

<b>DECISION TITLE: Direct award and tender of Extra Care services</b>
<b>COUNCILLOR WAYNE FITZGERALD, CABINET MEMBER FOR ADULT SOCIAL CARE, HEALTH AND PUBLIC HEALTH</b>
<b>July 2020</b>
<b>Deadline date: By 31 July 2020</b>

Cabinet portfolio holder:	Wayne Fitzgerald, Deputy Leader and Cabinet Member for Adult Social Care, Health and Public Health
Responsible Director:	Wendi Ogle-Welbourn, Executive Director, People & Communities
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: YES Unique Key decision Reference from Forward Plan: KEY/20JUL/20/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	YES <i>Appendix 1</i>
Is this a project and if so has it been registered on Verto?	NO

### R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

1. Directly award three services to Longhurst (as incumbent provider) on the basis of the financial savings offered. The contract would be for 2 years 7 months at a total cost of £2,340,818.
2. Note the procurement of the remaining two schemes.
3. Authorise a 7 month extension in order to allow sufficient time for the procurement exercise above. The total value of the exemption would be £506,952.

#### 1. SUMMARY OF MAIN ISSUES

- 1.1 Extra care housing is defined as specialist accommodation designed to maximise the independence of older people by providing a safe, secure and stimulating environment. Extra care housing is a cost effective alternative and produces better outcomes than residential care.

1.2 Currently there are five extra care schemes in Peterborough where the Council commissions a 24/7 care contract. Longhurst hold the contract in three schemes and are also the landlord for those schemes and Hales provide the care in the other two schemes (and Housing 21 are the landlord). There is no separate budget for the extra care schemes as the funding is part of the homecare spend and this is derived from actual commitments in the ISP (Independent Sector Provision) spend. The current annual spend for these schemes is £2,292,867 for 20/21.

## 2. PURPOSE OF THIS REPORT

2.1 This report is for the Cabinet member for Adult Social Care to consider exercising delegated authority under paragraph 3.4.8 of Part 3 of the Constitution in accordance with the terms of their portfolio at paragraph (b).

2.2 The attached annex is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains commercially sensitive information relating to the contracts and information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it as to do so.

## 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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## 4. BACKGROUND AND KEY ISSUES

4.1 Currently the Council commissions 24/7 waking night service in each of the schemes and an allocation of 6 hours per day (7 days per week) for floating support. The latter element of the service is to enable a response to service user related emergencies, support with ad hoc activities not necessarily identified within care and support plans and support for people not in receipt of the care service. The final element of the contract is not guaranteed in that it is the planned calls as identified in people's care and support plan, so this element of the contract can vary from scheme to scheme and from month to month.

## 5. GRANT THORNTON SAVINGS

5.1 During the Grant Thornton review potential savings in extra care were identified and included in budget forecasts. Reducing the level of night provision was considered but was determined as inappropriate as it would result in people with higher care needs or planned night care having to move into residential care which would be more costly for the Council. However, it was determined that savings could be made by reducing the floating/activity element of the contract (£141,781 across 5 schemes). Accordingly, savings have been set against floating/activity funding. The savings for 20/21 are £47,000 and a further £24,000 for 21/22. It is intended that these savings will be made from 1.8.20 and both providers are aware of this.

5.2 The Grant Thornton review also questioned the relative costs of the both providers. Various options were explored and Serco were party to those discussions. As part of this, two soft market testing exercises were carried out to ascertain the appetite of the market and the likely costs.

## 6. SOFT MARKET TESTING

- 6.1 Seven responses were received and Serco Procurement and Legal advised that discussions should be held with the two organisations who had indicated the lowest band of hourly rates to establish the actual hourly they could operate the service. The first was Longhurst and an agreement was reached on a rate that was financially sustainable for the Council. The second organisation was Hales and there were prolonged discussions between the Council and the provider over a number of weeks. This culminated in Hales confirming they could not continue to deliver at current contractual rates, in part due to significant historic TUPE costs Hales had inherited within the previous tender process. On that basis, given the market interest in schemes at a higher price, evident from the soft market testing, legal and procurement advice is to tender for the remaining two schemes.

## **7.0 FINANCIAL IMPLICATIONS**

- 7.1 The hourly rate proposed by Longhurst for the direct award of three schemes represents an increase of only 1.9 per cent on the current rate which continues to represent good for value for money. This is at a time when the national living wage increased by 6.2 per cent, from £8.21 to £8.72 per hour. The impact of the proposed rate for the new contract for 20/21 will be £15,506 and over the course of the proposed new contract term would be a total of £58,364 for all three schemes. The 1.9 percent increase for the first year has been incorporated into the proposed uplift strategy for 20/21. Subsequent years would require building into future ISP budget planning and/or identification of suitable mitigation. However, it should be noted the 1.9 per cent increase is significantly lower than the likely inflation in price resulting from a competitive tender.
- 7.2 It is proposed that the direct award contract would expire on 1 Feb 2023 as there are a number of Cambridgeshire extra care contracts that expire at the same time and therefore one procurement process could be conducted.
- 7.3 The Council also utilises six flats within a Longhurst extra care scheme for reablement and this will be incorporated into the contract award. People are discharged directly from hospital where they no longer require hospital care but their care needs may be too high for them to be discharged home and/or they require they require planned night care. This provision thereby reduces delayed transfers of care.
- 7.4 Whilst it was not possible to agree a sustainable rate for the current provider for the other two schemes, the provider does want to work with the council to ensure a professional handover of the services and to ensure that staff can be transferred to a new provider. The impact of the proposed contract extension for 7 months would be result in a budget pressure of £26,412. This has been incorporated into the proposed uplift strategy for 20/21. The alternative of not paying the increased rate would be a break in service which would affect the delivery of people's care and may result in some people being placed in residential care as there would be no alternative provision and this would further increase costs to the council.
- 7.5 It should be noted that the soft market testing demonstrated that the cost of these services are likely to increase, in part due to the significant increase in the national living wage and other on-costs such as CQC (Care Quality Commission). The lowest price indicated in the soft market testing suggests a budget pressure of £83,000 per annum is likely once retendered. Again, this would require building into future ISP budget planning and/or identification of appropriate mitigation.
- 7.6 To mitigate this potential budget pressure, it is recommended to set a lower ceiling rate for the tender. This would have to be set at a rate whereby potential providers would not be deterred from bidding for the services.

## **8. CONSULTATION**

- 8.1 A briefing has been sent to Ward councillors where relevant and consultation with the market has taken place through soft market testing. Whilst there will not be significant changes made to the current service at the schemes, consultation will be undertaken with service users as soon as the restrictions due to Covid-19 make this practicable.

## **9. ANTICIPATED OUTCOMES OR IMPACT**

- 9.1 The proposed direct award for three of the services will ensure continuation of the services at a rate that is financially sustainable for the Council. The continuation of all five extra care services is more cost effective overall, as the alternative option for some people would be to move into residential care which is more costly.

## **10. REASON FOR THE RECOMMENDATION**

- 10.1
- The direct award to Longhurst will provide continuity of service to people living in those three schemes.
  - The soft market testing demonstrated that the direct award to Longhurst secures immediate Best Value and is financially sustainable for the Council.
  - The extension of the contract to Hales will provide continuity of service whilst the service is being tendered.

## **11. ALTERNATIVE OPTIONS CONSIDERED**

- 11.1
- Tendering all five services was considered, however, the soft market testing exercise demonstrated this was likely to result in significantly increased costs across all five schemes. This would mean the Council incurring increased costs above those already outlined in this paper.

## **12. IMPLICATIONS**

### **12.1 Financial Implications**

- 12.1.1 In summary, the financial implications of the direct award for three services will be a budget pressure of £15,506 for 2020/21. The impact of the proposed contract extension for 7 months for the two remaining services would result in a budget pressure of £26,412 in 2020/21. These pressures have both been incorporated into the proposed uplift strategy for 20/21. The soft market testing indicated that the cost of the tendered services is likely to increase, however, to mitigate this potential pressure a ceiling rate will be used for the tender.

### **12.2 Legal Implications**

- 12.2.1 Permission to directly award is requested as a formal soft market testing exercise clearly indicated that the rates offered and secured by this direct award to be considerably below the rates quoted by other suppliers in the market. The direct award thus secures immediate Best Value including direct and indirect cost of running a full procurement exercise, whilst the market is disrupted due to the Coronavirus crisis.

- 12.2.2 In regard to services at Bishopsfield and St Edmunds provided by Hales the staff enjoy preferential terms that would pass to any other operator at the location if the business transferred immediately. The Council will work with the operator to understand and minimise these additional costs in the future.

### **12.3 Equalities Implications**

- 12.3.1 There are no equalities implications.

**12.4 Carbon Impact Assessment**

12.4.1 Following completion of the Carbon Impact Assessment, no specific implications have been identified.

**13. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

13.1 There are none.

**14. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

14.1 None.

**15. APPENDICES**

15.1 Exempt Appendix One