shall only procure those goods, works or services regardless of value, through this route unless the written consent of the Group Director, Finance and Corporate Resources, or their designated deputy is obtained. Such procurements shall be carried out in accordance with these Contract Standing Orders having regard to the Directorate's Procurement Plan and to the need to achieve value for money*". Accordingly, if the service decides to implement a new system, (as outlined in Clause 1.3 in this Report) within the period of validity and extension period, then this will require the express written consent to do so.
- 15.3 Regulation 34(28)(a) of the Public Contracts Regulations 2015 allows for such a four year DPS extension. The Council will need to ensure that they notify the Commission of any change in the period of validity by the form initially used for the call for competition for the DPS. A Find a Tender notice

will need to be published updating the original contract notice, setting out the period of extension.

16 Comments Of The Procurement Category Lead

- 16.1 Under The Public Contracts Regulations 2016 regulation 34 (27) Contracting authorities shall indicate the period of validity of the dynamic purchasing system in the call for competition, therefore the extension for another 4 years is within the permissible of the rule. The extension period will be noted in the procurement information notice and contract notices.
- 16.2 In the first quarter of 2023, the procurement team issued a letter to all 30 suppliers in the DPS letting them know that we intended to extend the agreement and requesting them to express interest in remaining in the Framework. Out of the 30, 29 responded to our letter via the system and finance carried out credit checks to ensure they are still financially viable. The extension of the DPS will reduce the need to re-compete and save time for the service to execute their core duties.
- 16.3 Further mini-competitions shall be carried out in accordance with these Contract Standing Orders and all documentation shall be recorded and held on the project file. The procurement Corporate Services will ensure the new value and end date is updated on Procontract.

Appendices

- Appendix 1 - Equalities Impact Assessment
Appendix 2 - DPS Specification Document

Background Documents

None

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