| Cabinet Decision<br>23/07/14 | |
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| **Report of:** Stephen Halsey, Corporate Director CLC and Head of Paid Services | **Classification:**<br>Unrestricted |
| **Drug and Alcohol Action Team (DAAT) Commissioning Intentions** | |

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| **Lead Member** | **Cllr Ohid Ahmed** |
| **Originating Officer(s)** | Andy Bamber, Rachael Sadegh |
| **Wards affected** | All wards |
| **Community Plan Theme** | **Safe and Cohesive, Healthy and Supportive** |
| **Key Decision?** | Yes |


**Executive Summary**

The Drug and Alcohol Action Team (DAAT), within CLC, currently commissions drug / alcohol treatment interventions via 23 individual contracts with statutory and third sector providers. There is now an urgent need to re-procure this provision for three reasons:

i) Most services have not been subject to a competitive tender for a number of years.
ii) Current performance is declining across many providers
iii) There is now a request from ESCW to reduce the amount of Public Health Grant allocated to drug / alcohol services by £1.06m (from £8.8m to £7.74m, including £865k for in-house Drug Intervention Programme provision).

The need to re-procure drug/alcohol treatment services presents an opportunity to procure a more recovery-orientated service delivering improved performance and better value for money. Options for re-procurement have been developed, including a standstill option, and have been reviewed by the DAAT Board, ESCW and CLC DMTs and CMT. It should be noted that this report is only concerned with contracts commissioned via the DAAT.


**Recommendations:**

The Mayor in Cabinet is recommended to:

1. Agree to the re-procurement of drug / alcohol treatment services in Tower Hamlets
2. Agree a preferred option for re-procurement
3. Agree the timescales detailed in the report
4. Note the risks detailed in the report and the mitigating actions.

## 1. REASONS FOR THE DECISIONS

The Treatment system must be re-procured for three reasons:

1.1 Most services have not been subject to a competitive tender for a number of years.

1.2 Current performance is declining across many providers

1.3 There is a request to reduce the amount of Public Health Grant allocated to drug / alcohol services by £1.06m

## 2. ALTERNATIVE OPTIONS

2.1 Current recommendations from DAAT Board, CLC / ESCW DMTs and CMT suggest option 3 is the preferred option of the four options presented.

## 3. DETAILS OF REPORT

3.1 Prior to the implementation of the Health and Social Care Act, most drug / alcohol contracts were funded via NHS held monies. Funding was provided directly to services or via Section 256 agreements specifying the services to be contracted by LBTH. In 2012, a project was initiated to redesign the treatment system to ensure fitness for purpose and better value for money. Unfortunately this was delayed due to the impending implementation of the Health and Social Care Act and transfer of Public Health responsibilities to Local Authorities. On 1st April 2013 Public Health responsibilities were transferred and since that date, LBTH have been responsible for delivering a number of public health interventions which include drug / alcohol interventions.

3.2 The drug / alcohol treatment service contracts previouslyfunded via the Primary Care Trust were transferred from the NHS to the DAAT in April 2013. Contracts were given for the period up until 31.03.13 (following Cabinet agreement to extend the PCT contracts for a year). As previously reported the small number of contracts held directly by LBTH expired some time ago (with these services operating longer than the original contract term). As such, TH Legal Services advised that all DAAT contracts should not be extended any further and be re-commissioned to be legally compliant.

3.3 However, due to the legal and technical complexity of the process, and the lack of national guidance until quite late in the process, numerous delays materialised. This resulted in the original re-procurement deadline being unachievable. As a consequence, the DAAT sought Mayoral Executive Approval (January 2014) to extend the contract renewal timeline to January 2015 to enable resources to focus on the re-commissioning process. This opportunity to re-procure all drug / alcohol treatment services presents an opportunity to align service configuration to local need.

3.4 The extension of current provision was approved on the basis that a robust DAAT procurement plan be developed to:

- Mitigate the risk due to possible legal challenge
- Enhance performance
- Improve value for money
- Ensure better service alignment to need
- Improve the capability of partnership and providers
- Facilitate a review of resource across the whole system and deliver local economic benefits

3.5 Procurement plans began immediately but a proportion of the activity could not take place during the pre-election period due to the decisions required, hence the current timetable.

3.6 Current contractual arrangements have been extended until the end of December 2014 as there is a commitment within the Mayor's Decision paper to agreeing mobilisation dates for new contracts by that date. There is now an immediate need to begin procuring/re-procuring drug/alcohol treatment services.

**Need for Re-procurement**

3.7 There has been a corporate request for 10% savings to be generated from the Public Health Grant in 2015/16. Public health have specified that £1m of these savings should come from the adult drug/alcohol commissioning budget and £60k from DAAT salaries and savings proposals will be presented to the Mayor. It would not be possible to re-procure the current model of provision with such a budget reduction.

3.8 This presents an opportunity to examine what is currently procured and procure an integrated treatment system which will deliver improved recovery outcomes. The case for changing the provision currently procured is outlined below.

**Future service options**

3.9 The need to re-procure all adult substance misuse provision is now unavoidable. However the decision regarding exactly what to procure has yet to be made.

4.10 Following Mayoral Approval key workstreams were initiated to serve as the evidence base for the future treatment system – these included:

- A Needs Assessment to identify local needs (Appendix 1)
- An independent Service Review (to assess the extent to which the borough treatment system currently addresses need and identify any gaps)

This work identified a number of pressing priorities for the Tower Hamlets treatment system which have largely stemmed from an organic growth of the treatment system over many years – resulting in a highly complex arrangement. As such, the borough system has evolved, rather than being

holistically planned, and is a treatment system that is focused on Opiate substitution therapy and addressing presentation through the Criminal Justice System. The key priorities highlighted through the needs assessment and the service reviews were to:

- Maintain Opiate priorities within the system
- Expand non-Opiate and alcohol provision
- Integrate drugs and alcohol services
- Rationalise and reduce the number of service contracts
- Regularly review and scrutinise substitute prescribing
- Increase psychosocial interventions
- Build stronger recovery capital of clients
- Reduce client key worker ratios and support the role of key workers
- Increase 1-1 and group counselling/work
- Increase client readiness for structured treatment and maximise the outcomes from inpatient detox (drugs and alcohol) and residential rehabilitation
- Review information management systems to better understand how best they serve strategic and service level needs
- Maintain a client focused services fit for purpose that encompasses strong client involvement and peer led recovery outcomes

A previous attempt to reconfigure the treatment system and address the same issues was started in 2011 but this work was terminated due to the announcement that all substance misuse services and the associated funding streams would transfer to the Council in April 2013.

3.11 The Home Office Drugs Strategy 2010 moved the focus of treatment towards long term goals of recovery and reintegration for drug users, whilst maintaining provision that minimises harm to both the individual and the community. This is now measured within the Public Health Outcomes Framework (PHOF2.15) as the number of drug users who successfully leave treatment and do not re-present to services within 6 months. Whilst the treatment system in Tower Hamlets has been successful in engaging large numbers of clients in effective treatment, successful completions of treatment are low and decreasing, and re-presentations are increasing. There have been numerous strategies for improving this performance over recent years and a new action plan will be implemented for 2014/15. However, significant improvements within the same treatment system structure are unlikely.

3.12 An Options Appraisal has been developed to establish which potential future service arrangements could best meet the identified local needs. In total, four structural options have been considered reflecting the key points in the treatment journey from treatment entry, through various treatment interventions and ultimately successfully exiting treatment (a structural diagram of each option is presented in Appendix 2). The four potential options developed are as follows:

Option**One**: Standstill (23 contracts) (leave the treatment system largely as it is) but with a single point of system entry, triage and comprehensive assessment with onward referral to provider services.

Option **Two**: Main treatment provider for Tier 3 treatment (all drugs and alcohol) with separate recovery/support contracts (10-15 contracts). Therefore combine the main treatment provision for tier 3 treatment (opiate, non-opiate and alcohol) into one contract including treatment entry, assessment, pharmacological and psychosocial interventions. This would work with targeted access points into treatment and additional recovery providers offering the full menu of recovery support.

Option**Three**: Two drug + alcohol treatment contracts; one for treatment and one for recovery (2 contracts). Single drug treatment provider for all Tiers 2-3 treatment, this option should coexist with a separate commissioned recovery agency, targeting their work solely on recovery activity.

Option **Four**: Single integrated drugs and alcohol service contract. (1contract).

Alongside all of these options would be a referral/outreach contract to focus on engaging targeted groups into treatment and re-engaging individuals who have dropped out of treatment. There is also an ongoing need for an element of (re-specified) shared care provision and a service at Health E1 (homeless GP practice).

3.13 On 8th April 2014 these options were presented to the DAAT Board who unanimously recommended Option 3 as the most appropriate borough service arrangement to take forward – given it addressed the key concerns and requirements highlighted in both the Needs Assessment and Service Review while also offering the potential to deliver improved performance efficiencies.

**Procurement plan**

3.14 It is intended that all borough substance misuse services will be re-procured and be fully mobilised in April 2015.

3.15 The procurement approach will be guided by the seven imperatives outlined by LBTH and will incorporate these imperatives within the tender process and the final service specifications. In particular we will be keen to deliverbudget efficiencies, value for money and local employment and training opportunities within the context of a highly specialised service.

3.16 To mitigate the risk of a successful procurement challenge a robust project plan has been developed (see appendix 3). The plan highlights the timeline

for the various phases of re-procurement process including contract initiation, planning, re-procurement and mobilisation to replace all the DAAT contracts over the next 8 months or so. Key dates are listed below:

- Consultation (June)
- EQIA (June)
- Spec and tender material development (Apr-June)
- Decisions prior to tender (July-Sep)
- Tendering and Evaluation (July-Nov)
- Decision ratification (Oct-Dec/Jan)
- Contract sign off and mobilisation dates set (Jan/Feb)

3.17 There has been extensive consultation undertaken regarding treatment provision in Tower Hamlets with commissioners, providers, service users and other stakeholders. This has been in conjunction with previous plans for remodelling as well as the recent needs assessment and service review. When a proposed model for procurement is agreed, there will be further consultation as well as an equality assessment.

3.18 Following discussion of these proposals at MAB on 18th June, service specifications for contracts to be procured will be shared with the Mayor prior to publication.

## 4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1. There is currently budget provision of £8.8m from the Public Health allocation. This currently commissions £7.9m drug and alcohol treatment interventions (DAAT) including salaries. The balance of the provision supports the £865k in-house Drugs Intervention Programme (DIP).

4.2. A savings reduction of 10% has been specified from the Public Health grant for 2015/16. A savings target of £1.06m has been requested from the DAAT budget. There is the expectation that £1m of the savings target will be delivered from the drug /alcohol commissioning budget of £7.4m reducing the commissioning provision to £6.4m. The remaining savings of £60k is to come from a reduction in the staffing budget of £566k reducing to £506k.

4.3. The report provides four options for consideration. Option 1 provides a standstill position and does not relinquish any savings. The other three options all provide an element of restructuring and consolidation, Option 2 (10-15 contracts), Option 3 (2 Contracts) and Option 4 a single contract. The recommendationof the DAAT board is that Option 3 be considered as the most appropriate borough service arrangement. The reduction in the Public Health allocation suggest that Option 3 and 4 are the most likely options that would deliver the £1.06m reduction and provide for sufficient resources to commission contracts.

4.4. The procurement strategy detailed within this paper is aimed at the Option agreed being fully mobilised April 2015. It is likely that an extension would be required to the current contracts post January 2015. There is sufficient

provision within the existing budget envelope to manage any contracts extension.

## 5. LEGALCOMMENTS

5.1. Following the passing of the Health and Social Care Act 2012 byparliament the Council received both the power and the obligation toprovide services from 1April 2013 of the types detailed inthe body of this report.

5.2. The Council has a duty under the Local Government Act 1999 toensure that it achieves Best Value in the purchases it makes and therefore must subject these purchases to competition. This is to ensure that the expenditure secures "continuous improvement in the way in which the Council's functions are exercised".

5.3. As the level of spend is above the OJEU threshold, the Public Contracts Regulations 2006 will apply to this procurement exercise. The extent of their applicationis limited because of the services being 'Part B' in nature, though it does include the requirement to undertake a "reasonable" level of advertising and place a final award notice in OJEU.

5.4. Due to the application of the Public Contracts Regulations 2006, the Public Services (Social Value) Act 2012 requires the Council to consider:

i. How what is proposed to be procured might improve the economic, social and environmental well-being of the area in which it exercises its functions and to which the proposal relates; and
ii. How, in conducting the process of procurement, it might act with a view to securing that improvement.

The Council will also need to consider whether consultation on these issues is required. The requirements of the Act apply to the pre-procurement stage which, in this case, is the period up to the publishing of an advert.

5.5 If local benefits are being sought as part of this procurement exercise, these may account for up to a maximum of 5% of the evaluation criteria for quality (in line with Counsel's opinion) and will then form part of the contractual obligations to which winning bidder(s) are committed.

5.6 The current contracts have been extended up to 31 December 2014 by mayoral decision and arrangements will therefore need to be made in due course to further extend the contracts on an interim basis in order for the procurement exercise to be undertaken and contract award in accordance with the procurement plan proposed.

## 6. ONE TOWER HAMLETS CONSIDERATIONS

6.1. The current treatment system within Tower Hamlets has been successful in attracting a wide range of individuals into treatment across the equality strands. Within the large number of services commissioned there are

specialist services for BME clients (with a focus on Bangladeshi and Somali individuals), female clients, pregnant clients and clients with mental health issues. Commissioning a simplified structure would mean fewer specialist provisions. However, within the procurement process there will be requirements for providers to determine how best they will incorporate the needs of such populations. Providers will be encouraged to form consortia or sub-contract with other providers and provide services in a flexible manner from a wide range of venues to ensure specialism is incorporated into their service offer. Once contracts are awarded there will be performance targets for engaging targeted populations based upon the equality strand data that has been collected over the last three years.

6.2. Whilst the current treatment system has been successful in engaging known populations of drug / alcohol users, there are still a number of groups not engaging in treatment. For example, it is well documented that problematic drug / alcohol use is more prevalent within populations such as homosexual men, Chinese, Eastern Europeans, students / young adults, high earning individuals, than the demand presented to our current services. In the current financial situation, it will not be possible to initiate specialist services for each new population that demonstrates a demand for treatment services and therefore a more flexible approach should be developed to target emerging population needs.

6.3. A full equality analysis is underway now that the election is over and we may fully engage stakeholders in consultation.

## 7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

7.1 There are no major environmental implications within this proposal but bidders for services will be requested to demonstrate their commitment to contributing to a sustainable environment.

## 8. RISK MANAGEMENT IMPLICATIONS

8.1. As mentioned earlier in the report, there is now an urgent need to re-procure to avoid legal challenge with regards to current contracts. Hence the procurement project necessary to mitigate that risk.

8.2. If option 1 is pursued and the treatment system remains broadly the same as its current configuration, there are risks to future affordability and performance. An element of payment by results would be implemented as an additional contract management tool but this would not greatly change the client experience. This option would not relinquish any savings for this year or future years and required savings would need to be met elsewhere.

8.3. Options 2-4 would involve an element of restructure. A large scale restructure of any system will bring a risk of destabilisation. Potential ramifications within the treatment system are a temporary drop in numbers of individuals accessing treatment and potential risks to effective ongoing management of individual clients. In order to mitigate against this risk, a comprehensive

implementation plan will be developed to ensure handovers between services are as smooth as possible, including data, premises, client handover, communications, records transfer etc. It is highly likely that a number of staff currently engaged in services will continue to be part of the treatment system via TUPE arrangements and as many of the leases for premises are held by LBTH, many of the current service premises will be available for use in a new system.

8.4. There is a significant risk that the re-procurement of treatment services across the borough may not be completed prior to the end of December 2014. A timetable has been developed to complete the tender process and make recommendations for contract award by the first week in October, allowing presentation to Cabinet in December (subject to meeting schedule). However, this tight schedule requires a smooth process with no meeting cancellations and is not sufficiently robust to withstand any unforeseen issues that may delay the process. Therefore, it is highly likely that the delivery timeline will extend beyond 1st January 2015 – requiring a further extension in the later part of the re-procurement process. Legal have advised this approach would be defensible against challenge on the basis that the procurement process was being undertaken.

## 9. CRIME AND DISORDER REDUCTION IMPLICATIONS

9.1 Problematic drug / alcohol use within the borough contributes significantly to crime and anti-social behaviour across the borough. Treatment interventions are funded on the basis that they prevent further health harm and costs associated with crime. In Tower Hamlets, it is estimated that every £1 spent on drug treatment saves £2.82 in health and crime costs. This is based upon current performance of the treatment system and a more effective system with improved outcomes would increase this cost benefit. Latest data shows that 23% of referrals into the treatment system are via criminal justice agencies (police, probation, prison).

## 10. EFFICIENCY STATEMENT

10.1 The current treatment system configuration does not offer good value for money. Options for re-procurement have been developed and all four options presented have currently been developed within the same commissioning budget envelope (£7.4m) to allow direct comparison of spend and maintain the integrity of the treatment system. If spend is retained and merely distributed differently, options 2,3 and 4 would facilitate progressively lower management / admin costs which may be re-invested in frontline staff and recovery focussed services resulting in lower case loads and facilitating improved performance.

10.2 Options 2-4 have also been developed to demonstrate the effects of budget reductions of between 5% and 20%. Whilst this modelling gives an idea of the budgets available for individual elements of the service, there is further work to be completed on the frontline staffing impact within individual services.

10.3 The DAAT team is currently carrying a number of vacant posts. A restructure of the team will be carried out once the model of treatment provision to be procured is determined. A team can then be built around the requirements of the service and will generate savings of at least 10% against current establishment costs.

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**Linked Reports, Appendices and Background Documents**

**Linked Report**

- NONE

**Appendices**

- Appendix 1: Needs assessment executive summary
- Appendix 2: Treatment System Options
- Appendix 3: Project timeline
- Appendix 4: Equalities Analysis Quality Assurance Checklist

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**Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- Options Appraisal.

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