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**Report of the Director of Adult Social Services and Assistant Chief Executive
(Corporate Governance)**

Executive Board

Date: 21 July 2010

Subject: NEIGHBOURHOOD NETWORK SERVICES

Electoral Wards Affected:
All

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

EXECUTIVE SUMMARY

A commissioning process commenced in 2009, inviting existing Neighbourhood Network Schemes and new organisations to bid for five-year contracts (with an option for a further three-year extension) for the provision of Neighbourhood Network services for older people in Leeds. The process was designed to achieve a more equitable funding distribution and to introduce performance monitoring arrangements based on improving outcomes for older people. The process followed a full review and consultations with the organisations and stakeholders.

The process for the award of contracts for the provision of Neighbourhood Network services was halted after concerns were raised over the conduct of the process. An independent Review (report appended) has now reported. The Review highlighted the considerable achievements of the Neighbourhood Networks and the vision of the City Council, across all parties over many years, in supporting the work. It concluded that there had been a positive intention to further strengthen the Neighbourhood Networks with long term contractual certainty; that there had been strength in the process, but this had been marred by failures in communication and a degree of antagonism between some Neighbourhood Networks and City Council staff. The absence of effective dispute resolution processes had not helped difficult circumstances.

The Review did not consider there to be any justification for re-opening the procurement process and made specific recommendations regarding the award of contracts. It specifically additionally recommended the development of a strategic partnership in areas 3, 4, 13, 15 and 34, where organisations demonstrated they can deliver the Neighbourhood Network Service contracts but competing bids evaluated higher. A strategic partnership would allow the organisations to retain their identities, continue to deliver services and provide a local focus but would have the added value and efficiency in terms of support, shared services and fundraising from another organisation and different arrangements for accountability and funding.

A number of learning points for the authority have been identified in order to improve commissioning with voluntary and community based organisations in the future. The Council has recognised mistakes which have been made and a letter of apology has been written to the Neighbourhood Networks, for distress caused during the process.

Executive Board is recommended to

- Approve the award of contracts in accordance with the recommendations resulting from the commissioning process;
- Resolve long term contracts to those recommended for one year as soon as possible;
- Authorise officers to open negotiations with a view to developing a Partnership model for the provision of Neighbourhood Network services;
- Note the learning points for the Authority outlined in the report;
- Strengthen operational links to Neighbourhood Networks and review the implementation of the funding formula annually.

1.0 Purpose of this Report

- 1.1 To consider the report of an Independent Review of the commissioning process for the award of contracts for Neighbourhood Network services in Leeds.
- 1.2 To note the conclusions made by the independent Reviewers.
- 1.3 To consider options for the future development of Neighbourhood Network services and contracts to support these.
- 1.4 To make recommendations for the award of contracts for the provision of Neighbourhood Network services.

2.0 Background Information

- 2.1 The first Neighbourhood Network schemes were set up in 1992 as local organisations run mainly by and for older people to help them remain independent in their own homes for as long as possible. They earned the Council 'Beacon' status in 2002 and in 2006, an invitation from the DWP to become a LinkAge Plus Pilot. Today, the Neighbourhood Networks cover the whole of the city and are central to the Council's preventive strategy. They are nationally renowned as examples of a council's support for its local communities.
- 2.2 The Neighbourhood Networks were, and are, funded through a range of contractual arrangements on an annual basis by the Council and NHS Leeds. Over time, significant inequalities in funding have arisen and as a result, in 2007 a joint review programme was put under way to determine how more equitable funding and performance monitoring arrangements could be put in place. A key objective of the review was to find a more transparent, fair and equitable process for commissioning Neighbourhood Network services.
- 2.3 As a result of the review and after extensive consultations with the Neighbourhood Networks and all stakeholders, recommendations were approved by Executive Board on 22 July 2009 to
 - Apply a funding formula closely linked to the national Older People's Relative Needs Formula to determine the amount of funding required by each Neighbourhood network;
 - Offer five-year contracts (with an option for a further three-year extension), with a revised specification for the provision of Neighbourhood Network services through a restricted competitive tendering process;
 - To put under way a procurement process, which invited existing and new organisations to bid for area-based Neighbourhood Network contracts, either singly or in collaboration.
- 2.4 The procurement process was put under way, culminating in recommendations to award contracts via the Adult Social Care Delegated Decisions Panel on 18 February 2010.
- 2.5 The recommendations were:
 - 2.5.1 Recommendation 1: that the organisations listed in Table 1 below were to be awarded a five-year contract with an option to extend year on year for a further three years (3 x 12 months extensions).

Table 1

Area 1*	Bramley Elderly Action
Area 2	Caring Together in Woodhouse and Little London
Area 3*	Leeds Irish Health and Homes
Area 4*	Leeds Irish Health and Homes
Area 5	Halton Moor and Osmondthorpe Project
Area 6	Holbeck Elderly Aid
Area 7*	Bramley Elderly Action
Area 8	Hawksworth Older People's Support
Area 9	Hamara
Area 10	WRVS Meanwood Elders Neighbourhood Action
Area 11*	WRVS Community Action for Roundhay Elderly
Area 12	North Seacroft Good Neighbours Scheme
Area 13*	Leeds Irish Health and Homes
Area 14	Action for Gipton Elderly
Area 15*	Leeds Irish Health and Homes
Area 16	South Leeds Live at Home
Area 17	Belle Isle Elderly Winter Aid
Area 19	Horsforth Live at Home
Area 21	Otley Action for Older People
Area 22	Neighbourhood Elders Team
Area 23	Rothwell Live at Home
Area 24	Morley Elderly Action
Area 26	Bramley Elderly Action
Area 27	Moor Allerton Elderly Care
Area 28	Armley Helping Hands
Area 29	Older People Active in their Locality
Area 31	Farsley Live at Home
Area 32	Neighbourhood Action in Farnley, New Farnley and Moortop
Area 33	Action for Gipton Elderly
Area 34*	Leeds Irish Health and Homes
Area 36	Supporting the Elderly People
Area 37	WRVS Chapel Allerton Good Neighbours Scheme
	* denotes a change to an existing provider

2.5.2 Recommendation 2: that the organisations listed in Table 2 below were to be awarded a contract for one year only with an option to extend for a further four years with optional 3 x 12 month extensions. These organisations were to be asked to agree and sign up to a mandatory Improvement Plan with the intention that significant improvements are made within the first six months of service delivery. The organisations will be closely monitored against the Improvement Plan and if significant improvements are not made the organisation(s) will be notified that their contract will be terminated at the end of the year and the service(s) will be re-tendered. If significant improvements are made and the organisations can demonstrate that they fully meet the requirements of the Neighbourhood Networks Service Specification the option to extend for a further four years with an optional 3 x 12 month extensions will be sought.

Table 2

Area 18	Middleton Elderly Aid
Area 20	Aireborough Voluntary Services
Area 30	Leeds Black Elders
Area 25	Pudsey Live at Home
Area 35	Wetherby In Support of the Elderly

- 2.5.3 Recommendation 3: that the organisations listed in Table 3 below were not to be awarded a contract to deliver the Neighbourhood Networks Service

Table 3

Area 1	Older Active People*
Area 3	Burmantofts Senior Action*
Area 4	South Seacroft Friends and Neighbours*
Area 7	Stanningley and Swinnow Live at Home Scheme*
Area 13	Swarcliffe Good Neighbours Scheme*
Area 15	Richmond Hill Elderly Aid*
Area 34	Crossgates and District Good Neighbours Scheme*
All areas	Carewatch
Area 11, 33	Shantona
All areas	Age Concern
	* denotes current Neighbourhood Network provider

- 2.6 The Delegated Decision was recorded in accordance with the Council's delegations procedures and communicated to the Neighbourhood Networks by letter on 23 and 25 February.
- 2.7 A number of issues were immediately raised concerning the conduct of the commissioning process, which were of such a nature as to call into question the decision making connected to the procurement process.
- 2.8 On the 5 March 2010, the Director of Adult Social Services took a second delegated decision which withdrew that of the 18 February. At the same time, she informed all the Neighbourhood Networks that their existing contracts were to be extended for three months, to ensure no interruption of service, pending the outcome of an independent review of the commissioning process. A letter was issued by the Council to the Neighbourhood Networks, apologising for distress caused during the process.
- 2.9 It was determined that the review of the procurement process would be carried out by independent specialists and would be overseen jointly by the Director of Adult Social Services and the Assistant Chief Executive (Corporate Governance).

3 The Review process

- 3.1 Two independent Reviewers were appointed, who were external to the Council and whose combined experience brought an in-depth knowledge of social care, the voluntary sector and local authority commissioning and procurement processes.

- 3.2 Terms of reference and a Review Brief were finalised on the 17 April following consultation with key stakeholders including representatives of all the Council's political groups, and the three-phase review set under way:
- Phase 1 – review of documentation
 - Phase 2 – interviews and meetings
 - Phase 3 – preparation of final report

The Review Brief setting out terms of reference for the exercise is a lengthy document and can be found at

http://intranet/Interest_Areas/Former_Departments/Social_Services/Social_care_news/Neighbourhood_networks_review.aspx

however, salient details of the Review Brief are attached at Appendix 1. In summary, the Reviewers were asked to address five key issues, based on points made, not only by the unsuccessful organisations, but also by others who commented on the process (see Appendix A of the Review Brief). The key issues were:

- Preparation for change
 - Choice of commissioning process
 - Conduct of commissioning process
 - Evaluation of the tender documents
 - Forward planning for the outcome of the process
- 3.3 Phase 1 comprised a detailed evaluation of the documentation associated with the commissioning process. Phase 2 consisted of four days of intensive meetings and visits.
- 3.4 The phase 3 report is the subject of this paper and is attached at Appendix 2. Highlighted below are the main outcomes from the review.

4.0 Main Issues – findings of the Review

- 4.1 The reviewers report that 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 Neighbourhood Networks. This allowed the Council to increase the level of funds available and so to guarantee that no Neighbourhood Network 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.
- 4.2 The City Council decided on a competitive tender exercise to effect the necessary changes. The reviewers conclude this was a reasonable course of action given the length of contract on offer.
- 4.3 The City Council, in the view of the Review team, took appropriate steps to assist the Neighbourhood Networks to take part in the tender process. There were, however, some failures in communication and a certain degree of antagonism developed between some Neighbourhood Networks and the City Council staff.
- 4.4 In addition the Reviewers do not believe that sufficient provision was made for escalation of disputes or scrutiny of outcomes. They consider that a more rigorous Gateway review extending beyond the project board may have prevented some of

the negative outcomes of this report. The Reviewers also believe that elected member involvement in the scrutiny process should also have been considered.

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

5.0 Conclusions drawn from the Review

- 5.1 The reviewers make the following recommendations, firstly that the recommendations set out in the Report of the Neighbourhood Network Project Board to the Delegated Decision Panel of the 18 February 2010 in respect of:

5.2 Firstly, that the Neighbourhood Networks 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.

5.3 Secondly, 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.

5.4 Thirdly, that where service providers failed to meet all the required standards but where no alternative service provider submitted a successful tender, in respect of areas 18, 20, 25, 30 and 35, arrangements should be agreed and put into effect as soon as possible. The reviewers go on to recommend that where possible the Directorate seeks to resolve the issues identified with each Network in a shorter timescale than the 12 months originally suggested.

5.5 Fourthly, the Reviewers noted that some organisations failed to demonstrate their ability to meet the required standard to deliver the Neighbourhood Networks contract and that a competing bidder successfully demonstrated its ability to deliver the Neighbourhood Networks in respect of areas 1 and 7.

5.6 The reviewers then propose that the original delegated decision report should have included another category which they propose as follows:–

5.7 “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. The reviewers 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 the view of the reviewers there could be much to be gained in a partnership which allowed the existing providers to remain as independent organisations undertaking work in an agreement or contract with Irish Health and Homes.

5.8 The reviewers observe that this would retain the local emphasis and enable those providers to continue to attract other resources and retain 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.

5.9 An example of a successful partnership model in Leeds is provided by Methodist Homes for the Aged (MHA). MHA manages five Neighbourhood Networks, known as ‘Live at Home’ schemes. Each scheme is a local project established to provide a

range of services for older people, to support them to live independently and lead fulfilling lives. MHA holds the service contract from the Council, employs all the staff for each scheme and is responsible for all Human Resources-related matters, including supervision, performance, payroll and attendance management.

- 5.10 In addition, MHA supports each scheme to generate its own local identity and links. Although the schemes are part of MHA, they are distinctive in that they are based upon the involvement of volunteers. Authority is delegated to a Local Committee composed of volunteers and MHA staff. These Committees determine local priorities and review the work of the scheme. The Committees act with the authority of the Board of MHA but MHA retains overall responsibility for performance management and quality control, reporting to the Council as and when required.
- 5.11 The Local Committee provides active support to the scheme manager in the day-to-day running of the service, providing insight into the local needs of older people, strategic direction, ensures the financial viability of the scheme and promotes the activities of the scheme in the local and wider community.
- 5.12 Following the recommendation of the reviewers with regard to the arrangements for provision in areas 3,4,13, 15 & 34, and subject to the agreement of Executive Board, officers will initiate discussions with the relevant organizations to develop the creation of an appropriate partnership model as outlined by the reviewers or similar to that exemplified by MHA and described above. The discussions will include exploration of the relevant legal and constitutional considerations which would apply to the development of such arrangements.

6.0 The future provision of Neighbourhood Network services in Leeds

- 6.1 The Reviewers explain that they 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. The Reviewers conclude that they do not have the expertise to make a judgement on this but recommend that this specific issue is reconsidered by the City Council, taking into account the evidence submitted and keeping the funding formula under review.
- 6.2 They additionally recommend that Adult Social Care identifies a clear link between the Neighbourhood Networks and the Directorate at operational level so that there is good communication between the Neighbourhood Networks and the Adult Social Care staff working with older people.
- 6.3 The reviewers conclude that 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 Neighbourhood Networks with defined outcomes and a long term funding arrangement. This secures the current services and builds a foundation for Neighbourhood Networks to develop further.
- 6.4 The Reviewers go on to conclude that it was 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.

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

6.6 In addition they state that, 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.

6.7 In terms of the necessity for a Review to be conducted, the Reviewers confirm that their Review has further delayed the decisions being put into effect but it was an appropriate action for the City Council to take.

6.8 Finally, the reviewers state that although the focus of this review was the procurement exercise, they 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.

7.0 Implications for Council Policy and Governance: learning from and responding to the Review

7.1 The independent Reviewers were positive about the intentions behind the commissioning process, namely, to create a fair, transparent and equitable market in which the Neighbourhood Networks could thrive and deliver quality services.

7.2 However, there are a number of areas where lessons can be learned for future commissioning processes, both within Adult Social Care and the Council's Corporate Procurement unit. The learning will be incorporated into future commissioning activities within the Council

7.3 A learning log with a timetable for action is attached at Appendix 3.

8.0 Legal and Resource Implications

8.1 The full cost to Leeds City Council and NHS Leeds is £1,982,000 per annum. This equates to £1,716,000 for Adult Social Care. It is anticipated that the new contracts will take effect from 1 October 2010.

9.0 Conclusions

9.1 The Review of the Neighbourhood Network commissioning process has concluded that, overall, the process was sound and that there is no need for a new process to be undertaken or repeated.

9.2 The Review concluded that there is sufficient information available from the process for a sound decision to be taken on the award of contracts for Neighbourhood Network services

9.3 However, the Review has provided an opportunity to reconsider the position of a number of smaller organisations in Leeds and has proposed the creation of a collaborative arrangement within a Partnership between Neighbourhood Networks.

10.0 Recommendations

10.1 That contracts be awarded to the organisations listed in para 2.5.1 (Table 1); and in para 2.5.2 (Table 2) in accordance with the original recommendations of the Delegated Decision of 18 February 2010 as described in paragraph 5.2 above.

10.2 That officers seek to resolve the award of long term contracts to the organisations in areas 18, 20, 30, 35 and 35 (Table 2, para 2.5.2) as soon as possible.

10.3 That negotiations be held with Irish Health & Homes and the five unsuccessful bidders in the east area, with a view to concluding an appropriate partnership or other similar arrangement as outlined in para 5.7 through 5.10 above.

10.4 That action to ensure continuity of service as outlined in para 5.3 above in respect of areas 1 and 7, be supported

10.5 That the actions that will be taken in relation to learning from the procurement process be noted.

10.6 That the operational links to NNs be strengthened and that the implementation of the funding formula be reviewed annually

Background documents referred to in this report:

- 1 'Neighbourhood Network Schemes Review: future vision and way forward' – report to Executive Board, 22 July 2009.
- 2 'Neighbourhood Network Services' – report to Delegated Decision Panel (Adult Social Care), 18 February 2010.
- 3 'Neighbourhood Network Services' – Delegated Decision Notification of withdrawal of Delegated Decision D36556.
- 4 'Review Brief: Independent review of the procurement and commissioning process for the Neighbourhood Network schemes'.