

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 10 OCTOBER 2017**

**PROCUREMENT OF HOME-BASED CARE AND SUPPORT SERVICES UNDER SDS OPTION 3**

**REPORT BY VICKY IRONS, CHIEF OFFICER, ANGUS HEALTH & SOCIAL CARE PARTNERSHIP**

**ABSTRACT**

This report advises committee of the procurement strategy for the provision of home-based care and support services under SDS Option 3 and seeks approval to implement the strategy through a competitive tender exercise.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) approves the content of this report;
- (ii) approves the undertaking of a competitive tender exercise in line with the proposals outlined in section 5 and Appendix 1;
- (iii) notes that the contract opportunity will be advertised using the Public Contracts Scotland portal;
- (iv) notes that the results of the tender evaluation and accompanying contract award decisions will be reported back to committee for noting only; and
- (v) approves an extension to the current framework agreement until 31 March 2018 and to the continuation of the ongoing service provision outlined in section 7.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN**

This report contributes to the following local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- 8. We have improved the health and wellbeing of our people and inequalities are reduced
- 9. Individuals are supported in their own communities with good quality services

**3. BACKGROUND**

- 3.1 Reference is made to Committee Report No 250/15, considered by Angus Council at its meeting on 18 June 2015, which provided a report and outline business case in relation to the Help to Live at Home (HTLH) programme including the external market efficiency workstream. The most recent update report on the programme was Committee Report No IJB 33/17, considered by the Integration Joint Board at its meeting on 28 June 2017.
- 3.2 Reference is also made to Committee Report No 262/17, considered by the Policy and Resources Committee at its meeting on 29 August 2017, which sought approval to award a contract to HAS Technology Ltd for the provision and maintenance of an electronic care monitoring system in Angus. This report was approved.
- 3.3 The proposals contained within this report are the outcome of the external market efficiency workstream of the HTLH programme, essential to the programme's aims of developing a sustainable and high-quality external care market to support the council's desire to cease the internal provision of all longer-term homecare. The proposals are therefore essential to the achievement of the savings targets associated with the HTLH programme.

#### 4. CURRENT POSITION

- 4.1 Under the Social Care (Self-Directed Support) (Scotland) Act 2013, Angus Council and the Angus Health and Social Care Partnership have a duty to offer service users a range of options regarding how much choice and control they would like in the meeting of their personal outcomes. Separate processes are in place for Option 1 (where the person takes a direct payment and manages their own support) and Option 2 (where the person manages their own support and the AHSCP pays the chosen provider). The proposals within this report are for Option 3 (where the person delegates their choice and control to the AHSCP) only.
- 4.2 Home-based services required under SDS Option 3 are currently commissioned through a spot-purchase framework agreement with 20 external care and support providers. The framework commenced on 3 February 2015 and will end on 2 February 2018, with the option to extend for a further year until 2 February 2019.
- 4.3 Providers on the framework are currently asked to submit their own all-inclusive prices for different quantities and types of service for each year. The providers are ranked on price, with selection of a provider for any individual case carried out on the basis of 'the cheapest provider who can meet the outcome'.
- 4.4 As part of the Help to Live at Home programme, the external market efficiency workstream has been devising a new commercial and contractual model with the aim of developing the external market and addressing some of the main problems presented by the current model. These problems include a lack of incentive for providers to work in rural areas leading to unpredictability of service and a lack of resilient cover; a focus on price rather than service quality; the cumulative cost unpredictability and administrative burden associated with a provider-led pricing model; and the lack of opportunities for collaborative resource management due to the high number of providers competing for every support package on an individual basis. The new commercial and contractual model shall be finalised in consultation with the Head of Legal and Democratic Services.

#### 5. PROPOSALS

- 5.1 It is proposed to implement a new predefined pricing model for all home-based care and support services from 1 April 2018, including enhanced payments for rural areas using a mapping system supported by the council's geographic information service. Full details of the proposed pricing model, developed in consultation with providers, are included in Appendix 1.
- 5.2 The new pricing model will be implemented using a new contract to replace the current framework from 1 April 2018. The contract will be divided into lots according to client groups, with a further division of lots by locality where the demand is sufficient to warrant this. A small number of preferred providers will be awarded contracts within each of the client group lots and those providers will be responsible for sharing the related demand using a resource allocation process led by appropriate managers from within the AHSCP and the council. Full details of the proposed contract lotting arrangements, which have been developed in consultation with a variety of operational teams, are as follows:

<b>Lot</b>	<b>Client Group</b>	<b>Projected Maximum Demand (hours/week)</b>	<b>Number of Preferred Providers</b>	<b>Geographic Area</b>
Lot 1	Adult Autism	696	2	Angus
Lot 2	Adult Learning Disabilities	2,782	3	Angus
Lot 3	Adult Mental Health and Substance Misuse	219	2	Angus
Lot 4	Children with Disabilities	48	1	Angus
Lot 5a	Older People and Mental Health 65+ North West	1,353	3	North West
Lot 5b	Older People and Mental Health 65+ North East	1,276	3	North East
Lot 5c	Older People and Mental Health 65+ South East	1,243	3	South East

Lot 5d	Older People and Mental Health 65+ South West	1,244	3	South West
--------	--	-------	---	------------

5.3 The benefits of the new pricing model include cost predictability and improved cost control, a change in procurement focus from price to quality, improved administrative efficiency, and confidence that providers are better able to attract and retain staff by paying the Scottish Living Wage. The benefits of the new contract lotting model include improved stability in the Option 3 market and better opportunities for collaborative working between AHSCP services and smaller groups of preferred providers.

5.4 Contracts will be awarded for a period of three years, with the option to extend the contracts by a further one year by agreement.

5.5 Contracts will be awarded to the highest quality providers, selected using a quality-focussed competitive tender which will be structured as follows:

**5.5.1 General Approach**

There will be one tender application, split into two stages. All applicants will complete all questions but only the providers who are taken through from Stage 1 will have their Stage 2 answers evaluated.

**5.5.2 Stage One: Pre-Qualifying**

This section of the application will contain a range of questions on past and current organisational information e.g. finances, Care Inspectorate grades and policies and procedures. A maximum number of tenderers for each lot will be taken through to Stage Two.

**5.5.3 Stage Two: Contract Award**

Tenderers who have progressed from the pre-qualifying stage will then be scored on their qualitative answers to additional questions about how the contract will be delivered and managed. The combined scores from Stage One and Two will then determine the ranking of the tenders within each lot.

**5.5.4 Scoring Model**

All of the questions in both stages will have minimum acceptable criteria which will be outlined in the question, on a pass or fail basis. A failure to evidence minimum requirements on any question at any time means elimination from the tender. Selected questions in Stage 1 and all questions in Stage 2 will also have up to 3 additional points available for evidence of high quality practice above the minimum requirements, using the following scoring model:

Panel Decision	Description	Points Awarded
Fail (Inadequate Quality)	Fails to meet the minimum quality requirements outlined in the question. Eliminated from tender.	0
Pass (Adequate Quality)	Meets the minimum quality requirements outlined in the question, but no further evidence of at least above adequate additional practice relative to the other tenderers.	1
Pass +1 (Above Adequate Quality)	Meets the minimum quality requirements outlined in the question, and provides evidence of above adequate additional practice relative to the other tenderers.	2
Pass +2 (Good Quality)	Meets the minimum quality requirements outlined in the question, and provides evidence of good additional practice relative to the other tenderers.	3
Pass +3 (Excellent Quality)	Meets the minimum quality requirements outlined in the question, and provides evidence of excellent additional practice relative to the other tenderers.	4

**5.5.5 Evaluation Criteria**

The criteria on which the providers will be evaluated, including weightings, are as follows:

<b>Criteria 1</b>	<b>Economic and Financial Standing</b> Pass or Fail, no weighting applied
<b>Criteria 2</b>	<b>Insurances</b> Pass or Fail, no weighting applied
<b>Criteria 3</b>	<b>Criminal Convictions and Business Probity</b> Pass or Fail, no weighting applied
<b>Criteria 4</b>	<b>Equalities and Diversity</b> Pass or Fail, no weighting applied
<b>Criteria 5</b>	<b>Health and Safety including Lone Working</b> Pass or Fail, no weighting applied
<b>Criteria 6</b>	<b>Data Protection including Social Media</b> Pass or Fail, no weighting applied
<b>Criteria 7</b>	<b>Infection Control including Food Hygiene</b> Pass or Fail, no weighting applied
<b>Criteria 8</b>	<b>Administration and Finance</b> Pass or Fail, no weighting applied
<b>Criteria 9</b>	<b>Care Inspectorate (average grade)</b> Pass or Fail + up to 3 additional points, 15% weighting
<b>Criteria 10</b>	<b>Recruitment and Selection including PVG Scheme Compliance</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 11</b>	<b>Adult Protection</b> Pass or Fail + up to 3 additional points, 5% weighting
<b>Criteria 12</b>	<b>Child Protection</b> Pass or Fail + up to 3 additional points, 5% weighting
<b>Criteria 13</b>	<b>Managing Violence, Aggression and Challenging Behaviour</b> Pass or Fail + up to 3 additional points, 2.5% weighting

Criteria 13 is the final criteria in Stage One. A maximum number of providers with the highest scores to this point in each client group will progress to Stage Two and will be scored on the following additional criteria:

<b>Criteria 14</b>	<b>Values and Culture</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 15</b>	<b>Management and Leadership</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 16</b>	<b>Quality Assurance</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 17</b>	<b>Training and Development</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 18</b>	<b>Service User Engagement</b> Pass or Fail + up to 3 additional points, 10% weighting
<b>Criteria 19</b>	<b>Fair Working Practices</b> Pass or Fail + up to 3 additional points, 5% weighting
<b>Criteria 20</b>	<b>Service User Interviews</b> Pass or Fail + up to 3 additional points, 7.5% weighting

The minimum score for any provider who meets all of the minimum criteria in each question is therefore 9.000 and the maximum score is 12.000.

- 5.6 The implementation of electronic care monitoring in all appropriate home-based care and support services will take place during the life of the new contract.
- 5.7 The AHSCP will reserve the right within the new contract to work collaboratively with providers regarding the potential introduction of medication administration as a personal care task. This service is currently delivered by the Community Nursing Service.
- 5.8 The current framework agreement, scheduled to end on 2 February 2018, will be extended to 31 March 2018 to allow time for the competitive tender to be completed and for any new providers to prepare for their new obligations from 1 April.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The estimated annual value of the new contract, assuming a high uptake of SDS Option 3, is £8.57m. This is spread across the client group lots as follows:

Adult Autism	£640,000
Adult Learning Disabilities (including Physical Disabilities)	£2,700,000
Children with Disabilities	£45,000
Mental Health Under 65 and Substance Misuse	£202,000
Older People and Mental Health 65+ NW	£1,316,000
Older People and Mental Health 65+ NE	£1,337,000
Older People and Mental Health 65+ SW	£1,164,000
Older People and Mental Health 65+ SE	<u>£1,165,000</u>
<b>Total</b>	<b>£8,569,000</b>

- 6.2 The potential additional costs associated with the delegation of medication administration tasks to external providers through this contract, based on the most recent demand analysis, would be c£0.5m per annum in due course. This additional cost would be met by resources transferred within the AHSCP.
- 6.3 The total maximum expenditure over a four year contract period, assuming the introduction of medication administration phased in from year two and allowing for projected natural demographic demand growth of 3% in older people, learning disabilities and autism, is therefore projected to be £38.03m.
- 6.4 The cost of each individual hour of care and support delivered by providers under the new pricing model is lower than the projected hourly rate in a provider-led model.
- 6.5 The increased demand for services arising from demographic growth will require to be managed within overall AHSCP resources.
- 6.6 The reasonable, one-off costs of implementing electronic care monitoring through the new contract will also be met by the AHSCP. As a guide, this can cost up to £2,000 per provider for systems interfacing and £750 per provider for a training and implementation day. These costs will be met from within existing AHSCP budgets as appropriate, and will be in addition to recurring operational costs.
- 6.7 This is considered a “major procurement” in the context of section 16.8.4 of the Financial Regulations.

## 7. OTHER IMPLICATIONS

- 7.1 Providers who are currently delivering services under the framework and who are awarded contracts within the proposed new model from 1 April 2018 will be expected to migrate their existing caseload over to the new contract and pricing arrangements. There will however be no mandatory migration of services from the current framework to the new contract where the incumbent providers are not awarded contracts and where the service user has no desire to change their provision. This means that for a time there will be a limited amount of service provision which will require to be continued by existing service providers in the context of SDS

requirements. The AHSCP will undertake to address this in collaboration with the existing providers following the implementation of the new contract.

## **8. CONSULTATION**

The Head of Corporate Finance, Head of Legal and Democratic Services and the Corporate Procurement Manager have been consulted in the preparation of this report.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Angus Council; report number 250/15; (item 20 of the minute of the meeting of 18 June 2015.)
- Integration Joint Board; report number IJB 33/17; (item 13 of the minute of the meeting of 28 June 2017.)
- Policy and Resources Committee; report number 262/17; (item 9 of the minute of the meeting of 29 August 2017.)

**REPORT AUTHOR: Jamie Aitchison, Project Lead – Help to Live at Home**

**EMAIL DETAILS: [people@angus.gov.uk](mailto:people@angus.gov.uk)**

List of Appendices:

Appendix 1 – Predefined Pricing Model including map of pricing zones

## APPENDIX 1 – PREDEFINED PRICING MODEL

### Context

Benchmarking has been carried out against the pricing models in place in some other local authorities in Scotland. A variety of models are in use, some with predefined rates set by the local authority and some with provider-led models. Within predefined models the 2017/18 rates range from £15.45 to £18.95 in urban areas, with a variety of enhancements available for servicing rural areas. The success of these models is variable.

Based on extensive consultation undertaken with current providers in Angus, it is believed that a number of the local authority rates which are below the proposed Angus rates may present an increased risk of provider failure and of general instability in the market. The proposed Angus rates have been developed using realistic travel time expectations, to ensure that providers are paid a fair rate to meet their legitimate costs and to ensure continuing quality of service.

### Key Characteristics

Rates are the same for any and all elements of the service i.e. personal care, housing support or carer's respite.

Enhanced rates are paid for services delivered in rural areas.

Urban zones are the seven burgh towns in Angus, including up to 5 minutes driving time from the geographical centre of each town.

Rural Zone 1 includes areas within 5-20 minutes driving time from the urban centres.

Rural Zone 2 includes areas within 20-60 minutes driving time from the urban centres.

The projected volume of business included within each zone is approximately 88% Urban, 11% Rural 1 and 1% Rural 2. The weighted average rate is calculated on this basis.

The margin (profit and overheads) is set at 20% in 2018/19, but reduces to 19% in 2019/20 and 18% from 2020/21 onwards. This is to reflect the need for continued efficiency savings within the Authority and its contracted partners.

Providers will be expected to work in collaboration with the AHSCP to explore opportunities for further efficiencies within the predefined pricing model. Examples of this may be where economies of scale are present in high volume, high geographic density provision within the Urban zone, or where a number of high cost packages are geographically proximate within Rural Zone 2.

### Hourly Rates

	Urban	Rural Zone 1	Rural Zone 2	Weighted Average
<b>2017/18</b>	£16.50	£21.28	£33.59	£17.20
<b>2018/19</b>	£16.99	£21.83	£34.36	£17.69
<b>2019/20</b>	£17.27	£22.17	£34.93	£17.98
<b>2020/21</b>	£17.42	£22.37	£35.30	£18.14
<b>2021/22</b>	£17.78	£22.78	£35.87	£18.51

**NB** The rates are determined using a model derived from the UK Home Care Association Costing Tool, using the Scottish Living Wage as the base rate upon which other reasonable costs are added. The above rates assume a Scottish Living Wage of £8.65 at 1 April 2018, increasing annually by £0.20. The rates are therefore subject to change in line with SLW announcements by the Scottish Government.

**Pricing Model – Zone Map**

