

Report for: Cabinet – 16th June 2020

Title: Renewal of a Dynamic Purchasing System for Semi Independent, Supporting Living and Homecare Categories

Report authorised by: Stephen McDonnell - Director, Environment and Neighbourhoods

Lead Officer: Barry Phelps, Head of Procurement
Barry.phelps@haringey.gov.uk
020 8489 2744

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1. To renew the Dynamic Purchasing System (DPS) procurement sourcing tools for the provision of the Council's Semi Independent, Supporting Living and Home Support requirements.
- 1.2. The original DPSs were awarded for a period of four years to support the Council's requirements at a total estimated combined value of £110m. These will expire on the following dates: Home Support 28th July 2020, Semi Independent and Supported Living both expire on 30th June 2020.
- 1.3. The proposal is to renew the DPSs, for Home Support, Supported Living and Semi-Independent categories for a period of two years, with the provision for extension for two years to 2024.
- 1.4. The Council will open the DPSs for other contracting authorities to access, to support the wider strategic approach to collaboration and obtaining parity in prices across these sectors. This will enhance the sustainability and resilience in these sectors.
- 1.5. The Council currently spends around £36m per year on these services, the intention will be to allow scope London Living Wage increases and for other authorities to access the DPS and increase the annual spend provision by 75% through the DPSs to £63m p.a.
- 1.6. The DPSs provides significant access to Council contracts for SMEs both locally and regionally, with around 40% of the spend going to Haringey located business and a further 46% p.a. going to other London based SMEs.

- 1.7. The renewal of these DPSs will support the policy position of the Council to implement measures to pay LLW across all suppliers, including social care.

2. Cabinet Member Introduction

- 2.1 The DPS is an essential tool for providing local businesses and SMEs easy access to Council contracts. Haringey is recognised as a leader in this field, having the largest portfolio of DPS categories in local government with over £100m p.a. of spend going through them.
- 2.2 In excess of 90% of DPS expenditure in the Home Support, Semi-independent and Supported living categories is with SMEs, which is broken down as follows:

Description	Percentage Expenditure p.a.
Haringey SMEs	40%
Other London SMEs	46%
Outside London SMEs	6%
Non-SME Spend	8%
Total Expenditure	100%

- 2.3 The DPS was a fundamental component of the Council being awarded the Federation of Small Business 'Best Small Business Friendly Procurement Department' in 2019.
- 2.4 Extending the DPS in these categories and allowing other authorities to access the DPS, will provide additional opportunities to our local companies to extend their services to other authorities and help support the Community Wealth Building agenda.
- 2.5 During these very challenging times and with these services at the forefront of the struggle against Covid 19, we need to maximise opportunities for local businesses in these sectors to continue to survive, with minimal disruption to the sector. Continuing to utilise a DPS as recommended in this report, will avoid the need for our suppliers to go through an elongated and protracted procurement process.
- 2.6 I therefore fully endorse the recommendations in this report to renew the DPS in these categories.

3. Recommendations

That Cabinet approves:

- 3.1. Pursuant to CSO 7.04 a) (Where the Council is considering leading on any joint procurement activities with other contracting authorities that is a Key Decision), CSO 9.04.1 (a Dynamic Purchasing System (DPS) may be used to carry out procurements in accordance with Regulation 34 of the Public Contract Regulations) and CSO 9.07.1 e) (The award of any contract valued £500,000 (five hundred thousand pounds) or more is a 'key decision') to renew the DPSs for Home Support, Semi Independent, and Supporting Living with access for other Local Authorities for an initial two (2) year period commencing on 1st July 2020 with an option to extend for a further two years to 30th June 2024.
- 3.2. That Cabinet awards a DPS for the following care provision with additional capacity of 75% for LLW and use by other local authorities in the values outlined below:

Care Category	2 – Year initial term £m	Full value over life of the DPS £m
Home Support	£46	£92
Semi Independent Living	£25	£50
Supported Living	£55	£110
Total	£126m	£252m

Note: The above values consider the provision for both the Council and other authorities accessing the DPS and does not represent the actual expenditure of the Council in these categories.

4. Reasons for decision

- 4.1. The Dynamic Purchasing System (DPS) is a supplier e-sourcing tool and a compliant route to market under the Public Contract Regulations, which enables suppliers to enrol, accredit and be approved to bid for Council contracts.
- 4.2. The Council's overall spend for home support, supported living and semi-independent over the past financial year was in the region of £13m, £16m and £7m, respectively. Renewing these DPSs will not incur any additional license fees, as the Council already holds an enterprise license.
- 4.3. The DPS provides a compliant route to market for care provision, which ensures transparency in the procurement process, equal treatment of suppliers and ensures that the requirements of both the Public Contract Regulations 2015 and the Council's Contract Standing Orders (CSO) can be met, particularly as much of care provision is purchased on an individual basis and the Regulations do not provide for hitherto 'spot contracts'.
- 4.4. Purchasing outside of a DPS would require either an extremely resource intensive approach, whereby each requirement would be commissioned separately and would require suppliers to go through the accreditation checks for each opportunity. This would likely prevent suppliers bidding for the services and place the provision of these services at risk; or we would need to establish a framework, which would likely exclude many local SMEs from meeting the criteria to qualify under a framework. In addition, a framework does not allow for suppliers to join at any time and prevents

new start-ups and entrants from accessing Council contracts during the term of the framework.

- 4.5. A DPS is beneficial in that; it enables supply chain expansion as suppliers can join at any time during its lifetime, unlike a traditional framework where only suppliers at inception remain within it until expiry. This means that the supply chain can be renewed and replenished throughout its term, which lends itself to more competition and therefore better value for the Council and its users.
- 4.6. The DPS is an efficient route to market for both the Council and the supply chain; importantly it enables access to Council opportunities for SMEs. A fact borne out by the figures; of the circa £36m of expenditure across these 3 categories, whereby, in the last year 92% was spent with SMEs, 40% of which was in borough. Once accredited, suppliers can apply for multiple contract opportunities and do not need to undertake separate tender processes for services accredited for. This is particularly important, as resource intensive tender processes may duplicate effort and are often barriers to entry for small and medium sized enterprises.
- 4.7. A DPS enables the Council, to undertake time efficient tender processes, which facilitates speed of award and service delivery. We currently undertake around 2,200 individual procurements each year in these categories. The DPS streamlines the Councils procurement/commissioning, contract management and finance processes, which can be undertaken under the one system.
- 4.8. Importantly, renewing the DPS will have minimal impact on the existing supply chain as suppliers will only need to confirm there is no change in their qualification status except for their financial standing, which will be reviewed again. This will provide Commissioners an opportunity to devise any additional questions and amend the category structure to further support emergent commissioning strategies over the next two to four years
- 4.9. Moreover, awarding these DPSs aligns with agreed procurement & commissioning strategies, including payment of LLW, establishing block contracts, locality- based home support in order to facilitate high quality care delivery, as well as contract and market management; market expansion – all care category markets have expanded since inception; Home Support, Semi Independent and Supported Living by 84%, 37% & 60% respectively. Further expansion is required to fine tune supply in more specialised areas.
- 4.10. Renewing for an initial 2 year period, will give Care Commissioning and Strategic Procurement time to review their commissioning and procurement strategies going forward, factoring in any potential categories that could be insourced, impacted by social distancing and updating category documentation to account for current circumstances, emergent need, or identified gaps in provision e.g. to meet specialisms like positive behaviour provision for high need learning, disabled residents or perhaps provision that may be better delivered through alternative procurement routes or longer-term measures like property acquisition or remodelling to meet need.
- 4.11. Strategic Procurement will support the replenishment of the care supply chain by stimulating the market conducting suitable market engagements to identify, enrol and accredit suitable economic operators or indeed deploying management market tools like: price caps for continued efficient and effective delivery of the Council Semi

Independent, Supported Living and Homecare requirements through the renewed process time for commencement on 1st July 2020.

4.12. Enabling other authorities to join the DPS in these categories will bring additional benefits:

4.12.1. Suppliers will only need to be accredited once to access all contract opportunities across the authorities, opening up opportunities to local suppliers to provide services outside of Haringey.

4.12.2. This approach will assist in attaining parity of prices across the sectors.

4.12.3. It will potentially provide access to additional suppliers in hard to source sectors.

4.12.4. Market intelligence around costs, capability and capacity in the market will be significantly increased.

4.12.5. May provide an opportunity for the Council to generate some income to offset the operating costs of the DPS.

5. Alternative options considered

5.1. Do Nothing - This option would require the Council to seek alternate procurement arrangements incurring significant additional costs and resource effort to facilitate procuring over 2,200 requirements per year, each needing the supplier to re-present accreditation requirements, that will then need to be evaluated.

5.2. Establish a framework for semi-independent, supporting living and home care – this option was discounted in preference to the use of a DPS for commissioning these services. This is primarily due to the restrictions applied to the duration of a framework and the limitation of suppliers only being able to be admitted at the point of establishment of the framework. In comparison to a framework, a DPS enables an unlimited number of suppliers to join at any time; provided they meet the accreditation and enrolment criteria. The call off process from a framework is much more administratively intensive than that of a DPS.

6. Background Information

6.1. Haringey operates the largest portfolio of DPS within local government with an estimated spend of circa £100m p.a. and has a dedicated DPS team that is well placed to support the Council, maximising the potential of a DPS.

6.2. The DPS has been designed to be “SME friendly” and promote local community wealth building. Suppliers can join the DPS at any time during its term, provided they meet the accreditation and enrolment criteria.

6.3. Each supplier must maintain their accreditation status throughout the duration of the DPS. This is monitored by the DPS team, where a supplier fails to maintain the accreditation (i.e. insurances, health, and safety certificates etc.) they are suspended until such time they have rectified the failures.

- 6.4. The day to day contract management of the suppliers and the services they provide are managed within the relevant service area.
- 6.5. Significant efficiencies are achieved through the use of the DPS each year (based on statistics supplied by adam, our DPS service provider), these are estimated to be:
- Procurement: 50%= saving of 286 hrs
 - Finance: 85% (presuming all functionality within SProc.net is used) = saving of 1455 hrs
 - Contract Management: 70% = saving of 330 hrs
 - Hours Per Annum Saved = 2071
- 6.6. The Council holds an enterprise license to cover most of its DPSs; therefore, there is no additional license costs for renewing these DPSs.
- 6.7. Strategic Procurement has developed a commercial offering for other LA's to access the Council's DPS should they wish to.
- 6.8. The renewal of these schemes will enable the approach approved by Cabinet in March 2020, but delayed due to the Covid-19 pandemic, of a phased introduction of London Living Wage (LLW) for home support and indeed for each category set out here. To ensure the Council's LLW policy for home support is implemented in the timeframe anticipated in the March Cabinet paper, the Council will introduce the requirement to pay LLW as a requirement within all new Contracts let through the DPS for home support at its implementation date of 1st August 2020. This will essentially introduce LLW for the following:
- 6.8.1. All new block home support contracts let at any time after 1st August 2020.
- 6.8.2. All new individual home support contracts (i.e. previously known as spot contracts) with effect from 1st August 2020 to adopt the new outcome-based requirements.
- 6.9. Block contracts for home support already agreed by Cabinet in March 2020 will come online within the mobilisation timeframes already agreed and are not directly affected by this decision. The Council intends to go out to tender to seek 6 further block contracts for home support in line with the model approved at Cabinet in March 2020 and informed by learning during the current pandemic. The introduction of requiring providers to pay LLW as a minimum to their staff, will be coupled with the improved model for home support with better outcomes for local residents, for care workers and for the local health and care system. However, it is worth noting that there are some risks to achieving the full set of benefits to residents from a service perspective, as anticipated in the March Cabinet paper, by adopting the route to implementing the LLW set out here. For example, some of the outcomes associated with a new model of home support may be harder to achieve where a large number of providers will be delivering the new model and the link to localities may for a period be weaker. In addition, affecting some of the system outcomes may also be more challenging in this context.
- 6.10. For the other categories, the time frames are as follows:

6.10.1. Supported living – all contracts from 1st July 2020.

6.10.2. Semi-independent living – all contracts from 1st July 2020.

6.11. The Council is not intending to retrospectively apply the requirement to pay LLW in existing contracts unless they migrate into new block contract or other new arrangements. This is due to the complexities around potentially breaching Public Contract Regulations when the original award was made.

7. Contribution to strategic outcomes

7.1. The introduction of the DPS will support a number of Corporate Priorities:

- Creating a suite of procurement tools to support development, growth, and regeneration in the borough.
- Alignment with the Council's Procurement Strategy.
- Promotion of Social Value Act through the suite of contracts contained within the procurements.
- Promotion of SME engagement across London.
- Promoting localism and community wealth building across the borough and London.
- Payment of London Living Wage, use of local labour and promotion of apprenticeships.
- Efficiency gains through the use of collaborative procurement with other local authorities and public sector organisations.

8. Statutory Officers Comments

Finance

8.1. This report seeks Cabinet approval for the award of a DPS contract for the procurement of Home Support, Semi-independent and Supported living services. This arrangement is in essence a framework agreement, which allows third-party SMEs to bid for social care packages through the DPS system.

8.2. The potential total value of the contract is £126m over a 2-year period with an option to extend for a further 2 years making a total contract value of £256m.

8.3. The previous contractual arrangement was for a 4-year period for a total value of £110m, where the Council spent £36m in 2019-20 on these services.

8.4. New homecare contracts awarded through the DPS system will require providers to pay LLW. As part of the MTFs the council has provided for homecare LLW increase, net of deliverable mitigations, of £2.4m in the budget for 2020/2 as shown in the table below.

8.5. Table shows the net budget increase of £2.413m for homecare LLW in 2020/21:

Net LLW 2020/21 budget uplift	£'000
MTFS Homecare LLW uplift	4,288
Less planned mitigations	(1,875)
Net budget uplift	£ 2,413

8.6. Revised budgetary requirements of £2.4m for implementing homecare LLW are outlined in the table below:

Table shows the revised budgetary requirement for implementing the LLW for Homecare from 1st August 2020:

Revised 2020/21 budget requirement	£'000
LLW budget required from 1st August 2020	2,859
Home care worker bonus April -June	635
NCL provider 5% uplift for 3 months	200
Revised LLW mitigation estimate	(1,300)
	£ 2,394

8.7. The above table lists the reduced budget requirement for implementing LLW for 8 months from 1st August 2020 of £2.859m. There have been additional costs of a £2/hour uplift for homecare hours worked between April and June of £635k; and a general uplift of rates agreed across North Central London (NCL) authorities of 5% for 3 months to June 2020 of £200k. Due to Covid-19 there have been changed practices and delays to implementing LLW mitigations and a revised estimated achievable mitigation figure of £1.3m has been included.

8.8. The tables in 8.5 and 8.6 above show that there is £2.4m available budget for homecare LLW and the expected full cost of implementation from 1st August 2020 is £2.4m. Therefore, the cost of awarding this contract is affordable from existing agreed budgets.

8.9. The implementation of LLW through the DPS system is a replacement of the current £2/hour uplift bonus payable to all homecare workers agreed to the end of June. The service will also be going out to tender by locality for delivering block and call off hours with improved service outcomes and service efficiencies. This is likely to come into effect in early 2021.

8.10. The service is reconsidering the timing and deliverability of the planned mitigations for the current and future years. The full future years deliverability of mitigations may prove more challenging and is subject to further assessment for the refreshed MTFS.

8.11. This proposed contract award allows for Haringey's existing rates of contract expenditure with head room for wage inflation and usage by other local authorities. The additional capacity will not incur any additional cost by Haringey. However, it will enable flexibility of service delivery for other councils including our NCL

neighbours. The cost of the license is covered under the existing ICT contract, with no additional cost to the service.

- 8.12. The current agreement expires early summer 2020; with a risk if this not agreed, the Council will not be able to fulfil its statutory duties.

Strategic Procurement

- 8.13. The services to be procured come under the remit of Schedule 3 of the Public Contract Regulations 2015. The DPS will be set up in accordance with Regulation 34 of the Public Contracts Regulation and an appropriate advert published in the Official Journal of the European Union.
- 8.14. The recommendation to renew the DPS is in accordance recommendation 3.1 is supported by Strategic Procurement, following the successful introduction of the DPS for these categories as a compliant route to market four years ago.
- 8.15. The DPS is a route to market and sourcing tool which enables compliance with Contract Standing Orders and the Public Contracts Regulations 2015 for procurements above and below thresholds and enables process, efficiencies and significant value for money for the Council and its service users by promoting active competition for all requirements. Moreover, management information on supply chain, care category spends, or market management tools are readily available to facilitate service planning.
- 8.16. The award of these DPS care categories will enable the Council to contribute to the delivery of several its priorities including the payment of London Living Wage (LLW) which is of particular significance in the low-paid care sector and the wider Council Procurement Strategy. Applying LLW retrospectively to previously let contracts under the old DPS, may create issues from a Public Contract Regulation perspective; in so far as, a bidder in the original procurement exercise, may have offered LLW as part of their submission, but may not have been successful due to the original costs being slightly higher. To apply a retrospective uplift now, may create some issues from a regulatory perspective relating to the original decision to award the contract.
- 8.17. Strategic Procurement is also in support in opening the DPS in these categories to other authorities. It is anticipated by doing this, it will drive further efficiencies across the supply chain, through less administration and efficient deployment of resources, provide additional opportunities to secure contracts they may not otherwise have had access to and move towards parity of prices across the region.

Legal

- 8.18. The Assistant Director of Corporate Governance has been consulted in the preparation of the report.

- 8.19. Strategic Procurement have confirmed the Dynamic Purchasing Systems which this report relates to will be set up in accordance with the Council's Contract Standing Orders (CSOs) and Regulation 34 of the Public Contracts Regulations 2015 (as amended). This will ensure compliance with the CSOs and the relevant legislation.
- 8.20. The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

Equality

- 8.21. Equalities comments as follows:

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The proposed decision is to renew the Dynamic Purchasing Systems procurement sourcing tools for the provision of the Council's semi-independent, supported living, and home support requirements. An outcome of this decision will be to enhance the sustainability and resilience of these sectors. This is likely to have a positive effect on those residents accessing these services, a significant proportion of whom are likely to be older people and people with disabilities. The proposed decision is therefore a measure to meet the needs of people whose needs are different to those of others due to their sharing of a protected characteristic, and in this way, it advances equality of opportunity.

9. Use of Appendices

Not applicable

10. Local Government (Access to Information) Act 1985

No supporting documents required.