

APPENDIX 2

**Report to
Leeds City Council**

**Independent Review
of the
Procurement and Commissioning Process
for the Neighbourhood Network Schemes**

30 June 2010

W. Kilgallon & P. Howarth

INTRODUCTION

We were invited by Leeds City Council to conduct an independent review of the Procurement and Commissioning of Neighbourhood Network Schemes in Leeds.

We were asked to bring different expertise to the review and brief details of our relevant experience are attached at Appendix 1.

In carrying out the review we were given access to all the relevant documents and to all the officers of the City Council and NHS Leeds involved in the process with the exception of one person who was away from work because of illness.

We met appointed representatives of all 5 political parties represented on Leeds City Council and held an open “drop-in” session for elected members.

We met with representatives of 15 Neighbourhood Networks (NNs) – officers and trustees and visited a number of schemes.

We met with people who had been involved in the process as independent advisers at different stages.

A list of those whom we met is attached at Appendix 2

Additional information was provided promptly when requested and the Adult Social Care Department (ASC) made very good arrangements in terms of meeting rooms and other administrative support.

The review was carried out in accordance with terms of reference set out by the City Council which required the review team to consider in particular

- Preparation for change
- The choice of commissioning process
- The conduct of the commissioning process
- Evaluation of the tender documents
- Forward planning for the outcomes of the process.

Throughout this report responses are not attributed to named individuals unless considered relevant to the outcome of the report.

The reviewers would like to acknowledge the openness and honesty of all who contributed to this review by agreeing to be interviewed. We would also wish to thank those who invited us to their premises for the hospitality and warmth they showed to us.

1 NEIGHBOURHOOD NETWORKS

Neighbourhood Networks have developed across the city of Leeds since the first one was established in Belle Isle in 1985. We found that they are highly regarded by Elected Members of all parties and by the senior officers of the Adult Social Care Directorate and NHS Leeds. Their value has been recognised nationally and internationally. Most importantly there is strong evidence that they are value by older people.

The City Council reported that the “NNs were set up to improve the lives of older people in Leeds and are central to the City Council’s preventative strategy which is defined as good by inspectors. They earned the Council Beacon Status in 2002 and in 2006 an invitation to be a DWP Linkage Plus Pilot.”

We found that there was a shared and clear understanding of the important features of an effective Neighbourhood Network

- It works to reduce social isolation by increasing involvement and participation of older people in the community.
- It acts as a gateway to information, advice and support.
- It provides a range of practical activities and services.
- It is a community development organisation not a provider of care services.
- It works in an holistic and person centred way – “working with older people over many years, keeping a watchful eye as they grow older and frailer.”
- It covers a distinct geographic area and is run by and for local older people. Most of the NNs are independent local charities though some are part of or supported by a larger organisation.
- It works to bring in additional resources for the benefit of older people from charitable trusts, lottery grants, fundraising etc.

2 PREPARATION FOR CHANGE

The City Council set out to strengthen the NNs by combining funding from three statutory sources – the City Council, the NHS and Supporting People into one contract. The Council also sought to achieve greater stability for the NNs by offering contracts for 5 years with a potential to extend year on year for another 3 years. The Council sought to allocate the funding for the NNs on a more equitable basis.

In our view this case was well presented and clearly argued and offered an exceptional opportunity to the NNs of a five year contract with the option of a year on year extension for a further three years - a contractual arrangement which most voluntary sector organisations would envy. This underlined the commitment of the

City Council to the NNs in the most emphatic way possible. It also represented very good value for the City Council because each network is able to attract funding from other sources and this will be greatly enhanced by the stability of a 5 -8 year contract. The NNs also attract a very significant investment of time from volunteers-most of whom are older people. The return then for the Local Authority is far more than its investment.

The preparation of the case for change was comprehensive. All NNs were invited to complete a self assessment in 2008. This formed the basis for the 2008 Baseline Assessment Report which pulled together “for the first time comparative information about all schemes and gives a clear picture of the network as it currently operates and of the size and nature of the inequities and gaps which exist across the city.”

“An Analysis of Current and Future Needs of Older People in Leeds” was carried out in 2008 to inform the commissioning process. A series of consultation events were organised with NNs. A study of NNs infrastructure, capacity, review and support issues was undertaken. A consultation with older people who are members of NNS was carried out. Focus groups were held with older people attending luncheon clubs. A reference group of older people was consulted. Adult Social Care Team Managers who refer older people to NNs were asked their views.

In our view the communication and engagement at this stage of the process was good. The case for change was well articulated and the outcomes of an improved commissioning process were identified and broadly welcomed. However our investigations highlighted that some NNs had not fully understood the terminology, for example with regard to what collaboration but made their own assumptions instead of clarifying the position.

The NNs made clear at this stage that they were independent organisations not reliant totally on the City Council for funding. Although the Council’s reports at this stage acknowledge this and refer to the fact that of the total income of all the NNs together just less than half was provided by the City Council and NHS Leeds we consider that the officers involved underestimated the degree of independence both legally and in terms of the “spirit” of the NNs their trustees staff and volunteers and this had consequences later in the process.

3 CHOICE OF COMMISSIONING PROCESS

The City Council wished to move away from a grant based system with a service level agreement to a contractual arrangement. In part this was in response to NHS Leeds which was being encouraged by the Department of Health to use contracts in funding arrangements with the voluntary sector. The City Council also intended to

increase the funds available to NNs by use of Supporting People funding which is generally governed by contracts.

Given the outcomes that had been identified and the length of contracts on offer competitive tendering was in our view as good as any other option in terms of achieving a more equitable allocation of resources, establishing clear outcomes against which to measure the performance of NNs and allowing for greater transparency and accountability.

Some of the NNs expressed a preference for the grant and service level agreement arrangement and suggested that a stronger management and monitoring of that arrangement could have produced the same outcomes. Some NNs expressed the view that the monitoring had been too light touch although there was evidence of action being taken by officers of the Council in NNs where concerns had arisen. Other NNs expressed the view that monitoring of SLAs and performance data in the past had been too patchy. This probably strengthened the case for competition and perhaps unfairly weakened the case for better grant management. However in our opinion not enough to change the decision to proceed in the way that was determined

We felt that a more rigorous impact assessment should have been carried out at this stage to take into account the effect on matched funding and on other activities not covered by the process. Consideration of the impact on volunteering and the volunteers should have also been considered.

It was not clear to us that officers had fully thought through whether there were any potential alternative providers. The emphasis on locally managed services and the fact that the funding available only meets part of the cost of providing the service made it, in our view, unlikely that there would be a significant number of potential providers.

4 CONDUCT OF THE COMMISSIONING PROCESS

Overall we consider that the procurement process was implemented in an open, fair, transparent and legal way.

The City Council went out of its way to provide support to the NNS in undertaking the tender process.

There is a considerable variation in the staffing levels of the NNS – some only have one full-time employee. The capacity of trustees to assist in preparing the tender documentation also varies considerably across the schemes.

The City Council amended the Pre Qualification Questionnaire (PQQ) and all the NNs successfully completed this stage of the tender. The tender document was also simplified. Workshops were held to explain the process and independent advice was made available through Leeds Voice.

The NNs we spoke to had different opinions about the process – some found the paperwork challenging but compared it favourably with the process of application for funds from the Big Lottery. Others found it very daunting and time consuming. It may have been more appropriate, given the marketplace, to conduct this under open competition rather than the restricted process which would have reduced the need for separate documents

There was a similar difference of opinion about the workshops – some found them helpful others found them confusing. NNs commented that at the workshops officers were not able to answer many of the questions put to them. Some NNs found it difficult to be represented at the workshops particularly the smaller ones where the manager did not have any one else to cover their work. Comment was made to us by NNs that the workshops were often too occupied dealing with a small number of NNs who were clearly opposed to the process and were confrontational.

Problems in communication occurred at this stage. Some NNs said that they had gained the impression that the officers did not anticipate any significant change or risk for existing NNs – we cannot say whether or not there was any basis for this.

Officers said that one of their intentions was to encourage collaboration between NNs. This message was clearly not understood by the NNs and as we report in the outcomes section there were no joint bids, collaborative bids or consortia bids. In our view it was unrealistic to attempt a procurement process which was both competitive and collaborative given that a clear definition was not provided. Most of the organisations, the NNs, taking part in the process had never been involved in a competitive tender before and did not know if there were other bids in their area.

A number of NNs made use of the advice offered by Leeds Voice and this appears to have been a responsive and proactive service.

Some of the NNs did not take advantage of any, or all of the support available and seemed to have over estimated their ability or to have considered that there was no real risk to them.

NNs were also given access to some officers of the ASC and discussed their bids with them. Some of the NNs were concerned to find that these officers were involved at a later stage as members of the Evaluation Panel – this had not been made clear at the time. NNs were concerned that having openly discussed their weaknesses and strengths with officers may have influenced the evaluation of their bid. In our

view this was a mistake by the Council officers although we do not consider it had any impact on the evaluation process given the way in which that was carried out.

The City Council set up a question and answer service on the Supplier and Contract Management System.

Some of the NNs told us that this had been helpful and prompt in dealing with their questions others had not found the answers sufficiently detailed.

Overall our view is that the process was conducted satisfactorily. Considerable efforts were made to support the NNs – certainly much more than would normally be offered in such a procurement process.

We consider that the requirements of the tender documentation were proportionate in terms of the contract on offer and the long term stability this would bring to the NNs.

5 THE EVALUATION OF TENDER DOCUMENTS

The City Council set out clear criteria for evaluating the tenders. These were clearly set out in the relevant documents. All of the criteria were about the quality of service.

The Evaluation Panel consisted of City Council officers and an independent person who had previously worked as a Neighbourhood Network Manager. Each of them evaluated each tender on their own. The tenders were not identified by name at this stage. The panel then met to bring together their evaluations and agree an evaluation for each bid. Their markings were then sent to the Procurement Section to apply the weighting formula. It appeared to us that the evaluation had been carried out in a fair and consistent manner and the sample of full evaluations we considered supported this conclusion.

In our view a factor could have been included in the evaluation criteria about disruption to the service. This could have been a measure by which a new provider had to beat an existing provider which had submitted a satisfactory bid, though we appreciate that this may be difficult legally. An alternative would have been to have as one of the criteria experience of setting up and maintain a successful neighbourhood service. We also felt that perhaps some recognition of the ability to raise additional funds and resources should have been included in the evaluation criteria. In our view officers had underestimated the likely disruption and no factor of this kind was included in the evaluation criteria.

6 THE OUTCOME OF THE COMMISSIONING PROCESS

It was suggested to us by officers of ASC that they considered that the process would result in competition and would encourage collaboration between NNs.

In the event there were no examples of NNs coming together to put forward shared bids. In our view it is not realistic to expect collaboration in a competitive tender setting unless it is made very clear from the outset that organisations are expected to develop consortia or partnerships.

There was very little appetite amongst the NNs to bid for work outside their existing areas. We asked NNs whether they had considered bidding for other areas – most had not considered doing so because they firmly held the view that being local was one of the most important factors in the success of the NNs. Many of them are established as charities to work in a particular area and would have needed to amend their constitution to work in another area.

One NN made successful bids for its two neighbouring areas but in each case there were very specific local reasons for that. The three bids made by that NN, for its own area and its two neighbours, were amongst the 5 highest scoring bids across the city. The two existing providers scored at a level which, had there been no competition would have resulted in them being awarded the contract on a one year basis with a programme for improvement.

One NN made an unsuccessful, but high scoring, bid for one area in addition to its successful bid for its own area.

Four organisations not currently providing NN services made bids.

One voluntary sector organisation made unsuccessful bids in two areas. In one area the existing provider scored significantly better, in the other the existing provider scored better by a clear margin.

One national voluntary organisation (Age Concern) made a bid to provide in all 37 areas but scored very poorly. Its score was the second lowest in the process and was substantially below the third lowest scorer.

One private sector organisation (Carewatch) made a bid to provide services in 20 of the areas but scored very badly indeed. Its score was the lowest of all and was less than half the score of the second lowest.

One local voluntary sector organisation (Irish Health & Homes) made a bid to provide services in 7 areas – and scored better in 5 than the existing provider. In two areas the existing provider scored higher by a clear margin. In the 5 areas where IHH

scored higher than the existing provider the existing providers scored well enough that, had there not been the higher scoring bid, they would have been awarded a 5 year contract.

In 20 areas the existing provider faced competition from only Age Concern and Carewatch and in 5 areas the existing provider only faced competition from Age Concern.

It is our view that because officers had not fully appreciated the very local and independent nature of the NNs they were not well prepared to deal with the outcome of the procurement process where existing providers were judged to be unsuccessful.

The assumption that a smooth handover of work, staff and volunteers would be achieved was not grounded in reality. The fact that the evaluation process had not built in any disruption factor meant that officers had simply to go by the results of the competitive tender.

The communication of the results of the tender exercise was dogged by mistakes which exacerbated the unhappiness amongst those NNs that had not been successful. The staff of the ASC fully accept and acknowledge this. Sadly these mistakes led to a loss of confidence in the whole process.

7 CONCLUSIONS AND RECOMMENDATIONS

In our view the City Council intended to strengthen the Neighbourhood Networks, to achieve stability for them by long term contracts and to achieve equity of funding. The City Council successfully brought NHS Leeds funding and Supporting People funding into one grant mechanism with benefits to the funders and the NNs. This allowed the Council to increase the level of funds available and so to guarantee that no NN would receive less funding as a result of this exercise. The preparatory work establishing the case for doing this was very thorough, inclusive and well organised.

The City Council decided on a competitive tender exercise to effect the necessary changes. In our view this was a reasonable course of action given the length of contract on offer.

The City Council, in our view took appropriate steps to assist the NNs to take part in the tender process. There were, however, some failures in communication and a certain degree of antagonism developed between some NNs and the City Council staff.

In addition we do not believe that sufficient provision was made for escalation of disputes or scrutiny of outcomes. We consider that a more rigorous Gateway review extending beyond the project board may have prevented some of the negative outcomes of this report. Elected member involvement in the scrutiny process should also have been considered.

We do not consider that there is any justification for re-opening the procurement process. Further delay would be damaging to the Neighbourhood Networks.

1. We recommend that the recommendations set out in the Report of the Neighbourhood Network Project Board to the Delegated Decision Panel of 18.02.10 in respect of

A. "The following organisations have demonstrated that they can satisfactorily deliver the NNS contract" should be agreed and put into effect as soon as possible in respect of areas 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 14, 16, 17, 19, 21, 22, 23, 24, 26,27, 28, 29, 31, 32, 33, 36, 37.

We recommend that in respect of areas 1 and 7 Adult Social Care should work with Bramley Elderly Action and the two unsuccessful existing providers to ensure that a continuity of service is achieved.

B. "The following Service Providers have failed to meet all the required standards however no alternative Service provider submitted a successful tender for these areas" in respect of areas 18,20, 25, 30 and 35 should be agreed and put into effect as soon as possible.

We recommend that where possible the Directorate seeks to resolve the issues identified with each Network in a shorter timescale.

C. "The following organisations failed to demonstrate their ability to meet the requirements to deliver the NNS contract and competing bids successfully demonstrated their ability to deliver the NNS" in respect of three organisations and the current providers in areas 1 and 7 should be agreed.

2. We consider that the report should have included another category –

"The following organisations have demonstrated that they can satisfactorily deliver the NNS contract however competing bids evaluated higher." In this category should be included the current providers in areas 3, 4, 13, 15 and 34.

We recommend that Adult Social Care initiates discussions with Irish Health and Homes, the successful bidder, and the existing providers in areas 3, 4,

13, 15 and 34 to explore a possible partnership approach. In our view there could be much to be gained in a partnership which allowed the existing providers to remain as independent organisations undertaking the work in an agreement or contract with Irish Health and Homes.

This would retain the local emphasis and enable those providers to continue to bring in other resources and retain their volunteers. Partnership with a larger organisation could bring efficiencies in terms of support services and increase the opportunities for developing shared services and social enterprises.

Across the voluntary sector there is a growing interest in organisations sharing resources at a time when statutory funding is being restricted and competition for charitable funding is growing.

We recognise that achieving such a partnership will be a challenge – and will require an imaginative and constructive approach from all parties. However, we were very encouraged by the positive commitment of all those involved in these services to improving the lives of older people and that gives us the confidence to suggest such an approach.

3. We looked carefully at the concerns expressed about the application of the funding formula in area 2. In the initial work a mistake was made and a part of the population was omitted – this was eventually corrected. There is still concern about whether the deprivation factor had been correctly applied. We do not have the expertise to make a judgement on this but we recommend that this specific issue is reconsidered by the City Council taking into account the evidence submitted.
4. We recommend that Adult Social Care identifies a clear link between the NNs and the Department at operational level so that there is good communication between the NNs and the ASC staff working with older people.

The Neighbourhood Networks provide a vital range of support across the city and the demand on their services will increase as the population of older people increases. The City Council values these services and this was emphasised by the decision to establish a long term funding arrangement. This procurement exercise has produced some very positive results – a clear agreement on the role of Neighbourhood Networks, a sound basis for contracts between the City Council, NHS Leeds and the NNs with defined outcomes and a long term funding arrangement. This secures the current services and builds a foundation for Neighbourhood Networks to develop further.

It is regrettable that the procurement which was intended to produce such positive results became a source of controversy. Communication problems at various stages of the process were largely to blame for this.

The majority of Neighbourhood Networks did not have previous experience of competitive tendering and will have learnt a good deal from this exercise which we are sure will be of benefit to them as future opportunities arise to develop services or deliver services differently.

The City Council will also have learnt a great deal more about the way the voluntary sector works and particularly how valuable the independence of organisations is in developing local ownership and drawing in volunteers.

This review has further delayed the decisions being put into effect but it was an appropriate action for the City Council to take.

The focus of this review was the procurement exercise but we could not fail to be impressed by the achievements of the Neighbourhood Networks and the vision of the City Council, across all parties and over many years, in supporting them.

APPENDIX 1

The Review Team

Bill Kilgallon OBE

Has been Chief Executive of St Gemma's Hospice, Leeds since May 2007. Prior to that he spent four years as Chief Executive of the Social Care Institute for Excellence – an independent body established by government to identify and transfer knowledge about good practice in social care. From 1978 to 2002 he was Chief Executive of St Anne's Shelter & Housing Action (now St Anne's Community Services).

He was a member of Leeds City Council from 1979 to 1992 during which time he chaired the Social Services, Housing and Environment Committees and served as Lord Mayor.

He has considerable experience as a non-executive in the NHS including serving as Chair of the Leeds Community & Mental Health Services NHS Trust from 1992 to 1998 and as Chair of the Leeds Teaching Hospitals NHS Trust from 1998 to 2002.

He qualified in Social Work at LSE and Warwick University (MA in Social Work), has an MSc in Management from Lancaster University and a first degree in Theology.

Peter Howarth

Peter has a long career record in procurement and local government. He is Managing Director of a consultancy and training company (SBV Ltd), specialising in procurement and contracting matters, primarily in the public sector. He is also the CEO of the Society of Procurement Officers (SOPO).

His previous posts include Director of Strategic Management, Associate Director of Resources and County Purchasing Officer for Suffolk County Council and Deputy County Supplies Officer with Shropshire CC He has also been an advisor and an associate of IDeA and 4ps.

He spent 15 years in engineering procurement with British Leyland in the Automotive division and then for the Special Projects division.

He is a Fellow of the Chartered Institute of Purchasing and Supply (CIPS) a founding member of the Society of Purchasing Officers and the Central Buying Consortium (CBC). He is also a member of IPSERA, the IOD and the FSB. He is a visiting lecturer at Birmingham University.

He was one of the first graduates from the Birmingham University MBA in Strategic Procurement programme and also has a degree in Applied Economics.

APPENDIX 2

List of meetings and visits during the review

Representatives of the following Neighbourhood Networks

Middleton Elderly Aid
Neighbourhood Elders Team
Swarcliffe Good neighbours
Richmond Hill Elderly Aid
Crossgates and District Good Neighbours
Aireborough Voluntary Services to the Elderly with Disabilities
Burmantofts Senior Action
Farsley Live at Home
Bramley Elderly Action
Older Active People
Caring Together in Woodhouse and Little London
South Seacroft friends and Neighbours

Bidders who were not previously Neighbourhood Networks

Carewatch
Shantona
Leeds Irish Health and Homes

Leeds City Councillors

Representatives of all four political parties
Drop-in sessions to which all elected members were invited.

Leeds City Council staff

Sandie Keene
Nicole Jackson
Dennis Holmes
Wayne Baxter
Tony Bailey
Nick Cairns
Tim O'Shea
Susan Gamblen
Michelle Atkinson
Mick Ward
Emma Carter

Commissioning partners

Kathryn Ingold, NHS Leeds

External Advisors

Gill Coupland

Liz Riley, Procurement Consultant
Bill Rollinson, Care and Repair
Rachel Koivunen, Leeds Voice