

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT AWARD REPORT

Title of Report	Day & Evening Service Dynamic Purchasing System (DPS)
Key Decision No.	AHI S304
CPIC Meeting Date	8 April 2024
Classification	<p>Open with Exempt Appendices</p> <p>By Virtue of Paragraph(s) 3. Part 1 of schedule 12A of the Local Government Act 1972, appendices [number] are exempt because they contain 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.</p>
Ward(s) Affected	All
Cabinet Member	Cllr Chris Kennedy, Cabinet Member for Health, Adult Social Care, Voluntary Sector and Culture,
Key Decision	<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>
Group Director	Helen Woodland - Group Director - Adults Health & Integration
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£2.11m per annum = £8.44m ex VAT and £10.13m inc VAT
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 yrs (+1 yr +1yr)

1. Cabinet Member's Introduction

- 1.1. The service outlined in this report supports our most vulnerable local residents to access a wide variety of day and evening services to promote and enable independence.
- 1.2. The contractual model adopted is one which should support local organisations to grow their organisational capacity, and develop new opportunities of work through the Council.
- 1.3. The market responded positively to the level of consultation and continual communication and we received a high level of interest, which is anticipated to grow as more providers enter the market, and collaborative relationships are created over the life of the contract. This demonstrates the importance of engagement with our local and wider markets.

2. Group Director's Introduction

- 2.1. As part of the council's plans to move away from spot purchased day services, this report seeks approval to establish a Dynamic purchasing System (DPS), to complement the in-house Day Service.
- 2.2. Day opportunities are services accessed by adults with learning disabilities and others in need to promote and encourage them to stay as healthy and independent as possible. A range of activities and support are usually delivered both within building and/or community settings.
- 2.3. Following Business Case approval at HPB in Nov 2023 a procurement exercise was undertaken to set up a DPS.
- 2.4. This DPS will ensure quality standards and outcomes are implemented for residents accessing these services, whilst helping to standardise charges and fees.

3. Recommendations

- 3.1. **Cabinet Procurement and Insourcing Committee is recommended to approve the award of contract for the delivery of Day & Evening Services to the successful suppliers listed in Exempt Appendix 1, and any subsequent successful providers who apply to deliver the Day & Evening Services via the Dynamic Purchasing System (DPS), for a period of up to 4 years in total (2+1+1) commencing in May 2024 at a maximum cost of £8.44m.**

4. **Related Decisions**

- 4.1. The Business Case for the Day & Evening Services was taken to the Hackney Procurement Board in November 2023.

[Day & Evening Services - HPB Business Case](#)

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

- 5.1. See Business Case above.
- 5.2. This report asks CPIC to approve the award of contract for the delivery of Day & Evening Services to suppliers listed in Exempt Appendix (1) and any subsequent providers who successfully bid for the provision of Day & Evening Services via the DPS.
- 5.3. Local Authorities, under the Care Act 2014, have a duty to promote wellbeing. The Act highlights the importance of preventing or delaying the development of needs for care and support and the importance of reducing needs that already exist.
- 5.4. The preferred option, agreed at Business Case stage (Option 1 below) was to Procure a DPS under the Public Contract Regulations 2015 (PCR) light touch regime. Providers would be admitted onto the DPS after having been evaluated as adhering to the required legal and quality standards and financial parameters. Providers then sign up to a set of overarching Terms & Conditions which govern the way they will operate, as well as set out a floor and ceiling rate for fees and other standardised fee rates if they have anyone placed with them. Providers would apply to be on the DPS; however, this would not be a guarantee of work. This would then create a “menu” for where Individuals would then be placed with the most appropriate service, using a combination of customer choice, geography, availability, etc – with the most cost effective option that meets need and choice being selected. Each service user is placed with an individual placement agreement (IPA, rather than an overarching or block contract) which stipulates the needs and goals of the individual.

This will complement the current in-house service which is considering becoming a centre of excellence to take on more complex cases in future, currently being provided by external agencies often out of the borough.

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

Option 2: Continue with current spot purchasing arrangements, which has the advantage of retaining the status quo for providers. The drawback of this option would be: it is difficult to assure the quality of spot purchased day opportunities without a specific service specification. It is also difficult to negotiate fair rates for services and it is an inefficient use of social worker/brokerage officer time, searching for appropriate provider services

and negotiating prices. Potential providers may see spot purchasing as offering no level of security to operating their business, furthermore, it does not consistently offer a choice for the people wishing to use these services. Without an overarching contract, there is also no standardisation of the service offer. For example, some providers class half a day as 4 hours and some 3 resulting in inconsistency of offer to individuals.

Option 3: Insourcing Fully. To insource fully would be less choice for the residents, and reduce the range of expertise available. While Oswald street does provide a good service, and this proposal supports its development into a centre of excellence it remains vital that there is different expertise and choice open to our residents depending on their need, culture and personal choice and control

Option 4: Complete appropriate procurement processes to award a number of separate contracts based on the scope of the existing provision. This would have the advantage of regularising existing arrangements and establishing a fixed model of provision for the duration of the contracts. However, it would fail to deliver the added benefits of the DPS that are detailed below and it would be extremely time consuming to complete all of the separate contracting arrangements required.

5.6. The following options were considered and appraised for the future of provision in the borough:

Option 1 (preferred)	DPS - creating a hybrid in/outsourcing arrangement	Balances both in-house provision and use of external Hackney based services wherever possible. Contract with Quality Standards and specification. Will mean Provider Services can develop Oswald Street as a centre of excellence, whilst offering wider choice and control of residents and their families/carers
Option 2	Remain as is and continue with spot purchasing arrangements	Poor value for money. No control over costs and what's included in provider costs. Costs and fees are not transparent. No service specification or KPIs to maintain quality or ensure consistency of service provision.
Option 3	Insource fully	Currently the inhouse service delivered at Oswald Street is at reduced capacity. Work is underway to address this but even when it is fully open, the centre would not be big enough. It would detract from creating a centre of excellence. Choice would be reduced for residents; it would reduce the market substantially.
Option 4	Separate contracts (no overarching framework or DPS)	Very time consuming, requiring a number of separate procurement processes to be completed. Not seen as good practice or best value.

- 5.7. Option 1 was the preferred option, approved by the Hackney Procurement Board in November 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 budget for the service is held by Care Support Commissioning service within Adult Social Care, for which funding will be available for the whole life of the contract, including any extensions.

Any changes to the funding available will be managed in collaboration with the providers awarded a space on the DPS to ensure that the service continues to deliver on the key outcomes.

The budget for this service was set at £8.44m across 4 years (2 years + 1 year + 1 year) or £2.11m per year, which bidders were made aware of throughout the procurement process. Changes in the care needs of service users will have an impact on the total cost of the service.

As part of the pricing schedule, bidders were asked to prepare costs should there be an increase in the number of care hours required for any new or existing service users whose individual care needs had changed. Safeguards and mitigations have been built into the contract such as contract breaks at the end of years 2 and 3.

Bidders were required to provide an hourly rate for the core service and separately costs for additional 1:1 support (listed in Exempt Appendix 1). Price was not part of the criteria used to determine whether a provider was selected to join the DPS but it will have a 30% weighting in the evaluation criteria used for individual support packages awarded through the DPS.

Inflationary pressures have been evaluated, such as the need to pay London Living Wage, and asked explicitly as a criteria to pass the Selection Questionnaire (SQ) submitted by providers.

6.3 **Risk Assessment/Management**

There was a risk that existing providers may choose not to apply to join the DPS (e.g. because they do not wish to participate in a tender). This is

considered a medium risk, given previous experience of procuring in Hackney. Existing suppliers that choose not to apply will be able to retain existing spot-purchased business (though not to gain new business), which means that customers with eligible needs, as identified through a Care Act assessment, will not see their packages disrupted. Work has also been undertaken with the market to help them become tender ready, e.g. supporting providers (including SMEs) to access the Council's procurement (ProContract) and how the DPS will operate to help maximise engagement. As it is a DPS rather than a framework, providers can continue to be added during its operation. Providers that were not successful in their initial application to join the DPS will receive feedback and will have further opportunities to apply to join.

There is a further risk that if a large number of suppliers apply to join the DPS, the administration of the DPS may become unmanageable. This will be mitigated through minimum quality and pricing standards that must be met before suppliers can join the DPS. When advertising individual support packages, the evaluation criteria will prioritise the following:

- Those that deliver services based in or from Hackney, therefore reducing the need for travel and transport
- Those that offer the most added value

Risk	Likelihood	Impact	Overall	Action to avoid or mitigate risk
	L – Low; M – Medium; H - High			
Existing providers may choose not to apply	Medi... ▾	Low ▾	Low ▾	Existing contracts will continue but with no new business offered, service users may choose to switch to a direct payment and directly purchase this support themselves
Too many providers apply	Medi... ▾	Low ▾	Low ▾	Appropriate criteria for joining the DPS will be detailed in the tender documentation to ensure quality bids and prioritise

				local suppliers.
Protracted procurement process which delays contract award	Medi... ▾	High ▾	Me... ▾	Clear adherence to procurement timetable and regular meetings to check progress. Should the procurement timeline slip then we will have to assess the impact on the mobilisation period.
Financial Risk - Providers set prices at a higher cost than currently	Low ▾	High ▾	Me... ▾	Financial modelling has been undertaken. The DPS will offer a competitive system that is partly based on price.

7. Savings

Adult Social Care has a £0.45m savings target against Day Opportunities budget over the next 3 years. This includes £0.30m for 2023/24, £0.175m for 2024/25 and £0.075m for 2025/6. Moving the current suppliers from spot purchase arrangement to a DPS is one of the main ways we intend to make some of the savings and avoid increase costs, although we believe this approach will also provide a fairer access to business from other providers and a fairer fee structure to potential providers, increase quality assurance and give more choice to individuals accessing these services.

We believe that the new model will reduce inefficiencies and costs in the following ways:

- Reduction of travel costs.
- Anomalies in fees/Charges.
- Redesigning In house provision

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

Bidders were asked to submit their Carbon Reduction plans as well as their Modern Slavery statements in line with the Council's SQ requirements. London Living Wage was also a criteria that was used in order to pass bidders through to the ITT stage.

Bidders were also asked to demonstrate how they would meet the Council's Sustainable Procurement Strategy deliverables across the three key themes as part of the method statement questions.

The Council's Sustainable Heatmap was utilised to identify what suppliers could deliver based on the questions asked within the tender document, with the specific outcomes being linked to (but not limited to) working with volunteers and the benefits they will receive including training and qualifications, local employment, with a focus on vulnerable residents and service users themselves, to promote social integration and valuable contributions to the local community, engaging with the local community, including other grassroots suppliers and the added value this would bring to the service provision, and also the retainment and upskilling of staff in terms of incentives and development. This will be tracked through contract monitoring reports, with a specific section requesting sustainability measures that have been met each quarter.

There were no adverse sustainability impacts highlighted within the PRIMAS document undertaken before the business case approval.

8.1. **Procuring Green**

We sought suppliers' responses to align with the Council's Sustainable Procurement Strategy through the Method Statement questions. There will be a strategy within the team to monitor these alongside the KPIs. Examples included encouraging the use of public transport rather than taxis or the providers own petrol or diesel vehicles. We also anticipate a reduction in travel from Hackney to other providers outside of the Borough. Responses included buying and sourcing local supplies for activities, utilising public transport for staff and service users to gain independence and also cycle to work schemes with incentivised benefits for staff.

8.2. **Procuring For A Better Society**

The suppliers appointed to the DPS in the first round are a good mix of types, including MSMEs / SMEs, Local Suppliers and Culturally Sensitive Suppliers. Many are supported by Volunteers and many support clients to be active volunteers themselves or provide other employment opportunities. Responses included commitments to employing staff and volunteers and training alongside other benefits such as credit unions for

staff retention and community engagement with local organisations to promote independence for service users.

8.3. **Procuring Fair Delivery**

As a minimum criteria all providers must adhere to London Living Wage rates or above. We will continue to promote Supplier Diversity and Service User Diversity and as part of the procurement process ensure each provider has correct policies in respect to Tackling Modern Slavery & Human Trafficking, as well as strong anti racism practices, policies and training. Responses included a strong focus on equality and diversity amongst service users and staff, and consideration of the local demographics and its impact on service delivery.

8.4 **Equality Impact Assessment and Equality Issues**

A full Equalities Impact Assessment was undertaken, and the findings did not present any major issues. No major issues were identified.

8.5 **Social Value Benefits**

Please see section 8: Sustainability Issues and Opportunities, Social Value Benefits.

9. **Tender Evaluation**

- 9.1. Two market engagement sessions were run before the initial first round of the DPS opened, with a number of the Council's spot-purchased providers in attendance. A Prior Information Notice (PIN) was completed to garner interest from providers, including those who were not spot-purchased by the Council for Day & Evening Services prior to the initial round of the DPS.

Initial onboarding onto the DPS was completed as a two stage process. This meant that bidders were required to complete a Selection Questionnaire (SQ) with specific criterion to ensure quality, as well as an Invite to Tender (ITT) response.

Once bidders have been successfully added on to the DPS, then there is a further process for the award of individual care packages. This requires bidders to demonstrate that they can meet the needs of the service users. The weighting for this can be found in section 9.3.

Within the first round of the DPS, 64 expressions of interest (EOIs) were received, 52 opted not to apply resulting in 12 submissions to join the DPS.

In order to be considered eligible to join the DPS, bidders were required to demonstrate that they had appropriate insurance cover, pay at least the London Living Wage and vet all relevant staff via an enhanced DBS check. Bidders were also required to submit their Safeguarding policy and their Health & Safety policy. Of the 12 remaining bidders, 3 were disqualified due to not meeting the required criteria.

Bidders were also required to meet certain quality criteria; bidders must score a “2” out of 5 or above on each question to meet the quality threshold for an “acceptable bid”. Bidders must achieve an overall quality score of at least 50% and meet the threshold for a “good bid”. Only bidders that achieved both minimum thresholds are added to the DPS.

Out of the 9 bid responses taken forward for assessment for Lots 1 and 2, None scored below a 2 for any of their individual question responses and 8 scored above 50% overall for quality. No bidders that achieved the 50% threshold scored below a “2” for any of their individual question responses.

All bidders, successful and unsuccessful at this point, will receive feedback.

The complete list of bidders and the outcome of their evaluation can be found in Exempt Appendix 1.

The DPS will run for 2 years, with the option to extend for a further 1 + 1 year(s). An equivalent evaluation process will be followed for any subsequent applications to join the DPS during its period of operation.

9.2. **Tender Scoring:**

There were 6 members of a core evaluation panel, with various areas of expertise, and oversight given from Senior Adults Social Care Managers. Below is a list of panel members and their respective organisations:

Role	Organisation
Strategic Commissioner x 2	LB Hackney
Commissioning Officer	LB Hackney
Programme Lead	LB Hackney
Quality Assurance Lead	LB Hackney
Brokerage Lead	LB Hackney

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

Criteria	Weighting %
Quality	100%
Qualitative Questions	30%
Qualitative Questions	25%
Qualitative Questions	25%
Sustainability & Social Value	20%
Price	0%
Total	100%

The total percentage of the Quality aspect is marked out of 100% of the final score, with the pricing making up 0%.

9.3. Allocation of Individual Care Packages Through the DPS

The DPS will be used to advertise and award contracts for individual packages based on the available day and evening services and the identified needs of the service user.

The service user requiring Day & Evening Services will be assessed by the Adults Social Work team. The needs of the service user will then be matched to providers services that meet their interests and outcomes.

The providers will be assessed based on the criteria set out below:

Meeting the needs of the service user	Price	Locality
50%	30%	20%

10. Reason for Recommendation

- 10.1. The tender panel recommends that the proposed DPS is established and the successful suppliers listed in Exempt Appendix 1 are onboarded. Any subsequent suppliers that apply to join the DPS will be evaluated against the same criteria and added to the DPS if appropriate. As mentioned above, suppliers have to demonstrate that they meet the full specification, with a plan to deliver high quality services (demonstrated by the bid quality), and meet the criteria set out within both SQ and ITT documents.

- 10.2. **Lots:**
This procurement was split into x2 Lots (Lot 1 - Building Based provisions; Lot 2 - Community Integrated, Peripatetic, Activities), to offer a flexible model to accommodate a wide range of service user needs, as well as to facilitate a range of different delivery models from providers. This model was proposed, outlined and approved in the business case.
- 10.3. **TUPE:**
TUPE is not a factor within this procurement due to the nature of the previous contracts being spot purchases.
- 10.4. **London Living Wage:**
Bidders were asked through the SQ and pricing schedule whether they commit to paying London Living Wage to all employees working specifically on the contract. All successful bidders confirmed that they pay their employees the London Living Wage.

11. **Contract Management Arrangements**

The contract will be managed within the Adults Social Care Commissioning Team, with a named Quality Assurance Officer and Compliance Officer.

Implementation of the contract will be overseen by the service Commissioner, with regular forums and communications with the successful providers.

The Adults Social Care Commissioning Team have systems for performance monitoring and reporting as well as invoicing and this will be set up for the service as standard.

11.1. **Key Performance Indicators**

The KPIs will be monitored quarterly, with these being submitted to the Council in line with any 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 request comprehensive data collection that illustrates the activity and outcomes for residents.

A full list of the Key Performance Indicators can be found in Open Appendix 1.

Within the KPIs, providers will be required to state the targets they have met with regards to sustainability. This will be a part of the quarterly submissions, and will be collected on an annual basis in line with the Council's annual collation of sustainability data from contracted services.

12. **Comments Of the Interim Group Director Of Finance**

- 12.1 This report seeks approval to award the contract for Day & Evening Services to the successful supplier listed in Exempt Appendix 1. Subsequently, any successful providers applying through the Dynamic Purchasing System (DPS) may also be considered. The proposed contract duration is up to 4 years (2+1+1), commencing in May 2024, with a maximum cost of £8.44m. This strategic shift aims to enhance the management of rates and supplier contracts, fostering efficiencies in an area historically reliant on spot purchases.
- 12.2 The budget allocated for external day care provision in the 2023/24 financial year is £2.1m, in alignment with the annual contract value outlined in this report. Nevertheless, the latest outturn forecast for 2023/24, as of Period 9, indicates an expenditure of £3.1m on external day care, representing a budget pressure of £1m for this demand-led service. Despite temporary mitigation through one-off funds, this underscores the crucial need for diligent monitoring and effective management of this service.
- 12.3 Anticipated to conclude in the second year of the contract (2025/26), the service aims to deliver the remaining £0.25m to achieve the overall £0.45m savings target. This considers in-contract demand and inflation adjustments. Attaining this goal necessitates vigilant monitoring and management during the budget reporting process and the budget-setting cycle. Additionally, expanding day care services presents an opportunity to mitigate costs by reducing the utilisation of Supported Living packages, which incur an average cost three times higher.
- 12.4 Though precise quantification of the cost benefits is challenging at present, the implementation of the DPS arrangement is poised to alleviate budgetary pressures. This is primarily due to cost avoidance resulting from enhanced ordering processes, a heightened focus on in-borough provisions, exclusion of transport and lunch expenses beyond direct care package requirements, and expedited realisation of the day care savings target. It is crucial to note that these savings hinge on the in-house Oswald Street Day Centre returning to full capacity.
- 12.5 To safeguard the Council's interests, any provider registered on the DPS must have met or exceeded the credit and financial risk requirements established for this type of contract..

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

- 13.1. Not applicable.

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

- 14.1. This Report was classified as Medium Risk and Hackney Procurement Board approved a Business Case in respect of the procurement process on 14th November 2023. Paragraph 2.23 of Contract Standing Orders states that, in respect of procurements with a risk assessment of “Medium Risk” above £2m in value, the Contract Award will be referred to the Cabinet Procurement and Insourcing Committee for award. The estimated maximum value of the contract in this Report is above £2m so therefore Cabinet Procurement and Insourcing Committee can agree the recommendation in this Report.
- 14.2. Details of the procurement process undertaken by officers to establish the Dynamic Purchasing System (DPS) are set out in this Report. The award of contracts under the DPS in due course will need to be undertaken in accordance with the requirements of Regulation 34 of the Public Contracts Regulations 2015, and any priority given to local suppliers will need to be justified under the law.

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

- 15.1. The proposed DPS is valued at up to £8.44m which is above the relevant UK public procurement threshold (Social and Other Specific Services “light touch” regime). The Council’s Contract Standing Orders require that the Award of a Medium risk contract of this value be approved by Cabinet Procurement and Insourcing Committee.
- 15.2. A competitive procurement process has been carried out in compliance with Contract Standing Orders and the recommendation is to appoint all the providers meeting the required criteria to the Day and Evening Service DPS. Individual care packages will be awarded based on the criteria as set out in the report.
- 15.3. Considerations in relation to insourcing are noted along with the deliverables in relation to sustainability and social value. Relevant KPI and performance measures are proposed.

Appendices

Appendix 1 - Key Performance Indicators

Exempt Appendices

Exempt Appendix 1 - List of Successful Suppliers (DPS Round 1) including evaluation scores

Exempt

By Virtue of Paragraph(s) 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

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