

## CABINET PROCUREMENT & INSOURCING COMMITTEE

### CONTRACT AWARD REPORT

Contract Award Report	
<b>Title of Report</b>	Adult Social Care Transformation Implementation Project - Contract Award Report
<b>Key Decision No.</b>	AHI S225
<b>CPIC Meeting Date</b>	3 July 2023
<b>Classification</b>	Open with exempt appendix
<b>Ward(s) Affected</b>	All wards
<b>Cabinet Member</b>	Cllr Christopher Kennedy, Cabinet Member for Health, Adult social care, Voluntary Sector and Culture
<b>Key Decision</b>	<p>Yes</p> <hr/> <p>Significant in terms of its effects on communities living or working in an area comprising two or more wards.</p>
<b>Group Director</b>	Helen Woodland, Adults, Health & Integration
<b>Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)</b>	£4,982,000 excluding VAT
<b>Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)</b>	3 years

## **1. Cabinet Member's Introduction**

- 1.1. Cabinet Insourcing Procurement Committee (CPIC) is recommended to award the contract for a transformation delivery partner to **Provider A** for three years at a maximum value of £4,982,000.
- 1.2. Process has been followed as set out in the April report to CPIC which requested permission to go out to tender for this service. The contract shall be awarded under the terms of the CCS Management Consultancy Framework Three (MCF 3) Lot 3 to support the design and implementation phases of the Adults, Health and Integration transformation programme.
- 1.3. This programme of work is expected to realise savings for the Council as set out in the report, as well as improving outcomes for a potential 4,000 Hackney residents.
- 1.4. The recommendations propose a different approach to contracting in that a risk and reward approach will be implemented, ensuring payments to the provider are released when KPIs are considered to be on track and can be clawed back if the savings proposals are not met.
- 1.5. The transformation programme aims to tackle head on the resourcing challenges that Adult Social Care faces and will be a vital piece of work as we approach a new CQC inspection regime, the implementation of Liberty Protection Safeguards and impending ASC charging reforms.

## **2. Group Director's Introduction**

- 2.1. Demand for Adult Social Care services in Hackney is increasing at a time of reduced overall funding for local governments and additional financial pressures related to Covid-19 and the recovery from the cyber-attack.
- 2.2. In early 2022, the Council ran a competitive tender to appoint a strategic partner to support the diagnostic phase of an end-to-end transformation programme covering the assessment to identify opportunities, the detailed design and full implementation of those opportunities.
- 2.3. In Spring/Summer 2022, following the outcome of the tender process, the council appointed Newton Europe Limited to deliver a diagnostic assessment which identified opportunities to improve outcomes for residents through redesigning how care is delivered across the borough, helping people to stay independent, resilient and supported. These opportunities represent over £32m in benefit to the council over the next 5 – 6 years.
- 2.4. In April 2023 CPIC approved the recommendation to go out to tender for the next phases of the transformation project. Due process was followed and the recommended provider is **Provider A**.

- 2.5. The fee for the implementation work will be taken from efficiencies achieved and is based on a contingent fee model. 100% of the fee is at the provider's risk if the anticipated level of financial savings are not achieved. This includes changes to current practice to enable efficiencies, embedding this through different layers of staffing and an 18 month period of ongoing support following implementation of savings to ensure this is embedded into the Councils 'business as usual' practices. This work will also support in readiness for the reinstatement of CQC inspections of the Council's adult social care provision.
- 2.6. This report is seeking approval to award the contract and begin work on improving outcomes and efficiencies in adult social care.

### 3. **Recommendations**

- 3.1. **To award the contract for the delivery of the Adults Social Care Transformation Project to Provider A for a period of up to 3 years at a maximum cost of £4,982,000.**

### 4. **Related Decisions**

- 4.1. The Business Case for the Adult Social Care Transformation Project was taken to Hackney's Cabinet Procurement & Insourcing Committee in April 2023.

#### [CPIC Business Case Report - Adult Social Care Transformation](#)

### 5. **Reason(s) For Decision / Options Appraisal**

- 5.1. The diagnostic identified a number of areas that would benefit from a redesign of how care is delivered to residents, helping people to stay independent, resilient and supported across long term care, learning disabilities and commissioning.
- 5.2. The programme of work is expected to improve outcomes for a potential 4,000 Hackney residents. These opportunities represent an anticipated benefit to the council of up to £32m over the next 5 – 6 years.
- 5.3. This transformation programme is in the main about demand management and cost avoidance. There would not therefore be money to reinvest in public services but it will ensure more costs are avoided that would impact upon spend elsewhere in the council.
- 5.4. Bids were invited via the CCS Management Consultancy 3, Lot 3 framework. Evaluation was completed by a team of relevant officers who have recommended contract award to **Provider A**. The process was

compliant with the descriptors set out in the invitation to further competition documents.

5.5. The milestone objectives and payment schedules will be agreed with **Provider A** following contract award. This work will be overseen by a governance group whose membership will include senior officers from ASC transformation, operations, commissioning and finance and where required, legal. This group will also track progress of **Provider A** in achieving the outcomes sought.

5.6. **Alternative Options (Considered and Rejected)**

5.7. The following 3 options were appraised for the future of the provision in the borough:

- Insourcing
- Direct Award
- Do Nothing

5.8. Cabinet Procurement & Insourcing Committee approved the business case for the preferred procurement option in April 2023.

6. **Project Progress**

6.1 **Developments since the Business Case approval**

There have been no unforeseen changes or developments since the business case approval.

6.2 **Whole Life Costing/Budgets**

The work will be funded from earmarked workforce funds in the short term and funded thereafter through savings realised in the Adult Social Care budgets.

6.3 **Risk Assessment/Management**

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
Lead provider failure	Low ▾	Medium ▾	Medium ▾	Contingencies written into the contract. Quality assurance and compliance measures will be put in place to monitor the contract throughout its life.
Ineffective recording and tracking operational and financial metrics	Low ▾	High ▾	Low ▾	Using mosaic data to set baselines and working closely with finance colleagues to verify
Non engagement of ASC staff	Low ▾	High ▾	Low ▾	No reason to expect this as engagement at the diagnostic stage was strong. Continued comms around the work and intended outcomes

## 7. **Savings**

**Provider A** has forecast that the contract can be delivered as required as savings are achieved with fees contingent on outcomes achieved.

The diagnostic work identified opportunities worth £8.9m p.a. but depending on external factors, this could range between £7.6 – 11.6m p.a. The directorate may choose to put these savings towards meeting demand pressures, or reinvesting elsewhere in the service.

Efficiencies will be tracked and payment made to the provider on a risk / reward basis.

As well as efficiencies, the project is expected to improve outcomes for people accessing Adult Social Care in Hackney, improve current systems and processes and ways of working for staff across the Adults Health and Integration Directorate.

## 8. **Sustainability Issues and Opportunities, Social Value Benefits**

Bidders were asked as part of the Method Statement questions within the tender response, to demonstrate how they would meet the Council's Sustainable Procurement Strategy deliverables across the three key themes.

### 8.1. **Procuring Green**

In support of Hackney's commitment to achieve net zero by 2040, the successful bidder has committed to delivering this programme in line with environmental best practice, applying their ISO14001 standards by monitoring programme environmental impact, sharing best practice with Hackney, tracking environmental programme KPIs if appropriate, and reporting performance to their internal N-Vironment steering group. Examples of commitments included in the bid include

- Encourage and support staff to utilise low carbon options
- Encourage the team to use options that allows staff to calculate their personal carbon footprint
- Further possibilities were included on the bid that the bidder would be happy to explore with us.

### 8.2. **Procuring For A Better Society**

The central outcome of the joint transformation programme will be delivering a step change in the service quality, experience, and outcomes for the people of Hackney, whilst improving the working lives of our staff. This will result in fewer people living in residential care and more people living more independent lives in the community, thereby delivering significant social benefits to residents in Hackney, and promoting community integration.

Examples were provided where they have successfully delivered such improvements in over 40 other authorities.

### 8.3. **Procuring Fair Delivery**

The successful bidder stated that they share Hackney's commitment to fair and equitable working with all our suppliers, with particular consideration to treatment of SMEs.

Aligned to our own Sustainable Procurement Strategy, provider A adheres to the Prompt Payment Code administered by the Chartered Institute for Credit Management, committing them to fair, equitable, transparent standards in line with agreed terms. Provider A encourages good practice by requesting that lead suppliers encourage adoption of the code throughout their own supply chains. They pay all their staff above the Living Wage/London Living Wage, and have Robust Modern Slavery and Human Trafficking commitments and policies in place, which have been offered to be shared on request.

### 8.4 **Equality Impact Assessment and Equality Issues**

A full Equalities Impact Assessment was undertaken. No adverse effects on equalities were identified.

## 8.5 **Social Value Benefits**

Beyond the core scope of the programme, the provider has also committed to exploring other ways in which they can generate additional social benefits for Hackney. They propose to explore initiatives which support local employment and skills, particularly amongst young people, those from a disadvantaged background, and/or working age adults with disabilities.

Further initiatives might include:

- Collaborating with local organisations such as the Hackney Supported Employment Service to offer sessions such as careers talks, mock interviews and CV clinics.
- Encourage and enable applications from Hackney-based students to their Academy programme, during which participants spend time learning core skills from both consultants of Provider A and external trainers and are given the opportunity to apply learnings to a real consultancy project with one of their charity partners.
- Exploring opportunities to partner with charities to deliver additional value and support our communities.

## 9. **Tender Evaluation**

9.1. The procurement followed a mini-competition process, utilising the CCS Management Consultancy 3 Framework (Lot 3). This meant that bidders were invited to respond to an Expression of Interest (EOI) in order to receive the tender documentation required to complete a bid response for the mini competition.

A full specification was made available to bidders who expressed an interest, in line with the guidelines of the Framework.

There were 30 suppliers on the lot 3 and 7 expressions of interest (EOIs) were received, resulting in 1 submission. This complete list can be found in Exempt Appendix 1.

Each submission was assessed on technical capability and financial standing criteria. There were additional 6 project specific questions, which bidders responded around their experience, commercial approach, project delivery and continuous improvement.

### **Scoring:**

There were 4 members of a core tender panel, with various areas of expertise, and oversight given from the Corporate Procurement Lead. Below is a list of panel members and their respective organisations:

<b>Role</b>	<b>Organisation</b>
Jenny Murphy, Assistant Director Strategic Commissioning Development	LB Hackney

Georgina Diba, Director Adult Social Care Operations	LB Hackney
Kat Buckley, Deputy Head of Transformation	LB Hackney
John Holden, Financial Advisor	LB Hackney

The tender was evaluated on the criteria in the table below. The requirements for scoring were clearly explained within the ITT document and written into the method statement document.

Scoring Criteria	Score
<b>Quality</b>	<b>70%</b>
Delivery Methodology	15%
Partnership Working Approach	15%
Project Delivery Team	10%
Approach to Continuous Improvement	10%
Proposed Commercial Approach	10%
Sustainability / Social Value	10%
<b>Price</b>	<b>30%</b>

9.2. The total percentage of the Quality aspect was marked out of 70% of the final score, with the pricing making up the additional 30%.

10. **Recommendation**

10.1. The tender panel recommends that **Provider A** is awarded the contract for the service. Provider A demonstrated that they could meet the full requirements of the specification,

They demonstrated a good knowledge of addressing inequalities in the borough and demonstrated experience of delivering strong measurable outcomes which they demonstrated how they would deliver in Hackney.

10.2. The final scores are outlined in the table below:

Tender Results			
	Quality	Price	Total Score
Provider A	53%	30%	83%

10.3. **Lots:**

This procurement was not split into lots as this is a standalone requirement.



- 10.4. **TUPE:**  
TUPE is not eligible for this tendering process as the project is new.
- 10.5. **London Living Wage:**  
London Living Wage is paid to all employees working specifically on the contract according to the RM6187 contract agreement from the Crown Commercial services framework.

11. **Contract Management Arrangements**

The contract will be managed by the Adults Social Care Transformation Board.

Implementation of the contract will be overseen by the Transformation Board, with regular meetings and communication with the successful provider.

Contract performance meetings will be held monthly within the first 3 months of the contract to ensure that mobilisation is successfully embedded.

11.1. **Key Performance Indicators**

The KPIs will be monitored quarterly, with these being submitted to the Council in line with the other contractual arrangements. This duty will remain with the provider and be assured by the Council, who will validate data.

The Adults Social Care Commissioning team will also request comprehensive data collection that illustrates the activity and outcomes across all areas of service provision.

Alongside the service outcomes and KPIs, we have utilised the Council's Sustainability and Social Value tracker which enables us to set targets around outcomes detailed in the successful providers bid response. These will be confirmed during the mobilisation stage of the process so that we can ensure that these are viable for the provider to deliver.

12. **Comments Of Group Director Of Finance And Corporate Resources**

- 12.1. The report seeks approval from the Cabinet Procurement and Insourcing Committee to award a contract for a delivery partner to support the design and implementation phases of a transformation programme within Adult Social Care over a period of three years.
- 12.2. The transformation programme aims to improve outcomes for residents and reduce the overall cost of care through transformed decision making and practice. The expected outcome of this process is that the care costs

of individual residents are lower under the transformed process than they would have been under existing processes. These outcomes will be tracked via a series of key performance indicators (KPIs) to be agreed with the successful partner.

- 12.3. The contract value ceiling is £4.982m in total with payments only due to be made following successful evidencing of these avoided care costs. The total of contract payments will not exceed this value but could be lower.
- 12.4. An initial period of planning may require cash flow to the provider for an agreed period with any balance paid also being placed at risk of successful achievement of targets.
- 12.5. The savings modelled within the diagnostic review associated with this programme are mainly related to cost avoidance - i.e. the prevention of something happening that would have cost more than the actual outcome (e.g. for new service users who may currently have been referred to residential settings, people are instead referred into Housing with Care or homecare with lower costs associated).
- 12.6. The costs are avoided as a result of different decisions being taken around the care to be provided for people compared with current decision making. This may rely upon a different approach to managing the risks associated with people being cared for in the community as opposed to being cared for within a residential setting. The success of the programme will depend upon the chosen provider's ability to work with the social care professionals involved in the decision making process to safely address the balance of risk. Informal discussion with other local authorities that have undertaken similar service transformations in adult social care have been completed to inform the Council's strategy in this approach. It is noted that any savings in this space have largely focused on cost avoidance and not in reductions to existing service cost pressures.
- 12.7. Payments are linked to the improvements demonstrated by the KPIs and funding is released when KPIs are achieved and evidenced. Payments will be capped by the ceiling fixed price submitted. In this way, the cost of the contract can never exceed the value of efficiencies delivered. If no evidenced efficiencies are delivered, then there is no subsequent cost to the council. Therefore, the risk sits with the successful provider.
- 12.8. The budget for this programme is contained within the Care Support Commissioning expenditure budgets in Adult Social Care. The diagnostic review of current care costs estimated efficiencies of between £7.6m and £11.6m could be realised per year. The argument is that without this programme, these costs would be incurred and be funded from the Care Support Commissioning budgets. Efficiencies achieved via the programme are shared proportionately between the council as cost avoidance and as payments to the partner.

- 12.9. There are two key financial risks within this proposal that will need to be managed carefully. The first is that of ensuring a causal link can be demonstrated between the improved/redesigned process and the decision making that resulted in the outcome being claimed. i.e. that the outcome was a result of work undertaken and not for other interventions.
- 12.10. The second is that the process to demonstrate and calculate the KPI is robust and transparent. The cyber attack on the council's IT systems has meant that historic data records of care costs are not as robust as they were prior to the attack. Claims for fees by the partner will rely on historic trends of care and care costs projected forward.
- 12.11. In addition to the governance around delivery of this programme, the Group Director (Finance & Corporate Resources) is reinforcing budget monitoring and tracking arrangements in Hackney to ensure plans are kept on track and for respective services to report on delivery of agreed savings and other cost reduction measures.
- 12.12. There are significant savings required in future years detailed within the medium term financial plan. (As at March 23 the mid-case estimate of the budget gap is £22.2m in 2024/25, £39.7m in 2025/26 and £57.6m in 2026/27). Savings achieved via this programme will be able to contribute towards closing these budget gaps. Adult Social Care is consuming a growing proportion of the council's budgets for growth on a relatively low base of people. So it is key that measures are taken to control and contain the demand pressures that result in increasing costs. Children's Social Care is facing similar pressures.

### 13. **VAT Implications On Land & Property Transactions**

- 13.1. Not applicable

### 14. **Comments Of The Director, Legal, Democratic & Electoral Services**

- 14.1. The services in this report were assessed as High Risk by the Council and on 17th April 2023 Cabinet Procurement and Insourcing Committee agreed a Business Case in respect of the procurement of consultancy services for the Adult Social Care Transformation project. Therefore in accordance with paragraph 2.7.10 of Contract Standing Orders this Contract Award Report is being presented to Cabinet Procurement and Insourcing Committee for approval.
- 14.2. Details of the procurement process undertaken by the Council using the CCS Crown Commercial Service (CCS) Management Consultancy Framework 3, Lot 3 (Complex and Transformation) are set out in this Report.

15. **Comments Of The Procurement Category Lead**

- 15.1. This report provides the Cabinet Procurement and Insourcing Committee with the outcome of the procurement exercise undertaken to secure a consultant for Adult social Care Transformation Implementation. Officers have deployed a selection approach which has ensured that the successful supplier will not only effectively deliver the core service, but will also work with the Council to deliver wider community benefits for the people of Hackney as per their Social Value commitments.
- 15.2. The Crown Commercial Services agreement RN6187 - Management Consultancy Framework Three (MCF3) expires on 23/08/2025 and contains 9 lots. We ran a further competition from LOT 3 Complex & Transformation and 7 suppliers expressed interest but only 1 placed a bid.
- 15.3. The proposed award is supported on the basis that the recommended Bidder has provided a response that demonstrates a clear understanding of the proposed delivery outcomes and proven experience in delivering savings for other local authorities.

**Appendices**

Appendix 1- Expression of Interest List, scoring criteria and price (**Exempt**)

**Exempt**

By Virtue of Paragraph 3, Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Background Documents**

None.

<b>Report Author</b>	Jenny Murphy _____ Assistant Director Strategic Commissioning Development _____ Jenny.Murphy@Hackney.gov.uk
----------------------	--

<b>Comments for and on behalf of the Group Director of Finance and Corporate Resources prepared by</b>	John Holden _____ Financial Advisor _____ John.Holden@Hackney.gov.uk _____ 020 8356 4653
<b>Comments for and on behalf of the Director of Legal, Democratic and Electoral Services prepared by</b>	Patrick Rodger _____ Senior Lawyer _____ Patrick.Rodger@Hackney.gov.uk _____ Tel: (020) 8356 6187
<b>Comments of the Procurement Category Lead</b>	Leila Gillespie _____ Procurement Category Lead _____ leila.gillespie@hackney.gov.uk _____ 0208 9561147