



Report of: Executive Member for Health and Wellbeing

Meeting of:	Date	Agenda item	Ward(s)
Executive	12 February 2015		Clerkenwell, Holloway, St Georges, Tollington

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Approval of Procurement Strategy for Housing Support Services for People with Substance Misuse Issues

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of housing support services for homeless people with substance misuse issues in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The tender will be for a similar range of services. We are seeking to procure five (5) contracts for supported accommodation for current and former substance misusers including alcohol, drug and abstinent services under block contracts within the borough of Islington.

2. Recommendations

- 2.1 To agree the proposed procurement strategy for housing support services for substance misusers as outlined within this report.
- 2.2 To note the Executive will be asked to approve the award of the contract at the conclusion of the procurement process.

3. Background

3.1.1 Nature of the service

This procurement is for supported accommodation for current and former substance misusers including alcohol, drug and abstinent services under block contracts within the borough of Islington.

There are currently five contracts for substance misusers comprising:

- a) St Mungo's Broadway delivers two contracts for 34 substance misusers in supported accommodation in the Clerkenwell Ward.
- b) St Mungo's Broadway deliver one contract for 13 older substance misusers with a primary support need around alcohol misuse in supported accommodation in St Georges Ward.
- c) Family Mosaic delivers one contract for 10 people with chronic alcohol problems in supported accommodation in Holloway Ward.
- d) Family Mosaic delivers one contract for 10 people who are abstinent in supported accommodation in Tollington Ward.

Property details for the aforementioned supported accommodation services are attached at the end of this report as **Appendix 1**.

3.1.2 The existing contracts will be coming to an end on 31 March 2016. Following a review of existing provision in 2013, recommendations included a need for continued supported housing for this client group with some revisions to the service model. These services support those with substance misuse issues to stabilise their lives and access drug treatment services. Additionally, these services reduce homelessness and the risk of homelessness for vulnerable people with high support needs, promote independence and help people to move-on to more permanent accommodation as well as reducing anti-social behaviour and supporting community safety.

3.1.3 A Strategic Review of Islington Supporting People Substance Misuse and Offenders Services took place in June 2013. The recommendations for this review will be incorporated in to the specification for these services. As part of on-going service development, maximising capacity and throughput from services we are speeding up move on from services (reduced in many services from a maximum of two years down to a target of 6-12 months).

3.2 Estimated Value

These services will be funded through the Supporting People Commissioning budget within HASS.

3.2.1 The value of this procurement will be £5,474,637 based on a maximum 9 year (3+3+3) contract including extension periods for all five services. The 9 year contract would comprise a 3+3+3 year contract. Any contract extension would be dependent on the availability of funding, service performance and the need for the service. Furthermore, there are no suitable existing frameworks that could be utilised for these contracts.

3.2.2 The spend on all five (5) services over the last two years was £1,216,590. Annual spend and total spend on these services over the last two years is highlighted in **Appendix 1**.

3.2.3 These services represent good value for money. There are no planned percentage reductions for these services as significant efficiencies were realised in the commissioning of substance misuser service in 2013/2014. However, further savings of up to 10% may be realised through the procurement process as was the case when similar services were commissioned in 2013/14.

3.2.4 A reduction in cost and spend has been considered. The Supporting People programme is part of a comprehensive savings exercise which incorporates significant budget reductions. There are no planned reductions in spend for these services for the following reasons:

- the potential for under staffed services leading to an increase in anti-social behaviour, wider safeguarding concerns and neighbourhood complaints**
- savings have been made in a recent substance misuse procurement (£53K reduction in spend to the substance misuse budget)
- Further significant savings are planned across other substance misuse services in relation to floating support due in 2016
- Potential for increased industrial action as front line staff salaries are reduced. This has occurred on a number of occasions in 2013 and 2014 with our existing providers and we wish to mitigate this risk by maintaining existing funding levels
- The services due to be recommissioned will not see an annual uplift in funding. It will therefore be incumbent on the provider to ensure that staff are paid salary equivalent to or above the LLW. We wish to mitigate the affordability risk by ensuring that staff are paid in excess of the LLW as the sector has tended toward large scale reduction in wages rather than the reduction of management costs.

**It should be noted that the borough has experienced a significant rise in incidents over 2013/2014 relating to anti social behaviour (ASB) particularly in the vicinity of supported housing services working with substance misusers. Any reduction in staffing is likely to increase the frequency of ASB and will impact the community adversely.

Substance misuse services have been benchmarked against neighbouring boroughs. Unit price and cost per hour are noted in **Appendix 2**. Though Islington's substance misuse services are slightly more expensive than the boroughs benchmarked, it should be noted that it not always possible to make like for like comparisons as levels of support and service capacity vary between the boroughs benchmarked. Additionally, average hourly costs for supported housing are typically between £20 and £25. Islington's hourly costs for substance misuse services remain below £20.

3.2.5 Savings have been realised in the substance misuse pathway via a recent procurement (2013/214) and further savings are planned in relation to a substance misuse floating support service and supported housing scheme in 2015/2016. In total, this would amount to a reduction of £281,550K (17%) from the £1.66 million expenditure on substance misuse services.

Key cost drivers for the service include:

- a need to prevent homelessness and decrease repeat homelessness due to tenancy breakdown,
- maximising health outcomes by increasing the likelihood of recovery as a result of drug treatment compliance and a reduction in drug related deaths
- a reduction in the need and use of emergency health services, community health and social care services
- increase in community safety through the reduction of offending and the impact of offending on the community

3.2.6 These contracts will include break clauses to protect the council in the case of withdrawal or significant reduction.

3.3 Timetable

3.3.1 The following dates must be reached:

- Pre-Tender Consideration Report to Procurement Board 18 December 2014
- Executive in February 2015
- Advert and PQQ published in March 2015
- ITT June 2015
- Award report by September 2015
- Contractual arrangements to be entered in to by 1 April 2016.

3.3.2 The current contracts expire on 31 March 2016.

3.3.3 An extensive review of substance misuse and offender services took place in 2013 which included stakeholder feedback and consultation with service users and providers. A new service specification was developed through this collaborative process and will apply to the five services highlighted within this report

3.4 Options appraisal

3.4.1 The following routes have been considered including:

- Fully tendering each contract separately.
- A two stage competitive tender with the five services divided into lots limiting the number that each organisation can bid for and/or be awarded.
- Bringing these services in-house.

3.4.2 The preferred procurement route is a two stage competitive tender with the five services divided into lots.

3.4.3 Collaboration / joint procurement have been considered with neighbouring boroughs. In this case, we wish to maintain the capacity of the substance misuse pathway within Islington.

3.4.4 By following a restricted competitive tender 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. Additionally the recommended approach may potentially widen the provider market.

If a competitive tender fails and/or the current service provider decide to withdraw their properties from use for these services then the council may have to re-house current residents which would inflate homelessness figures and create greater demands for temporary accommodation.

3.5 Social value

3.5.1 These services will work closely with a socially isolated and stigmatised cohort of people in Islington, often in regular contact with criminal justice services, who experience high levels of repeat homelessness, unemployment and have poorer health outcomes than the general population. The social benefits for the individual are in relation to improved health as a result of engagement with appropriate support and engagement with substance misuse treatment services. In the medium to long term, the service user would have developed the skills

necessary to manage their support needs, manage a tenancy with minimal support and in some cases begin to engage in education, training and employment through volunteering or paid work. The impact on the community includes a potential reduction in offending and increased community safety.

3.5.2 LLW has been considered and successful bidders will be contractually obliged to pay LLW or above. Please refer to the LLW report, available on request.

3.5.3 The service will operate within a performance monitoring and quality assessment framework. Contracts will be closely monitored against a range of targets and outcome measures. This process allows for continuous improvement and service development.

3.5.4 Economic, social and environmental sustainability

These services will reduce barriers amongst these service users to gain and maintain employment in the long term. This will be achieved by assisting service users to stabilise their lives often from one of chaotic substance misuse to engagement with treatment services.

These services will help people with substance misusers to manage their needs and support them to tackle comorbid health and physical needs. There is a strong evidence base to show that people who are supported to treatment reduce their criminal activity and offending. Supporting service users to develop skills and access paid employment will also improve desistance. This will have lasting benefits for the community as well as individual service users.

An environmental impact assessment during the preparation stage.

3.5.5 TUPE obligations will apply should an organisation lose any of these contracts.

3.6 Evaluation

This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. This will comprise a Pre-Qualification Questionnaire and Invitation to Tender stage. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the evaluation criteria.

3.6.1 Bids will be assessed on the basis on 80% awarded on quality and 20% on costs which will include an evaluation of amount of cost allocated to delivery. The rationale for the 80%, 20% weighting is elaborated on in **Appendix 3**.

3.6.2 Cost/ quality criteria as summarised below. A full breakdown is noted in **Appendix 3**.

	Weighting %
Cost	20%
Quality	
Proposed approach to mobilisation and implementation / change management	10%
Proposed approach to service model	20%
Proposed approach to workforce management	10%
Proposed approach to partnership working	15%
Proposed approach to managing performance and outcomes	15%
Proposed approach to client engagement and involvement	10%

Total	100%
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3.7 Business Risks

3.7.1 As these are accommodation based services, there are inherent risks if the support provider who may also be the landlord decides to retain the property for their use if they were to lose the service to another provider. This would mean that the service users would probably have to be decanted in to another property or properties which would create pressures on the pathway as a whole. Some service users may also have to be placed in temporary accommodation which would have cost ramifications for LBI.

These risks would be managed by detailed discussions with the landlord prior to the procurement process. We would seek negotiate with the landlords to seek their approval to work with alternative providers if they were to lose the contract. These types of negotiations have been successful in the past in mitigating the risks described above.

3.7.2 This procurement provides the opportunity for improved integration with the wider substance misuse and mental health pathway through service remodelling and engagement with the treatment and health pathway particularly given the emphasis on working with people with dual diagnoses and complex needs.

We would seek to manage these opportunities by ensuring an open and collaborative dialogue with providers and service users to the outcomes specified are achieved over the duration of the contract.

3.7.3 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	Supported housing services for people with substance misuse issues. See paragraph [1.2]
2 Estimated value	The estimated value per year is £608,293 for all five (5) services. The agreement is proposed to run for a period of three (3) years with an optional extension for a further 3 years on two separate occasions. See paragraph [3.2]
3 Timetable	Advert: March 2015 Shortlisting: April-August 2015 Award: September 2015 Other relevant dates: Contractual arrangements to be entered in to by 1 April 2016 See paragraph [3.3]
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Two stage restricted tender with the five (5) services divided into lots. See paragraph [3.4]
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	These considerations will be factored into evaluation criteria and contractual arrangements. See paragraph [3.5]
6 Evaluation criteria	Cost 20%

	Quality 80% The award criteria price/quality breakdown is described further within the report. See paragraph [3.6]
7 Any business risks associated with entering the contract	Business risks will be managed through good communication and engagement with provider organisations and property landlords. See paragraph [3.7]
8 Any other relevant financial, legal or other considerations.	See paragraph [4]

4 Implications

4.1 Financial implications

The current budget earmarked by Islington for the procurement of Housing Support Services for People with Substance Misuse Issues is £608k p.a.

This procurement is being done on a cost neutral basis due to the level of savings achieved from these contracts previously and as such any award should not create a budget pressure for the Council.

Payment of London Living Wage is a requirement of the contract.

To avoid future financial pressure for the Council, this contract would need to have a termination clause which allows the ending of this contract if it becomes unaffordable.

Any TUPE cost implications that may arise from this tender will have to be met by existing resources outlined above.

4.2 Legal Implications

The Council has power to provide housing support services in supported housing for people with substance misuse issues under the Housing Act 1996, Parts 6 and 7. The Council has power to enter into contracts with providers of such services under section 1 of the Local Government (Contracts) Act 1997.

The threshold for application of the Public Contracts Regulations 2006 (the Regulations) is currently £172,514. The value of the proposed contract is above this threshold. These services fall within Part B of the Regulations. Although Part B services do not need to strictly comply with the provisions of the Regulations, there is a requirement under EU rules for part B services to comply with the principles of equal treatment, non-discrimination and fair competition. The council's Procurement Rules require contracts over the value of £100,000 to be subject to competitive tender.

In compliance with the principles underpinning the Regulations and the council's Procurement Rules the proposal outlined in the report is to advertise a call for competition and procure the service using a competitive tender process.

4.3 Environmental Implications

There will not be any implications as the service will be delivered from existing buildings.

4.4 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.

The new services will be monitored to ensure they meet the needs of people with substance misuse issues in the borough. Potential providers will be required to comply with minimum quality standards on equality and diversity in service delivery.

Overall the proposed tender will have a positive effect on substance misusers in Islington. However, reductions to service budgets are more likely to impact on people living in poverty or low income more compared to any other group. The aim is to mitigate the impact of any negative effects by improving pathways and exploring more flexible ways of delivering services to certain vulnerable groups.

The EIA will be published and made available on the council website.

5. Conclusion and reasons for recommendations

- 5.1 Housing support services for substance misusers is a preventative measure that aims to mitigate the effects of harm to people who are homeless or at risk of becoming homeless. These services support HASS and a range of Council departments to improve access to accommodation and support for substance misusers to achieve independence, prevent homelessness and promote independence. These services are successful in preventing homelessness, improving independence by supporting substance misusers to move on successfully and be more active participants in the wider community.

Appendices:

Appendix 1 - List of current supported housing properties including a breakdown of annual expenditure over the last two years

Appendix 2 - Benchmarked costs from equivalent North London boroughs.

Appendix 3 – Rationale for the evaluation of quality versus cost.

Background papers: (available online or on request)

- LLW Report

Final report clearance:

Janet Burgess

Signed by: Executive Member for Health and Wellbeing

Date: 15 January 2015

Received by: Head of Democratic Services

Date:

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**List of current supported housing properties and a breakdown of
annual expenditure over the last two years**

Client Group - Substance Misuse						
Lot	Current Services	Service Description	Units/ Clients	Contract End Date	Current Annual Value	2 Year Spend (13/14 & 14/15)
1	St Mungo's Broadway - EC1R Clerkenwell Ward	Substance Misuse Service (alcohol and drugs) for stable clients	22	31 March 2016	£156,695	£313,390
2	St Mungo's Broadway Broadway - WC1X Clerkenwell Ward	Substance Misuse Service (drugs) for stable clients	12	31 March 2016	£142,862	£285,724
3	St Mungo's Broadway Broadway - N7 St Georges Ward	Alcohol Service for older male drinkers	13	31 March 2016	£74,636	£149,272
4	Family Mosaic Mosaic - N19 Tollington Ward	Abstinent Service	10	31 March 2016	£85,100	£170,200
5	Family Mosaic Mosaic - N7 Holloway Ward	Chronic alcohol use	10	31 March 2016	£149,000	£298,000
Total					£608,293	£1,216,586
9 Year Value					£5,474,637	

Benchmarked costs from equivalent North London boroughs

North London benchmarking	Borough A	Borough B	Borough C	Islington
Substance misuse supported housing service	£17.68 - £19.46	£17.98	£19.76	£19.88 (average)

Rationale for the evaluation of quality versus cost

	Weighting %	Rationale
Cost	20%	Price for the lots across the life of the contract. Cost savings are not being sought as savings have been made across other substance misuse services and across the wider portfolio of Supporting People services. A recent tender of similar services led to modest reductions in the overall cost of the services commissioned.
Quality is made up of:		
Proposed approach to mobilisation and implementation / change management	10%	Given the potential risks around transferring public sector staff it will be important that there are robust proposals around how the service will be implemented.
Proposed approach to service model	20%	Given the outcomes based specification it will be important for bidders to both describe their service model and how this will lead to the achievement of the outcomes. This criteria also validates outcome proposals and mitigates against bidders putting in unrealistic bids.
Proposed approach to workforce management	10%	Given the outcomes focus of the specification, we would expect high quality staff that are able to provide person centred services. This criteria ensures that bidders are able to demonstrate how they will equip their services with quality staff committed to supporting vulnerable service users.
Proposed approach to partnership working	15%	Islington has a substance misuse pathway delivered by a range of service voluntary sector providers and the treatment pathway. It is important these services are able to establish strong relationships with other partners in the sector to ensure service users are supported towards recovery from substance misuse problems, to reengage with the communities they are likely to be isolated from and able to move on to live more independent lives.
Proposed approach to managing performance and outcomes	15%	As the specification will be outcomes based, It is important for providers to commit to a level of outcome delivery. Performance against these outcomes will then be used to inform contract extension by results.
Proposed approach to client engagement and involvement	10%	Regular service user involvement has an important place in ensuring the quality of service delivery and supporting the achievement of service user outcomes. Given services will be expected to move toward a new model of delivery, it is also important that the bidders are able to highlight effective plans to consult and co-produce new service models.
Total	100%	