

Procurement and Business Options/Risks Analysis for Main Report: Approval of the Procurement Strategy for Contract Extra Care Sheltered Housing

1. Procurement Timetable

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	2/12/2014
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

2 Procurement Options Appraisal Key Points

- 2.1 The key rationale for direct negotiation is that there is no anticipated competition for the provision of current services. Any new provider would be required to have 99 units of extra care sheltered housing ready and available for occupancy from 1 July 2015. Investigations undertaken by commissioners in 2013, when seeking to secure additional local sources of supply, indicated that there is no such stock available in Islington.
- 2.2 Commissioners are concerned that should services be competitively tendered there is a real risk that there will be no competitive response. In such circumstances the Council may fail to secure ongoing supply for existing service users, and as a result would incur significant additional costs to ensure service users remain appropriately supported. See point 3.1 below for further information.
- 2.3 A Prior Information Notice (PIN) is being drafted in December 2014 to formally test the market in the short to medium term for potential additional supply in borough or nearby.
- 2.4 Collaboration with other boroughs to secure extra care services is a restricted option as the borough wishes to retain 100% nomination rights to extra care services within the borough. Collaboration was considered with the London Borough of Camden for joint procurement arrangements but contract end dates were not co-terminus. Camden procured extra care services on a long term contract during 2012/13.

3 Option Benefits – direct negotiation

- 3.1 A key benefit to this approach would be preventing disruption for existing extra care tenants who would be able to remain living in their current homes. Notting Hill Housing Trust (NHHT) owns the Mildmay buildings. If NHHT failed to win the contract to provide care services at the Mildmays the units there would revert to general needs housing and the majority of current tenants would have to move out as

they could not be appropriately supported without access to 24/7 on-site care services. The Council would incur additional financial costs for reviewing all tenants, supporting any decants, and providing alternative more expensive residential care. There would be a further risk as research suggests that moving frail older people often results in poor outcomes for them.

- 3.2 As noted at 2.1 above commissioners anticipate a lack of competition should the Council decide to undertake a competitive tendering process and are concerned that there are unlikely to be many, if any, providers other than NHHT who will be able to meet the service requirement. Any other provider seeking to secure this contract would be required to have 99 units of extra care housing standing empty and ready for tenants to move into from July 2015. Commissioners are not aware that any such large vacant premises exist in borough.
- 3.3 The Council has a positive commercial relationship with the provider who is a valued delivery partner. There is a proven track record of securing value for money whilst maintaining high quality service with this provider through negotiation.

4 Option Benefits – competitive tender (Restricted procedure)

- 4.1 By following a restricted procedure, the Council will be able to review the market during the selection stage (PQQ). Should there be a suitable number of organisations who are competent and capable of providing the service they will be invited to tender.

5 Option Drawbacks – direct negotiation

- 5.1 Although it is anticipated that there is either no market or a very limited market of suitable providers, by directly negotiating with the current provider suitable providers who are unknown to the Council will not be identified.

6 Option Drawbacks – competitive tender

- 6.1 If the Council decides to pursue a competitive tender route and does not secure a new contract for the provision of extra care either with NHHT or another provider, there will be a significant risk to manage in terms of continuity of care for service users and substantially increased financial pressure for the Council – see 3.1 above for details.
- 6.7 Any current local service provider will know when there is likely to be limited or no competition for their services, and in that knowledge may decide not to bid for their service themselves, allowing the procurement to fail, and then seeking to directly negotiate new terms. This strategy would carry some limited risk for any current provider but if successful would place them in a strong negotiating position, with the result that the Council may be under pressure to negotiate a new contract term at significantly enhanced rates.

7 Business Risks

7.1 Risks associated with Competitive Tender

7.2 As outlined in the options appraisal an unsuccessful competitive tender 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
- A significant risk to manage 87 vulnerable people living in general needs housing with high support needs
- Post tender direct negotiation with the current provider and the possibility that essentially the same service is secured but at an enhanced contract value.

7.3 If the 99 units were lost as extra care, and intermediate 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 – the 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.

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

7.5 The loss of the Mildmays will result in the Council having reduced capacity to fulfil the following corporate objectives:

- To maintain Islington residents in their own homes for longer
- To reduce isolation
- To improve prevention and early intervention
- To reduce hospital admissions and reduce the number of people entering into residential care services
- To develop an integrated care model.

7.6 The Council will lose a long standing, beneficial commercial relationship with a valued partner and successful provider of care services.

8 Risks associated with Direct Negotiation

8.1 By following the Direct Negotiation route, the Council will be not be able to formally 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.

- 8.2 However, as already stated there is no anticipated competition for the provision of current services. To mitigate this risk a Prior Information Notice (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.

9 Business Opportunities

- 9.1 The procurement strategy will secure continuity of care for tenants, continuity of supply and continued value for money.
- 9.2 Extra care provides the opportunity to deliver a truly integrated service across housing, social care and health, delivering:
- improved quality of life and wellbeing
 - reduced need for more intensive and expensive services
 - opportunities to reduce unplanned hospital admissions through effective partnership working
 - managed last years of life.
- 9.3 Improving prevention and early intervention
Commissioners will use the procurement to ensure that services are responsive to changing pressures and demands and maintain a preventative approach, enabling tenants to live in the community for as long as possible, enjoying improved quality of life and avoiding the poor outcomes associated with social isolation.
- 9.4 The new specification will increase the requirement for the provider to engage in and support end of life planning, working more closely with community and primary health services to:
- reduce unplanned hospital admissions
 - reduce unnecessary London Ambulance Service call-outs
 - increase the number of people dying in their preferred place
 - reduce the number of tenants moving into more costly nursing care or delay the point at which they do so.