

## Report of Director of Adults and Health

### Report to Executive Board

**Date: 20<sup>th</sup> September 2017**

**Subject: Request to approve the model for continuing Leeds City Council's investment in Neighbourhood Network services from 1<sup>st</sup> October 2018**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. Extensions for the Neighbourhood Network contracts LCC5014 and LCC5900 were approved 29<sup>th</sup> July 2016 to ensure funding is in place for all of the covered areas of the city through to 30<sup>th</sup> September 2018. This report seeks approval of the funding, length of agreement and awarding mechanism for services from 1<sup>st</sup> October 2018 onwards.
2. The recommendations contained within this report come from preliminary findings established from the current Neighbourhood Network service review, as well as past recommendations made by the two internal reviews and one external review of the first procurement exercise for contract LCC5014. The recommendations have been shaped through feedback gathered from various stakeholders as well as engagement with colleagues in Projects, Programmes and Procurement Unit (PPPU) and input from Council Members as part of a wider Strategic Advisory Group.
3. Key points raised during the review included: there being no benefit to dramatically remodel city coverage beyond ensuring every square mile of the city was covered, and; an importance to ensure current funding levels to existing

areas were not reduced. Underpinning these points was the recognition, both within Leeds City Council and partners, and beyond from other local authorities, of the value and general effectiveness of the Neighbourhood Network model to date.

4. The final data from the review has been analysed to inform the recommendations. These recommendations fall in to two categories: recommendations around funding, award process and management, and; areas for service development and potential improvement. This report focuses on the first category of recommendations. Following completion and presentation of the review report, further work will take place to define the service level agreement template and awarding process. These will be presented to the Director for Adults and Health for approval before progressing, with approval being sought in the third or fourth quarter of the 2017/18 financial year.
5. The funding provision will be made from the Adults and Health Directorate budget. The annual cost associated with the recommendations made in this report is £3,001,890, with the total cost for the initial 5 years' investment being £15,009,450. This represents an annual increase of £564,967 on the current contract value. Senior officers within the directorate continue to explore the opportunities for the Clinical Commissioning Groups to contribute towards this investment as part of the cities wider ambitions, as noted in the Leeds Health and Care plan. At the time of the report no additional, external funding is confirmed and this remains an aspiration to be achieved during the work to finalise the proposals on the service model.

## **Recommendations**

6. The Executive Board is recommended to approve the following proposals:
  - 6.1. To continue the contributory funding of Neighbourhood Network services for a further 5 years based largely on the current mapping of the city. This investment would commence 1<sup>st</sup> October 2018 through to 30<sup>th</sup> September 2023 with the proviso to review the service prior to the expiry of the agreement and to seek approval for the continuation of the grant agreement for a further 5 years on a rolling programme. The formal approval process will be adhered to at the appropriate juncture.
  - 6.2. To move away from the current contracting approach to long term grant arrangements based on core, central principles aligned with the Leeds Health and Wellbeing Strategy 2016-2021, the Better Lives Strategy 2017-2022 and Best Council Plan 2017/18. A fair, open and transparent competitive grants process is to be utilised for the award of funding. This would be based 100% on quality and the price for each Neighbourhood Network area will be set before going to market as per Appendix 2.
  - 6.3. To standardise funding currently labelled as either dementia add-on or additional funding as core funding for those areas affected (16 in total).
  - 6.4. To increase the overall value of the contract by a further £564,967 per annum, with the areas that currently receive the lowest investment seeing the greatest uplifts.

6.5. To engage on a case by case basis with current providers adjacent to unallocated areas of the city to redefine boundaries to be covered by the funding allocation.

7. Commissioning Officers (Adults and Health) will engage in the work necessary to develop the funding agreement document and formalise how processes will be managed for the award of funding for the ensuing 5 year period covered by this report. These proposals will be brought before the Director for Adults and Health for approval before going to market to set arrangements in place.

## **1 Purpose of this report**

- 1.1 To seek approval from the Executive Board to proceed with the proposals as outlined in the recommendations of this report. This is with the intention of establishing new arrangements for Neighbourhood Network services when the current contractual arrangements end 30<sup>th</sup> September 2018.

## **2 Background information**

- 2.1 The Neighbourhood Network schemes first began development in 1985. This was in response to the growing numbers of older people in Leeds and the need to focus on preventing illness and promoting health, wellbeing and independence. The services were created to improve the lives of older people in the city by providing a variety of support with the focus of reducing social isolation and improving the health and wellbeing for the individual. The services operate to geographical boundaries and cover the majority of the Leeds Metropolitan District Area. A key element of the services lays in the fact that older people and other community stakeholders are actively engaged in the planning and running of the services, both as consumers and contributors of social capital.
- 2.2 Between 2007 and 2009, a citywide review of the Neighbourhood Network schemes was conducted. This was initiated in an attempt to address the funding inequities that had developed across the City and to implement performance monitoring arrangements. One of the outcomes of the review was the decision to move away from the annual grant funding of services towards a contracting model that would provide long-term funding security.
- 2.3 A key component of the 2007-9 review was the development of a funding formula designed to rectify identified inequities in the allocation of funding. These inequities had arisen over the 20 years of Neighbourhood Network development which had been done on an area by area basis. The funding formula aimed to tackle these inequities through the allocation of weighted points to select demographic data (Table 1). These points were applied to population data mapped to the geographical boundaries of each Neighbourhood Network.

<b>Funding formula item</b>	<b>Weighting</b>
Persons aged 60-84	1.0
Persons aged 85+	1.2
Addition for living alone	0.3
Addition for 20% deprivation	1.0
Addition for BME	0.5

**Table 1.** Selected demographic types and allocated weightings

- 2.4 On bench testing the formula however a number of areas were noted to receive substantially less funding than they were currently allocated, which would have clearly had a negative and undesirable impact on those areas. This impact would have seen 19 of the existing 37 Neighbourhood Network areas losing between 4% and 76% of the funding awarded by Leeds City Council. To address this, a “no losers” approach was recommended which saw these areas retain existing funding levels. These areas received a small, inflationary uplift at award of contract.
- 2.5 A comprehensive procurement exercise was undertaken with the aim of securing the future of the services provided by the Neighbourhood Network schemes for a further five years, increasing to a maximum of eight years when including the optional 3 x 12 month extension periods built into the contract. The decision to establish such a long-term funding arrangement demonstrated the value placed upon these services by Leeds City Council. The ability of the Neighbourhood Network schemes to secure significant additional funding from other sources on the basis of this longer contract demonstrated the value of this approach.
- 2.6 The initial procurement in 2010 resulted in only 32 of the 37 areas being awarded a contract. The final five areas were awarded under a separate contract in 2012. This was as a result of concerns raised in relation to the procurement processes used and following the findings of two internal and a third external independent review of the procurement. As part of its observations the third review noted that there was considerable variation in the staffing levels of the Neighbourhood Network schemes, with some only having one full-time employee, and the capacity of trustees to assist in preparing tender documentation. This review concluded the procurement was conducted satisfactorily but highlighted that the process would have benefited from being simplified.
- 2.7 A small number of Neighbourhood Networks have received further funding in addition to that awarded through the initial procurement. A total of 11 schemes are in receipt of funding reinvested in their areas following service changes, such as day centre closure. Additionally 8 schemes secured further funding following a competitive process in 2013 to invest in service development. In 2017/18 these equated to £98,000pa and £339,210pa respectively.
- 2.8 The current review of the services was initiated following 7 years of the current contract. This review aims to evaluate what has worked and where

opportunities for further service development may exist. To establish this the review has engaged with the Neighbourhood Network organisations, their volunteers and services users, as well as professional stakeholders and ward and parish councillors. This information has been analysed and is currently being collated into the first draft of the review report. The recommendations from the review fall into two categories: contract/agreement structure and service development. This report focuses on the proposals relating to contract/agreement structure.

### **3 Main issues**

- 3.1 The Neighbourhood Network schemes are recognised both nationally and internationally as a pioneering, outcome-focused service. A recommendation made by the Institute of Public and Policy Research in the 2014 'Generation Strain' national report was for all Local Authorities to have 'neighbourhood networks for older people and their families in the areas that need them most', and they have been cited as examples of good practice in numerous national reports.
- 3.2 Based on the most recent monitoring data submitted in April 2017, the Neighbourhood Networks have a collective membership of 25,647 older people and a total of 2,102 volunteers. They help to provide greater choice and control in relation to day opportunities across the city. This is done within a community setting and includes delivering support that helps to tackle social isolation and contribute to improved health and wellbeing. This is provided alongside additional support such as advice, guidance and signposting. Data collated from 1,202 service user questionnaires collated during the review showed that on average 88.8% of individuals either agreed or strongly agreed that their neighbourhood networks were helping them meet the given outcomes. These outcomes included: feel less lonely (91.3%); have the opportunity to share views and be heard (87.2%); have a choice of things to do (91.3%); be able to keep active (90.1%); take part in more social activities (84.6%), and; have somebody to rely upon to help resolve problems (88.1%).
- 3.3 Feedback from professionals further reiterates the value of Neighbourhood Networks. As part of the review, questionnaires were sent to adults and health care teams, community police officers, GP surgeries and other voluntary sector organisations. Out of the 88 responses received 98.6% stated they had heard of the Neighbourhood Networks, out of which 83.9% had made referrals to them. Experience of engaging with the Neighbourhood Networks was rated as positive with 91.9% saying engagement was good (22.1%) or very good (69.8%). This feedback, when combined with the service user feedback, indicates that the Neighbourhood Networks are having a positive impact and have a clear place within the city.
- 3.4 The funding from Leeds City Council's Adults and Health is a partial contribution towards the costs of each scheme. In 2015/16 this accounted for 44.7% of all overall income generated by Neighbourhood Networks, with the percentage per organisation fluctuating. This funding contributed towards meeting estimated expenditure of £4,871,821. In general the majority of

services offered by the current Neighbourhood Network schemes are only made possible due to other income, such as Big Lottery grants. This can heavily influence the range and scope of services on offer. Other factors influencing this include local demand and interests, as well as volunteer capacity.

- 3.5 Based on the feedback gathered through the review the proposal is to continue funding commitments into Neighbourhood Network services utilising an approach that would ensure as smooth a transition as possible. Utilising a simpler, more accessible grants award process is proposed as the best means to achieve this. The number of Neighbourhood Network areas would be maintained and all current funding levels matched to each area would be retained. This would include any additional funding, which would be reclassified as standard funding. The reason for this reclassification is to protect investment allocated to each area. Doing so prevents these areas from losing up to 70% (on average 29%) of current annual income and helps to ensure sustainable services.
- 3.6 Apart from the additional funding awarded in 2013 to select schemes there has been no increase in the investment in Neighbourhood Networks. As part of the recommissioning of Neighbourhood Networks it is proposed that an additional £564,967 per annum be made available across the contract. This is both in recognition of the positive work taking place and the increasing demand evidenced throughout the contract, which has seen scheme membership collectively grow by 7.6% from 23,826 to 25,647. This additional investment would be distributed across all areas ensuring everywhere would see a positive gain.
- 3.7 The proposed approach to distributing this additional funding would be to ensure the organisations that have seen the lowest investment to date gain the most through this process. To achieve this, total investment in each area, including all additional funding, has been calculated and established as a percentage share of the total existing funding. The percentage share has then been redistributed so those areas that to date have seen the least investment would get the greatest benefit from any new investment. (Appendix 2) Under this approach the number of organisations receiving less than £40,000pa would be reduced from 7 to 1.
- 3.8 This approach to funding distribution steps away from the original funding formula. This is necessary as the inclusion of “no losers” in the original formula and the subsequent allocation of additional funding makes it impossible to allocate new funding without either requiring areas to lose investment or having areas that do not gain new money. This would potentially see up to 43% of Neighbourhood Network areas remain on funding originally set in 2008/09. Awarding funding as a flat percentage uplift to all organisations was also evaluated, however this saw those schemes with the most investment to date gain the most from any new monies.
- 3.9 The impact of the proposed funding distribution was evaluated in relation to tackling inequality in Leeds. When compared with the other assessed options

(funding formula update or applying a flat uplift) the proposed approach saw the greatest level of investment benefiting areas identified as being in the top 10% most deprived in the country.

- 3.10 During the review a mapping exercise was carried out to evaluate how areas compared to those originally established in the previous procurement. The mapping exercise showed how the majority, but not all, of the city was covered by the 37 Neighbourhood Networks. This service map was presented to the cross party Strategic Advisory Group established for the review. The group unanimously agreed that it would be ideal to establish coverage for all of the areas showing as unallocated. As these areas tend to be either small or consist of low to no population the best approach will be to incorporate these areas into existing boundaries. This would entail Commissioning Officers engaging with schemes adjacent to unallocated areas on a scheme by scheme basis. This would not be a factor in deciding funding distribution.
- 3.11 The recommendation for a 5 year arrangement with the proviso to review the service prior to the expiry of the agreement, and to seek approval for the continuation of the grant agreement for a further 5 years on a rolling programme is made in recognition of the leverage and stability that a longer-term commitment brings to voluntary organisations when looking to secure further, third party funding. It also provides greater stability to support staff retention and organise beneficial terms in other areas, such as office and facilities rent. The recommendation that this arrangement is best managed as individual long-term grants awarded for each area is made in reflection on the comments following the first procurement exercise in 2009/10. This recognised the importance of having an accessible process that did not alienate a market that largely consisted of small to medium sized charitable organisations that embodied the ethos of localism and community that the funding looked to support.
- 3.12 Approval of the recommendations contained within this report is the first stage in ensuring the continued investment into the nationally and internationally recognised model of neighbourhood network support for older people. This commitment will enable commissioning officers to utilise the findings of the review and through further engagement with stakeholders to develop the mechanisms necessary, including the service level agreement, to ensure the next 5 years plus of continued service delivery. These proposals will be brought to the Director for Adults and Health for final approval before being set in place.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Feedback was obtained from a range of stakeholders as part of the recent review of the current Neighbourhood Network services. This included feedback from service members, volunteers, professionals referring to the services as well as the Neighbourhood Network organisations themselves.

This research indicated a highly valued service which helped to address matters such as social isolation.

- 4.1.2 As part of the review ongoing engagement has taken place with representatives of the current Neighbourhood Network schemes. This has included launch events at the start of the review process and specific engagement sessions during the review process and follow-up questionnaires covering themes such as grant processes and full city coverage. Email and telephone support have also been provided as part of the process.
- 4.1.3 A cross party strategic advisory board chaired by the Executive Member for Health, Wellbeing and Adults was established to provide oversight and advice for commissioning officers working on the review.
- 4.1.4 All of the Neighbourhood Network schemes are governed by local people representing the communities they serve. These people steer the organisations as to how best to meet the outcomes that local older people want to achieve.
- 4.1.5 All of the organisations making up the Neighbourhood Network schemes engage in monitoring feedback from service users. This is reported quarterly as part of the ongoing contract monitoring process.
- 4.1.6 Expenditure proposed in this report will be subject to further consultation as part of the overall budget proposals covered in the annually produced Revenue Budget and Council Tax report presented by the Director of Resources and Housing for approval at full Council. The report that will be presented in February 2018 will cover the first six-months of funding, which will be scheduled to start 1<sup>st</sup> October 2018. All expenditure beyond these first 6 months will be subject to similar consultation and reporting processes.
- 4.1.7 The intention to put forward the proposals contained within this report was placed on the Council's Forward Plan and published to the List of Forthcoming Key Decisions 4th July 2017. This list is published on the Leeds City Council public website and provides details on the decision and how it will be made. It also explains how people can give their views on the matter.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An Equality, Diversity, Cohesion and Integration Screening has been completed (see Appendix 1), which demonstrates that the service meets the desired equality requirements.
- 4.2.2 Appropriate policies and procedures are in place with the providers.

## **4.3 Council policies and Best Council Plan**

- 4.3.1 The commissioning of this service is in line with current commissioning priorities and contributes to the 5 outcomes detailed in the Leeds Health and Wellbeing Strategy 2016-2021. It also contributes to the aim of the 'Making Leeds the best place to grow old in' Breakthrough Project as stated in the



Best Council Plan 2015-20 and the Time of Our Lives' Strategy as overseen by the Age Friendly City partnership. The proposals will also support the delivery of the emerging Leeds Health and Care Plan.

- 4.3.2 The services delivered by the Neighbourhood Network schemes are in line with the Adult Social Care Better Lives strategy as well as the Public Health priority of healthy ageing. This is through the delivery of low level, preventative services that help contribute to maintaining an individual's independence within his or her own home and community and the strong focus on building community capacity and harnessing social capital.

#### **4.4 Resources and Value for Money**

- 4.4.1 The total value of the proposals contained within this report is £15,009,450 over the initial 5 years, with an annual value of £3,001,890. This will be met from the Adults and Health budget. The additional £564,967pa will be met, in the first three years, from the additional monies received for Adult Social Care in the 2017 Spring Budget, with subsequent years funding being met from a reduced requirement for demand and demographic growth in mainstream Community Care budgets that will be provided for within the Council's ongoing financial planning rounds. Opportunities to engage with other key partners such as the Clinical Commissioning Groups continue to be explored though as of this report there is no definitive supplementary budget.
- 4.4.2 The Neighbourhood Networks evidence their positive impact on the communities they serve through quarterly monitoring. This positive impact includes emotional wellbeing, physical fitness and nutritional wellbeing. Through their work Neighbourhood Networks can improve and maintain older people's health and independence within the community, helping to reduce the need for more intensive service intervention.
- 4.4.3 The core funding covered by this report enables the Neighbourhood Networks to attract funding from other grant awarding bodies into their local communities. In 2015/16 this equated to a further £2.9 million in support of older people living in Leeds.
- 4.4.4 The overall funding for this contract is held by Adults and Health. This budget will continue to be monitored annually.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 As the overall value of this decision exceeds £250,000 this decision is a key decision and is subject to call in.
- 4.5.2 In proceeding with long term grant agreements for Neighbourhood Network provision the Executive Board must take into account the following:
- As the Council would be entering into grant arrangements with organisations who wish to operate Neighbourhood Networks the Council will have no contractual control over enforcement of the terms.

The only sanction available with grant payments is for the Council to claw-back grant monies paid;

- There is a risk of challenge that a grant payment is not a grant. Legally there is some confusion about when a grant can and cannot be used as there is a fine line between a grant (which is not caught by the procurement rules) and a contract for services (which is caught by the procurement rules). The preamble to EU Procurement Directive 2014/24/EU makes it clear at paragraph (4) that “the mere financing, in particular through grants, of an activity, which is frequently linked to the obligation to reimburse the amounts received where they are not used for the purposes intended, does not usually fall within the scope of the public procurement rules”.
- As such, unconditional grants are unlikely to meet the definition of a contract set out in the Public Contracts Regulations 2015 (PCR 2015). However, where grants are used with strict qualification criteria and an obligation to pay back money if certain targets are not reached, the position is less straightforward and it is possible that an arrangement referred to as a grant could actually meet the definition of a contract set out in the PCR 2015 and, if it does, the PCR 2015 may apply. It is therefore extremely important to ensure that, if providing grants, the process followed does not fall within the definition of a “public contract” as set out in PCR 2015 which states –  
“contracts for pecuniary interest concluded in writing between one or more economic operators and one or more contracting authorities and having as their object the execution of works, the supply of products or the provision of services”
- Grants may be in breach of state aid but it is unlikely that the grant payments proposed will fall foul of the state aid rules.
- Funding from which any grant payment is made must be designated as “grant” money. If the Council wish to make a grant, the money must be in the “grant” block. If it is not, it can normally be moved from other blocks in the Council budget into the grant block.

4.5.3 There is a risk of an ombudsman investigation arising from a complaint that the Council has not followed reasonable procedures, resulting in a loss of opportunity. Obviously, the complainant would have to establish maladministration. It is not considered that such an investigation would necessarily result in a finding of maladministration; however such investigations are by their nature more subjective than legal proceedings.

4.5.4 Although there is no overriding legal obstacle to pursuing the recommendations presented, the contents of this report should be noted. In making the final decision the Executive Board should be satisfied that the course of action chosen represents best value for money.

## **4.6 Risk Management**

- 4.6.1 The competitive grants process covered in this report will be undertaken in a fair, open and transparent way. Commissioning officers will ensure that the process fully reflects: the partial investment nature of the funding, the importance of a strong, local identity, and; the need for volunteer commitment for any grant awards to be viable. This is in line with observations raised by the independent review of the first procurement undertaken with the Neighbourhood Networks in 2009/10.
- 4.6.2 If the investment is not approved there is a risk that the existing services will cease and service users will no longer be able to access opportunities or support. If the proposed increase in funding is not approved there is a risk that services will be unsustainable or will need to reduce the range of opportunities offered.
- 4.6.3 The proposed grants process aims to minimise the risk of alienating small to medium sized charitable organisations by having a simpler, more accessible method for awarding funding.
- 4.6.4 Risks relating to legal challenge over grant payments and an ombudsman investigation and how these will be managed are set out in sections 4.5.2 and 4.5.3 of this report.

## **5 Conclusions**

- 5.1 Neighbourhood Networks are a long established part of the health and social care presence supporting older people in Leeds. They are highly valued, locally based services that have attracted national and international interest.
- 5.2 The end of the current contract has provided the opportunity to review the funding levels for the areas covered and how best to award that funding. This has included proposing an increase in funding to ensure sustainability and a move to a long-term grants model to manage that funding. Both of these proposals are based on assessment and understanding of the market.
- 5.3 The opportunity exists to build on the established good work of the existing Neighbourhood Network areas. This includes utilising feedback gathered through the review alongside further engagement with the market to ensure full citywide coverage and closer, stronger working relations.
- 5.4 There is increasing evidence of the value of the neighbourhood networks in reducing demand on statutory services. Therefore the additional investment is one of 'invest to save' for the health and well-being economy and is a positive example of use of the 'Leeds Pound'.

## **6 Recommendations**

- 6.1 The Executive Board is recommended to approve the following proposals:

- 6.1.1 To continue the contributory funding of Neighbourhood Network services for a further 5 years based largely on the current mapping of the city. This investment would commence 1<sup>st</sup> October 2018 through to 30<sup>th</sup> September 2023 with the proviso to review the service prior to the expiry of the agreement and to seek approval for the continuation of the grant agreement for a further 5 years on a rolling programme. The formal approval process will be adhered to at the appropriate juncture.
  - 6.1.2 To move away from the current contracting approach to long term grant arrangements based on core, central principles aligned with the Leeds Health and Wellbeing Strategy 2016-2021, the Better Lives Strategy 2017-2022 and Best Council Plan 2017/18. A fair, open and transparent competitive grants process is to be utilised for the award of funding. This would be based 100% on quality and the price for each Neighbourhood Network area will be set before going to market as per Appendix 2.
  - 6.1.3 To standardise funding currently labelled as either dementia add-on or additional funding as core funding for those areas affected (16 in total).
  - 6.1.4 To increase the overall value of the contract by a further £564,967 per annum, with the areas that currently receive the lowest investment seeing the greatest uplifts.
  - 6.1.5 To engage on a case by case basis with current providers adjacent to unallocated areas of the city to redefine boundaries to be covered by the funding allocation.
- 6.2 Commissioning Officers (Adults and Health) will engage in the work necessary to develop the funding agreement document and formalise how processes will be managed for the award of funding for the ensuing 5 year period covered by this report. These proposals will be brought before the Director for Adults and Health for approval before going to market to set arrangements in place.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.