



Report of: Executive Member for Health and Wellbeing

Meeting of:	Date	Ward(s)
Executive	15 January 2015	All

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: APPROVAL OF THE PROCUREMENT STRATEGY FOR CONTRACT EXTRA CARE SHELTERED HOUSING

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Extra Care Sheltered Housing Services in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The contract will provide at least 99 units of Extra Care, Intermediate Care and Housing Support services to individuals with complex needs across a range of client groups including Older People, those with Physical and Sensory Disabilities and Global Learning Disabilities.

2. Recommendation

- 2.1 To approve the procurement strategy as outlined in this report, to enter into a new maximum sixteen (16) year contract to provide Extra Care Services. This procurement strategy will secure continuity of care for very vulnerable residents, continuity of supply of specialist resources and continued value for money for the Council. The initial contract term will be for four (4) years with an option for break and extension for a further four (4), plus four (4), plus four (4) years, providing a maximum contract length of sixteen (16) years.

3. Background

3.1 Nature of the service

- 3.2 Housing and Adult Social Services (HASS) Commissioning wishes to procure a block contract for the provision of a minimum of 99 units of Extra Care and Intermediate care accommodation within the borough of Islington. The contract will secure units that are built to extra care sheltered housing standards, closely grouped geographically to enable the cost efficient and safe delivery of support and care services to tenants. The requirement is for units that are available for immediate occupation by our

existing extra care tenants from the start of the contract term.

- 3.3 Extra Care sheltered housing provides vulnerable people with access to on-site 24/7 personal care, community health and housing support services. The service is targeted at those with complex needs, usually aged 55+, and is provided for those who have been assessed by care managers as needing this level of support. People in Extra Care hold an assured tenancy and live in a self-contained flat with their own front door. The service provides a range of activities to improve quality of life and reduce isolation, including access to a meals service for tenants wishing to eat together. Tenants can contact staff outside of their planned care times through an on-site alarm service.
- 3.4 Intermediate Care services deliver a structured time-limited rehabilitation service to enable people who have experienced deterioration in their health through illness or injury to regain as much control over their own lives as possible. The service is targeted at older people who would otherwise face unnecessary prolonged hospital stays or inappropriate admission to acute in-patient care, long term residential or nursing home care or continuing NHS health care.

4. Current Commissioning Arrangements

- 4.1 The Council currently commissions extra care, intermediate care and housing support services from Notting Hill Housing Trust. Arrangements are spread across 3 sites within Islington, collectively referred to as 'The Mildmays'. The existing contract expires 30 June 2015. The procurement strategy seeks to secure a contract with a provider for the continued delivery of services whilst fulfilling the Council's procurement duties.

See Appendix 1. Point 1 Nature of the Service for further details of the Council's current commissioning arrangements for Extra Care Services in the borough.

5. Need for Extra Care Services in Islington

- 5.1 Numbers of older people living in the borough are set to increase. The number of older people living alone is relatively high, and many are doing so without the support of extended families due to the high cost of housing in the borough. In this environment referral into Extra Care is the default position when service users are assessed by care managers as no longer able to manage at home. This has resulted in high occupancy rates for the service. See Appendix 1, Point 2 for further information about the ongoing need for the service.

6. Estimated Value

- 6.1 The arrangement will be funded from existing Adult Social Services resources (base budget) and initially continued annual funding of £60K from Health and Supporting People.
- 6.2 The value of the procurement is £2,223,804 per annum. The initial contract term will be for four (4) years with an option for break and extension for a further four (4), plus four (4), plus four (4) years, providing a maximum contract length of sixteen (16) years. There is no suitable existing framework that could be utilised for this contract.
- 6.3 The spend on this service for the last two years is:
2012/13 - £2,223,804; 2013/14 - £2,223,804.

7. Value for Money

- 7.1 The service represents good value for money as the default accommodation based provision for those assessed as no longer being able to cope at home. The alternative would be provision of large, costly and extensive domiciliary care packages, including night time and weekend care, to keep people at home, or the more likely option of placing more people into residential care. The unit cost for LBI of placing somebody in extra care is £400.92 per week compared to a unit cost of £593 per week for

residential care and £683 per week for residential dementia care in Islington. See Appendix 1, point 3 for further Value for Money information.

8. Procurement Timetable

8.1 See Appendix 2, point 1 for Procurement timetable. The current contract expires 30 June 2015.

9. Procurement Options

9.1 The following procurement routes have been considered:

- Direct Negotiation route
- Competitive Tender route (restricted procedure).
- Delivery of the service in-house. This would require finding an appropriately sized site, and a development partner to build extra care sheltered housing units. This process would take several years to complete and is therefore not a viable option to meet existing demand.

10. Options Appraisal

10.1 The preferred option is a direct negotiation route. Options appraisal assesses direct negotiation as the best option to secure the continued supply of extra care services in the borough at current volume and price. See Appendix 2, point 2 for an outline of rationale for choosing this procurement route.

11. Key Considerations

11.1 The potential social benefits to be realised through this procurement are:

- the lowering of unemployment – any new contract will encourage the provider to source local employees and volunteers
- the provision of good quality jobs and payment of the London Living Wage (LLW) – payment of LLW will be a requirement of any new contract Staff employed under the current contract are paid at or above the LLW rate.

11.2 Any new contract will require the provider to deliver value for money services and continuous improvement of those services. Compliance in both areas will be monitored once the contract is operational. Continuous improvement will be achieved chiefly through greater partnership working with community and acute health care services with the aims of:

- extending the length of time people live in extra care
- enabling more people to die at home, if that is their preferred place to die
- reducing the amount of time tenants spend in hospital
- avoiding unplanned hospital admissions
- extending independent living through use of reablement services.

Delivering improved last years of life care and advance care planning will enable tenants to remain in extra care for longer and increasingly until the end of their lives, reducing the need to move onto more expensive nursing home care.

11.3 The contract specification for the service is outcomes based ensuring the provider works with tenants to promote choice about the service that are received, support independence, deliver quality of life and enable social inclusion.

12. Evaluation

- 12.1 The contract is based on an outcome specification. The award of the contract will only be made once the commissioning team are satisfied that they can ensure best value based on quality and cost and negotiations will be framed around quality assurance and continuous improvement; workforce development; customer care and service user involvement and participation.

13. Business Risks and Business Opportunities

- 13.1 The options appraisal in Appendix Two, point 2 outlines the benefits and risks associated with different procurement options. The greatest risks are associated with following a competitive tendering process which, if it failed as it is likely to do through lack of competition, would result in either:

- The Mildmays being lost as an extra care resource and the source of the 12 remaining residential intermediate care beds in borough, leaving the Council to support an additional 87 vulnerable older people in general needs housing with high support needs or
- The need to engage in post procurement direct negotiation with the current provider and the likelihood that essentially the same service is secured but at an enhanced contract value.

- 13.2 If the Mildmay units were lost as extra care the risks would be managed by:

- Reviewing existing tenants to assess how best to meet their needs
- Decanting into more appropriate accommodation, including residential care – likely result for the majority of current tenants. Research indicates that such moves can result in poor outcomes for those involved.
- Introducing large and costly care packages including night time and weekend services to support people at home
- Spot placing people out of borough for intermediate care. Evidence indicates that spot placements for intermediate care out of borough are much more likely to turn into permanent residential care placements, since the placements cannot be closely managed by Islington health and social care staff.

The costs associated with all 4 elements above will present a significant cost pressure for the Council.

See Appendix 2, points 7, 8 and 9 for a full analysis of business risks and opportunities.

- 13.3 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board
- 13.4 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	The contract will deliver at least 99 units of Extra Care, Intermediate Care and Housing Support services to individuals with complex needs across a range of client groups including Older People, those with Physical and Sensory Disabilities and Global Learning Disabilities.

	See paragraph [3]																
2 Estimated value	<p>The estimated value per year is £2,223,804.</p> <p>The agreement is proposed to run for a period of 4 years with an optional extension of 4 + 4 + 4 years, making a total contract period of up to sixteen (16) years.</p>																
3 Timetable	<table border="1"> <tr> <td>Pre-tender consideration report for Procurement Board</td> <td>15/10/14</td> </tr> <tr> <td>Procurement Board Meeting</td> <td>30/10/2014</td> </tr> <tr> <td>Procurement Strategy Report for Joint Board</td> <td>28/11/2014</td> </tr> <tr> <td>Joint Board Meeting</td> <td>9/12/2014</td> </tr> <tr> <td>Procurement Strategy Report for Councillors</td> <td>6/11/2014</td> </tr> <tr> <td>Procurement Strategy Report for Executive</td> <td>12/12/2014</td> </tr> <tr> <td>Executive Meeting</td> <td>15/01/2015</td> </tr> <tr> <td>Contract Start:</td> <td>01/07/2015</td> </tr> </table>	Pre-tender consideration report for Procurement Board	15/10/14	Procurement Board Meeting	30/10/2014	Procurement Strategy Report for Joint Board	28/11/2014	Joint Board Meeting	9/12/2014	Procurement Strategy Report for Councillors	6/11/2014	Procurement Strategy Report for Executive	12/12/2014	Executive Meeting	15/01/2015	Contract Start:	01/07/2015
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4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Options appraisal assesses direct negotiation as the best option to secure the continued supply of extra care services in the borough at current volume and price.</p> <p>See paragraph 10.1 above and Appendix 2, point 2</p>																
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>Application of LLW and the project's considerations to workforce and volunteering development will contribute to both economic and social sustainability.</p> <p>The contract specification for the service is outcomes based ensuring the provider works with tenants to promote choice about the service that are received, support independence, deliver quality of life and enable social inclusion</p> <p>TUPE will only apply if there is a service provision change (i.e. the service is transferred to a new organisation).</p> <p>See paragraph [11]</p>																
6 Evaluation criteria	See paragraph [12]																
7 Any business risks associated with entering the contract	<p>By following the Direct Negotiation route, the Council will be not be able to review the market through a competitive tender process to determine whether there will be a suitable number of organisations who are competent and capable of providing the service they will be invited to tender.</p> <p>However, there is no anticipated competition for the provision of current services, namely due to the volume of service and building requirements necessary for the delivery of extra care services. A Prior Information Notice</p>																

	(PIN) is being drafted in December 2014 to test the market in the short to medium term for potential additional supply in borough or nearby to satisfy procurement requirements. See Appendix 2, points 7, 8 and 9.
8 Any other relevant financial, legal or other considerations.	See paragraph [14.1]

14. Implications

14.1 Financial Implications

The procurement strategy will be funded from existing Adult Social Services resources (base budget) and initially continued funding from Health and Supporting People. The total contract value is £2,223,804 per annum with the breakdown as follows:

HASS	£1,753,761
Supporting People	£60,000
NHS	£410,043
Total	£2,223,804

The service represents good value for money as the default accommodation based provision for those assessed as no longer being able to cope at home. The alternative would be provision of large, costly and extensive domiciliary care packages, including night time and weekend care, to keep people at home, or the more likely option of placing more people into residential care. The unit cost for LBI of placing somebody in extra care is £400.92 per week compared to a unit cost of £593 per week for residential care and £683 per week for residential dementia care in Islington.

By 2020 the Islington population aged over 65 is projected to rise by 9% to over 19,000 people and the over 85's from 2,200 to 2,660 people. 62% of our older residents live in social housing, 42% live on their own. The cost of housing means many family members move away as they can't afford to stay in the area. This affects the extent to which older people can be cared for at home when they become very frail and is likely therefore to impact on the demand for extra care provision going forward. Extra care sheltered housing is a significantly cheaper option than residential care.

14.2 Legal Implications

The Council has a duty to make arrangements for providing residential accommodation and care for persons who by reason of illness and disability are in need of care and attention which is not otherwise available to them (section 21 National Assistance Act 1948 (as amended)). The Council may discharge that duty by making arrangements with private providers of residential accommodation for those assessed to need it (section 26 of the 1948 Act). Accordingly the council may enter into a contract with a provider to secure the supply of extra care sheltered housing services (section 1 of the Local Government (Contracts) Act 1997).

The threshold for application of the Public Contracts Regulations 2006 is currently £172,514. The value of the contract to be let is above this threshold. However the provision of extra care sheltered housing services is a Part B service within the Regulations. Part B services do not need to comply with the full requirements of the Regulations including publication of an advertisement in OJEU. However, there is a requirement under EU rules for part B services to be procured in compliance with the principles of equal treatment, non-discrimination and fair competition which, according to EU case law can only be satisfied by sufficient advertising. The council's Procurement Rules require contracts over the value of £100,000 to be subject to competitive tendering.

There is some risk of procurement challenge in entering into a new contract arrangement with the existing provider, Notting Hill Housing Trust without conducting a transparent procurement process,

including the publication of a contract notice. However this risk may not be significant if, as stated in the report, there are no other suitable providers for this service based in Islington who would be interested in bidding for the contract. The risk will be mitigated if a prior information notice is published to test the market.

14.3 Environmental Implications

An environmental impact assessment has been carried out and it was identified that the proposals in this report would have no significant environmental impact.

14.4 Resident Impact Assessment (incorporating the Equalities Impact Assessment)

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An Equality Impact Assessment will be completed during the preparation stage in November 2014. The EIA identified that there would be no differential impacts. The EIA will be published and available upon request.

15. Conclusion and reasons for recommendations

- 15.1 The report has outlined the rationale for a procurement strategy of direct negotiation and details the significant risks associated with a competitive tender for both current users of Extra Care services and the Council.

This report recommends that a new contract term should be directly negotiated with the current provider, Notting Hill Housing Trust. This procurement strategy will secure continuity of care for very vulnerable residents, continuity of supply of specialist resources and continued value for money for the Council.

Appendices

- Appendix 1: Background Information to Key Areas of Main Report
- Appendix 2: Procurement and Business Options/Risks Analysis for Main Report

Background papers: None

Final report clearance:

Janet Burgess

Signed by: Executive Member for Health and Wellbeing

Date: 9 December 2014

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