

**Report of: Executive Member for Health and Wellbeing**

Meeting of:	Date	Ward(s)
Executive	12 February 2015	ALL

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## **SUBJECT: APPROVAL OF PROCUREMENT STRATEGY FOR SPECIALIST SUBSTANCE MISUSE SERVICES**

### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Specialist Substance Misuse Services in accordance with Rule 2.5 of the Council's Procurement Rules. These services play a key role in promoting recovery and reducing the harm caused by alcohol and drug misuse which are a significant cause of health inequalities in Islington.
- 1.2 The service is currently delivered through two contracts. The annual value of the two contracts in 2015/16 is expected to be £3,718,560, a reduction of 20% on current values. Further efficiencies are expected through the procurement process.
- 1.3 The resulting service will fulfil the following distinct functions:
1. A specialist treatment service for people with drug and/or alcohol problems who have additional complex needs around mental health, offending or other health issues. The service will also deliver in-reach prescribing service to the direct access gateway service for people with substance misuse problems.
  2. A shared care service delivered in partnership with GPs to support people with drug and alcohol problems in primary care settings.
- 1.4 The proposal is to award for three years, with an option to extend by 2 years, plus a further 2 years subject to performance, up to a maximum length of seven years. Extensions will be based on performance related quality measures and delivery of key outcomes. This is considered the option which will lead to the Council obtaining best value for money and will provide a stable and supportive environment for service users.
- 1.5 An extension is being sought to the current contractual arrangements for an additional twelve months. The extension is enable commissioners to realise significant cost savings through the

existing contracts with current providers as part of the Public Health Transformation Programme. This will establish an efficient baseline and create a wider provider market from which to re-procure.

## **2. Recommendations**

- 2.1 To approve the proposed procurement strategy for Specialist Substance Misuse Services. Agreements will be up to seven years for the delivery of these services following a process in line with the proposed procurement strategy.
- 2.2 To approve the extension to the existing contracts with Camden and Islington NHS Foundation Trust and Whittington Health NHS Trust for the delivery of Specialist Substance Misuse Services for an additional twelve months in order to deliver this procurement and realise the significant cost savings within the current service model ahead of the procurement process.
- 2.3 To delegate decisions on the procurement process and contract award to the Director of Public Health in agreement with the Executive Member of Health and Wellbeing.

## **3. Background**

### **Overview:**

- 3.1 Islington Council became responsible for commissioning substance misuse treatment services when responsibilities for Public Health functions were transferred to the Council in April 2013.
- 3.2 Substance misuse (alcohol and drugs) is a cause of considerable harm to the health and wellbeing of Islington residents. In terms of alcohol, around one in three residents are estimated to drink at increased or high risk levels. The borough also has one of the highest levels of incapacity benefit claimants for alcoholism in London - Islington has the largest number of people accessing alcohol misuse treatment in London reflecting these high levels of population need. Islington has the second highest rate of opiate and crack use in London and the number of non-opiate users attending treatment is also increasing. Drug and alcohol use has a significant impact on health services, crime and community safety and is an important contributor to adult and children's social care needs.
- 3.3 The impacts of substance misuse are felt across the population, and the evidence base shows investment in drug and alcohol service results in a strong and substantial return on investment. For example:
  - The National Audit Office estimates that £2.50 is saved for every £1 invested;
  - It is estimated that if all drug users who started their recovery in 2010-11 sustain it, the estimated benefit would be £2.6bn;
  - For every £100 invested in drug treatment services a crime is prevented making treatment an effective intervention in crime reduction as well as community safety and health improvement.
- 3.4 Islington invests in a range of open access and specialist services that enable people to access treatment and work towards recovery. In the last year, outcomes for drug and alcohol treatment have improved and the services in scope of this procurement strategy form a key part of the drug treatment pathway and are key to sustaining and building on this improvement. Islington's priorities for the drug and alcohol treatment system are to improve recovery outcomes and ensure the treatment pathway meets the changing needs of the population of drug and alcohol users. This includes:

- Supporting clients with different patterns of drug and alcohol use (i.e. meeting the needs of the increasing number of users of novel psychoactive substances [‘legal highs’] and alcohol);
- Increasing uptake of treatment for people, including young people who misuse drugs and alcohol;
- Supporting the treatment system to better promote recovery in the opiate using population;
- Developing more flexible and personalised services, with a greater emphasis on community based programmes.

3.5 The services described here as Specialist Substance Misuse Services are currently delivered by Camden and Islington NHS Foundation Trust and Whittington Health NHS Trust:

#### **Camden and Islington Foundation Trust**

- Specialist Drug and Alcohol services for people with complex needs (i.e. comorbid mental or physical ill health) and psychiatric and psychological consultative support across the substance misuse treatment system.

#### **Whittington Health**

- GP shared care ‘in reach’ drug and alcohol services – delivering drug treatment in 18 general practices in the borough and alcohol services in 33 practices;
- Low Threshold Opiate Prescribing In-reach service – providing pharmacological interventions to Islington’s direct access and criminal justice drugs treatment provider. (provided by CRI, a voluntary organisation);
- Blood borne virus screening and vaccination across all substance misuse services;
- Hospital based alcohol liaison services.

3.6 It is proposed that these functions are delivered as two distinct elements. These elements would be:

- Lot 1. Specialist drug and alcohol services for people with complex needs (i.e. comorbid mental or physical ill health) and psychiatric and psychological consultative support across the substance misuse treatment system; low threshold opiate prescribing in-reach service; blood borne virus screening and vaccination; and hospital based alcohol liaison services.
- Lot 2. A shared care service delivered in partnership with GPs to support people with drug and alcohol problems in primary care settings, with good links with secondary care and specialist treatment.

3.7 Recommissioning the services described above brings together the specialist clinical expertise required, to ensure a focus on integrated care and provide expert support across the treatment pathway. It will enable the council to ensure it is meeting the complex needs of people with drug and alcohol problems and ensure that there is specialist expertise in drug and alcohol treatment that can be used flexibly across the system. It will support the management and integration of care for people with drug and alcohol problems in primary care.

3.8 Our intention is to deliver efficiencies through the remodelling of the drug treatment pathway. The procurement approach recommended in this report will help deliver this. The proposed

procurement approach will also deliver a primary care based treatment service that is better integrated with primary care and has a greater focus on psychosocial interventions; enabling the service to better support the Council's strategic priorities for substance misuse treatment.

- 3.9 The new NHS England strategy, The Five Year Forward View, calls for new service models to support rapid progress in promoting health and wellbeing and providing care. These include more integrated models working across primary and community health care services and social care. This is already a major focus locally, through initiatives such as Islington's nationally recognised Pioneer programme and the work being developed through the Better Care Fund. Drug and alcohol issues are a significant cross-cutting risk factor in primary care, for example in long term conditions management and reducing preventable hospital admissions. The shared care services for drug and alcohol in primary care described in Lot 2 fall within the scope for new models of integrated working. The potential to jointly commission Lot 2 services directly with the NHS, in order to best realise the benefits for service users and value for the council, will be considered as an approach to the commissioning of these services via a pooled funding arrangement.

#### **Funding and Savings:**

- 3.10 Funding will be met from the Public Health budget. Current spending on these services is £4,648,200 per annum. However, Commissioners are seeking to make significant savings as part of the Public Health Transformation Programme before the start of new agreements. It is anticipated that by the start of the new agreements in 2016/17 the cost of these services will be £3,718,560 per annum. This represents a 20% saving on current contract values and a cumulative reduction of 28% since April 2013.
- 3.11 In order to deliver this level of savings commissioners will agree reductions with current providers for 2015/16. It is the view of the commissioning team that these savings can be achieved most effectively through direct negotiation with the current service providers ahead of any procurement exercise, ensuring that budgets better reflect the needs and services delivered to service users.
- 3.12 An extension is therefore being sought to the current contracts by a further twelve months to allow this negotiation to take place and the remodelled service to be commissioned. Commissioners have a strong record of delivering savings in this way and savings have already been agreed for 2014/15 reducing the annual cost of the service to £4,648,200– a 7% reduction on 13/14 expenditure.
- 3.13 Overall, the budget for the initial three year agreements starting in 2015/16 will be £11,155,680. This will have scope for 2 x 2 year extensions based on successful performance. The maximum budget will be £26,029,920 although we expect to achieve further efficiencies through the procurement process

#### **Justification to extend existing contracts**

- 3.14 The Council is currently an associate to Islington CCG's contracts with Camden and Islington Foundation Trust and Whittington Health for the delivery of these services. Work has been undertaken to disaggregate the substance misuse services from the wider mental health and acute services contracts and prior to procurement, stakeholder engagement will be required including engagement with CCG, primary care, probation and community safety.
- 3.15 Recommissioning these services will be a complex process which will require remodelling to ensure that the service best meets the needs of service users.
- 3.16 Commissioners are seeking to deliver significant savings, outlined above, on the current contract price on these services. It is the belief of commissioners that this is most likely to be achieved in a way that minimises disruption to service users through working with existing providers to deliver these savings. The delivery of these savings ahead of a procurement exercise will potentially widen the provider market as an incoming provider would not be required to take on potentially significant restructuring costs. Market testing has begun to assess the potential market for specialist services.

- 3.17 A waiver to the Procurement Rules has been agreed by the Director of Public Health and Head of Strategic Procurement following financial, legal and procurement implications for 2015/16, subject to the Executive agreement of the contract award. This will give commissioners time to deliver additional savings before tendering these services, serve notice on the current contractual arrangements and run an effective procurement process for a redesigned model of delivery to commence in April 2016.

### **Proposed Procurement Strategy**

- 3.18 A significant market engagement exercise has already taken place. This has informed our proposed approach and procurement strategy. The proposed procurement approach has also been approved by the Council's Procurement Board. The procurement route will be determined based on value for money, delivering an integrated care approach and the best outcomes for service users which may include, but is not limited to, use of the Competitive Dialogue Procedure, the Restricted Procedure and/or use of a section agreement to the Clinical Commissioning Group (CCG), should an integrated pool-funded pathway be adopted. Commissioners plan to issue outcomes based specification for the delivery of these services and ensure strong scrutiny of clinical quality. The model adopted by Commissioning will be overseen by the Director of Public Health with appropriate input from the Council's legal services, strategic procurement and finance teams.
- 3.19 The procurement approach will aim to stimulate the market to deliver innovative new service models, with strong clinical governance that will improve quality and outcomes for service users and release further cost savings.
- 3.20 Bids received will be awarded on the basis of 70% quality and 30% cost. Significant savings will be made in advance of the procurement in order to manage the risk of remodelling. The services are complex and work with people who are vulnerable with complex needs around substance misuse and mental health so quality, partnership working and safety are key considerations. Quality will be assessed on the basis of the following criteria: clinical governance and quality; service model and proposed outcomes and partnership working.
- 3.21 Work on implementing this procurement strategy will commence immediately after approval by Executive and proceed alongside remodelling of existing services. The aim would be to finalise new agreements by November 2015, allowing time to plan for the implementation of new agreements starting 01 April 2016.
- 3.22 The new agreements will include a clause allowing for the early termination of this service should the grant funding which pays for the service be reduced or withdrawn.
- 3.23 In the event that Lot 2 services are commissioned with the CCG as part of an integrated model of working across primary care, community health and social care services, as described in 3.9, the approach will be to commission the Lot 2 services via a pooled funding arrangement with the CCG (Section 75). Lot 2 would then be jointly commissioned with other CCG services which may potentially require the variation of an existing contract with an NHS provider.

### **Collaboration with other boroughs**

- 3.24 Collaboration with other boroughs has been considered. Discussions were held with Camden commissioners but the service models and target population in the two boroughs are markedly different. Both boroughs have distinct treatment populations – Islington service users are more likely to be opiate users (although the proportion of non-opiate users accessing treatment is increasing) and are markedly more complex than service users in Camden (based on Public Health England analysis). As current service models between the two boroughs are also very different both Camden and Islington commissioners are of the view that collaboration would not be beneficial. Although we are exploring options for joint procurement of residential rehabilitation for substance misuse clients with Camden.

## **4. Implications**

### **4.1 Financial implications:**

Islington Council receives a ring-fenced Public Health grant from the Department of Health to fund the cost of its Public Health service. The total funding for 2014/15 is £25,429,000 and will remain at that level for 2015/16.

The current 2014/15 budgets earmarked for these combined services total £4,648,200 per annum. The proposed contract values for 2015/16 total £3,718,560 per annum, this equates to a 20% saving per annum.

Further savings will be realised through the proposed procurement approach.

The Council's Public Health expenditure must be contained entirely within the grant funded cash limit indicated above. If any additional pressures are incurred management actions will need to be identified to cover this.

To avoid a potential future financial pressure for the Council, any future contracts should have a termination clause which allows them to end if they become unaffordable.

### **4.2 Legal Implications:**

The council has a duty to improve public health under the Health and Social Care Act 2012, section 12. The council must take such steps as it considers appropriate for improving the health of the people in its area including providing services or facilities designed to promote healthy living (whether by helping individuals to address behaviour that is detrimental to health or in any other way) as well as providing services or facilities for the prevention, diagnosis or treatment of illness (National Health Service Act 2006, section 2B, as amended by Health and Social Care Act 2012, section 12 and Regulation 2013/351 made under the National Health Service Act 2006, section 6C). Therefore the council may provide specialist substance misuse services as proposed in this report. . The council may enter into contracts with providers of such services under section 1 of the Local Government (Contracts) Act 1997. The Executive may provide Corporate Directors with responsibility to award contracts with a value over £500,000 (Procurement Rule 14.2).

The threshold for application of the Public Contracts Regulations 2006 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 a competitive tendering procedure with advertisement is required.

The proposed procurement strategy, to advertise a call for competition and procure the service using a competitive tender process, is in compliance with the principles underpinning the Regulations and the council's Procurement Rules. On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

Should the option to commission Lot 2 jointly with the CCG as proposed at paragraph 3.23 be used , the council has power to do so under Section 75 of the National Health Service Act 2006. Section 75 provides NHS organisations such as Islington Clinical Commissioning Group the power to exercise various local authority functions and local authorities' the power to exercise various health functions as well as the power to set up

pooled funds related to such purposes.

The value of the proposed one year extension of the existing contract is over £500,000 and therefore requires Executive approval. There is a small risk of procurement challenge in extending the existing contracts through direct negotiation. However, this risk is mitigated by the limited nature of the contract extension and the proposals to conduct a transparent procurement of these services as outlined in the report.

#### 4.3 Environmental Implications:

The service should have only a minimal environmental impact being primarily conducted within office locations. Where possible staff will be encouraged to use public transport to travel for work purposes. Fuel usage for lighting, heating and operating equipment within the building will be considered and where possible gas and/or electricity will not be wasted.

It is possible that the service will be required to dispose of hazardous materials related to drugs testing and harm reduction activities (i.e. needle exchange or disposal). The specification will require that these are safely disposed of in accordance with current waste regulation including Duty of Care regulation.

#### 4.4 Resident 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.

A Resident Impact Assessment is underway and will be completed in time for reporting to Executive.

### 5. Conclusion and reasons for recommendations

5.1 Islington requires a range of substance misuse services that meet the needs of residents in a flexible way both in a specialist treatment setting and in primary care to support the council's ambition to improve recovery outcomes. Alcohol and drug misuse causes significant harm to the health and wellbeing of individuals, families and communities. Levels of mortality and illness among people who are problem drug users are high.

5.2 This service will play a key role in improving the recovery outcomes of substance misusers with complex needs (alcohol and drugs) and supporting GPs to treat people in primary care.

**Appendices:** None

**Background papers:** None

Final report clearance:

**Signed by:**



Executive Member for Health and Wellbeing

Date

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