

For General Release

REPORT TO:	CABINET 20 November 2017
SUBJECT:	South London Work & Health Programme Contract Award
LEAD OFFICER:	Shifa Mustafa Executive Director Place Emma Lindsell Director of Economic Growth
CABINET MEMBER:	Councillor Mark Watson – Economy and Jobs
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The service to be provided meets the following Council's Corporate Priorities:

- Supporting residents (including those with disabilities/health conditions, the long term unemployed and other disadvantaged groups) into sustainable employment by giving them the required individually tailored support.
- Helping residents to be as independent as possible by a more integrated approach to accessing any relevant support services. It will also help residents to achieve financial independence through sustainable employment.
- Improve the Wellbeing of residents.
- The Bidder and their Supply Chain commit to the Council's Social Values agenda.
- The Bidders and their Supply Chain commit to the Council's London Living Wage agenda.

FINANCIAL IMPACT

In accordance with the OJEU notice reference 2107/S 044 080966, the outcome of the procurement commits the Council to a maximum expenditure of £13.38M over the next 5 years which can be claimed back from the Department of Work & Pensions (DWP) and the European Social Fund (ESF).

KEY DECISION REFERENCE NO: 2017CAB.

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to:

- 1.1 Appoint Bidder A as the Preferred Bidder for the provision of South London

Work and Health Programme services to the residents of Croydon, Merton, Sutton, Kingston and Richmond. The service is to support residents with disabilities, health conditions, disadvantaged groups and the long term unemployed into sustainable employment and improved well-being.

- 1.2 Subject to fine tuning discussions with the Preferred Bidder being resolved to the Council's satisfaction and there being no material change to the proposed solution, delegate authority to award the final contract and agree all necessary documentation to the Executive Director Place

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this report is to outline the procurement process undertaken for commissioning the South London Work and Health Programme on behalf of the South London Partnership (SLP) and to confirm the recommended Preferred Bidder based on the outcome of the tender evaluations.
- 2.2 The South London Work and Health Programme is intended to support up to 5582 residents of Croydon, Merton, Kingston, Sutton and Richmond into sustainable employment, targeting residents with disabilities and/or health conditions, the long term unemployed and specified disadvantaged groups. The agreed procurement strategy (CCB1284/17-18) was to source a provider through a Competitive Dialogue procedure for an initial 5 year period with the possibility of a further 2 year option to extend.
- 2.3 The funding for the Programme is being derived from a £6.69m grant from the Department of Work & Pensions (DWP) for the initial 5 year period of the Programme. This grant will be match funded by the European Social Fund (ESF) providing a total budget of £13.38M for the Programme's initial 5 year period. The funding was approved due to the DWP's devolving powers and funding to London sub-regions which enables Croydon as the Lead Authority to receive the funding on behalf of the South London Partnership boroughs.
- 2.4 Most Programme costs are being funded through the DWP grant and the ESF match funding which the Council can draw down once the expenditure has been accrued or defrayed. There are some costs which cannot be drawn down such as the Councils legal costs; these costs will be borne by the five members of the South London Partnership and will be shared as set out in the SLP Memorandum of Understanding (MoU) which was agreed and signed by the five SLP Chief Executives earlier in the year.
- 2.5 As the Lead Authority, the Council led the procurement process on behalf of the participating boroughs in accordance with the agreed MOU and the Public Contract Regulations 2015. The MOU sets out the agreement whereby any costs and risks are to be shared amongst the participating boroughs.
- 2.6 This report details the procurement process undertaken and recommends award of contract to the Preferred Bidder A, which submitted the most economically advantageous tender for the provision of the Work and Health Programme. More information is detailed in the Part B report of this agenda.

The Work and Health Programme contract is a Payment by Results (PbR) contract. Approximately 30% of the total contract value will be paid to the Preferred Bidder on a monthly basis throughout the life time of the contract for delivery of agreed service standards. The remaining 70% of the contract value will be paid for each resident who successfully achieves an employment outcome.

- 2.7 The content of this report was endorsed by the Contracts and Commissioning Board on 3rd November 2017 (Ref: CCB1285/17-18).

CCB Approval Date	CCB ref. number
03/11/17	CCB1285/17-18

3. DETAIL

- 3.1. The procurement process commenced during February 2017 following the publication of the OJEU notice. Twelve SSQ submissions were received and, following evaluation based on the pre-determined selection criteria, the five applicants with the highest scores were invited to submit a solution response and participate in the dialogue sessions during July-August 2017.
- 3.2. The Competitive Dialogue enabled the Council to dialogue with the shortlisted bidders on areas where it was unable to adequately describe the required provision or where dialogue could explore a range of potential solutions. These included:
- Operational Delivery
 - Customer Journey including IT
 - Mobilisation
 - Social Value
 - Added Value
 - Performance Management
 - Commercial
- 3.3. Five bidders participated in the dialogue process however, two bidders subsequently withdrew from the process during dialogue. In accordance with the EU Treaty principles and PCR 2015 requirements, the Council considered whether continuing the process with three bidders was sufficient to ensure genuine competition and it was determined that this could be achieved.
- 3.4. The Invitation to Submit a Final Tender (ISFT) was published on 12th September 2017 and the three bids received on 4th October 2017, were comprehensively evaluated on quality and price in accordance with the published award criteria (60% Quality and 40% Price). The process was structured to ensure that the qualitative evaluations were carried out in the absence of any detail relating to price to maintain probity of process and prevent unconscious bias.
- 3.5. The pre-determined award criteria was based on 60% Quality and 40% Price. As agreed in the procurement strategy, the Council standard weightings were not been applied for the following reasons:
- Previous DWP welfare to work programmes have usually placed emphasis on price and these programmes have not always performed

well. This is partly due to the relatively minor focus on the quality of provision offered to participants, resulting in a low success rate. The devolved nature of the programme means that local integration and having a locally meaningful delivery model will be critical to the success of this programme. The level of customer service standards being offered in the tender submissions will be scored accordingly to ensure the performance of the contract is delivering to the participants' needs and eventual success of a central government devolved programme.

- Procuring a professional service which will be provided by the Lead Provider and its supply chain partners based on a long-term arrangement, therefore the key factor will be the fit between the Lead Provider and the Council and this is best tested through quality.
- The budget allocation is fixed therefore, an affordability threshold has been applied whereby any tender submission exceeding this level, will be rejected in its entirety.

3.6. Following receipt of the final Tender submissions, the members of the Evaluation Team proceeded with the assessments of the qualitative and pricing responses. These were evaluated in accordance with the pre-determined Tier 2 and 3 award criteria as per following:

South London Work and Health Programme Evaluation Outcome		Bidder A	Bidder B	Bidder C
Tier Two Criteria: Section A: Approach to Delivery (45%)	Tier Three Weighting Criteria	Score	Score	Score
QA1 Work and Health Delivery Model and its Overall design of the service	20%	16.00%	12.00%	8.00%
QA2 Voluntary participants	9%	5.40%	3.60%	3.60%
QA3 Personalised assessments	10%	6.00%	6.00%	4.00%
QA4 Health and condition management assessments	15%	12.00%	9.00%	6.00%
QA5 Employability action plans	4%	2.40%	2.40%	1.60%
QA6 Casework hours	4%	2.40%	1.60%	1.60%
QA7 Specialist services for health needs	12%	9.60%	7.20%	4.80%
QA8 Caseworker approach	4%	3.20%	2.40%	1.60%
QA9 Approach to working with the South London Boroughs	8%	6.40%	3.20%	3.20%
QA10 Securing employment opportunities for participants	2%	1.60%	0.80%	0.80%
QA11 Providing in-work support	2%	1.60%	0.80%	1.20%
QA12 Recruitment, retention, training, development of caseworkers and other participating roles	2%	1.60%	0.80%	0.80%
QA13 Caseworker caseloads	4%	3.20%	1.60%	2.40%

South London Work and Health Programme Evaluation Outcome		Bidder A	Bidder B	Bidder C
QA14 Assessment of Participant's distance travelled towards greater employability and work readiness	2%	1.60%	1.20%	0.80%
QA15 Participants reimbursement of travel & expenses etc.	2%	1.60%	0.80%	0.80%
Sub Total Quality Section A	45%	33.57%	24.03%	18.54%
Tier Two Criteria: Section B: Performance, Organisation and Management (15%)	Tier Three Weighting Criteria	Bidder A Score	Bidder B Score	Bidder C Score
QB1 Added Value	20%	16.00%	8.00%	8.00%
QB2 Performance expectations for the Service Standards	20%	20.00%	12.00%	12.00%
QB3 Programme management, staff resources and organizational structure	5%	3.00%	3.00%	3.00%
QB4 Supply chain partner's details	5%	3.00%	3.00%	3.00%
QB5 Clinical governance arrangements	5%	3.00%	3.00%	2.00%
QB6 Part A: IT Solution	2.5%	1.50%	2.00%	1.50%
QB6 Part B: Proposed IT Systems to be used (Access to reporting; service monitoring data; optimising the Participant's experience during the Work and Health Programme).	2.5%	2.00%	2.00%	1.50%
QB7 Mobilisation Plans	10%	6.00%	6.00%	6.00%
QB8 Contract exist strategy plan	5%	3.00%	3.00%	3.00%
QB9 London Living Wage Accreditation/Commitment	5%	3.00%	3.00%	3.00%
QB10 Business Continuity and Disaster Recovering Arrangements	3%	1.80%	1.80%	1.80%
QB11 Risk Management Procedures	4%	2.40%	2.40%	2.40%
QB12 Social value	13%	10.40%	7.80%	7.80%
Sub Total Quality Section B	15%	11.27%	8.55%	8.25%
Total (Quality Section A & Section B)	60%	44.84%	32.58%	26.79%
Section C: Commercial and Pricing	Weighting	Bidder A Score	Bidder B Score	Bidder C Score
Lower Income threshold	15%	15.00%	14.51%	13.73%
Higher Income threshold	15%	15.00%	13.78%	12.23%
Lowest profit margin	10%	2.66%	10.00%	3.44%
Total (Commercial & Price)	40%	32.66%	38.29%	29.40%
Overall Total	100%	77.50%	70.87%	56.19%

3.7. As a result of a comprehensive evaluation process, the recommendation is to appoint Bidder A as the preferred Bidder for the provision of South London Work and Health Programme services to the residents of Croydon, Merton, Sutton, Kingston and Richmond.

Contract management

- 3.8. Croydon Council has designed and modelled the resource implications of managing and administering the Work and Health Programme across the sub-region. Most costs relating to programme/contract management will be met using management and administration funds from the ESF as authorised by the ESF Managing Authority. A specialist programme/contract management team with experience of managing ESF funded provision will be recruited to ensure the success of the programme and compliance with funding regulations. The MoU between Croydon and the other South London boroughs which details how financial risks of the programme will be shared and how costs that cannot be recovered from ESF will be shared amongst partners.
- 3.9. A SLP governance board will also be created to review contract/programme performance as well as provide a forum for resolution and ongoing discussion about the programme and ensure robust contract management arrangements are in place within the Council, and across partners from other boroughs, and the leading provider.
- 3.10. Additionally, the corporate contract management system currently being introduced will capture important KPIs on a regular basis; this will include performance indicators for Social Value initiatives.
- 3.11. The tender documents were tailored for this contract and legal advice was sought via the Council's external advisors to develop the Terms and Conditions of contract, ensuring transposition of the required terms deriving from DWP and ESF, particularly with regards to performance management and contract management arrangements including reports.

4. CONSULTATION

- 4.1 All five South London Partnership (SLP) boroughs were consulted during the procurement process through the SLP Skills and Employment Working Group (SEWG) with updates provided at SEWG meetings every month. The proposed borough integration plans for the Preferred Bidder to engage with the local services were devised by each individual borough and were included as part of the Specification document which set out the requirements to all Bidders.
- 4.2 Each of the five South London boroughs have nominated a Lead Officer who has been involved throughout the whole procurement process and were responsible for ensuring that any key activities or decisions were communicated and actioned within their own boroughs and amongst their internal stakeholders. Also each borough was asked to nominate staff with the relevant experience to participate in the tender evaluation process, and Croydon, Sutton and Merton Councils submitted nominees to be part of the Evaluation Group. The same members of the Evaluation Group were also involved in the dialogue sessions with all the Bidders.
- 4.3 Updates on progress of the Programme have also been given at regular intervals through the other governance boards/meetings such as the South London Growth Directors meetings, the South London Chief Executive meetings and the South London Leaders meetings.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 The Payment Model for the Programme has been set up so that 30% of the contract value will be paid monthly to the Preferred Bidder over a set period of time in order to ensure that the minimum requirements of the Programme for the residents are being met. The Preferred Bidder will then receive Employment Outcome payments for each Resident that they successfully support into employment. There are up to 2 outcomes payable for residents who are supported into employment. If a resident achieves the lower earnings threshold which is set at the national minimum wage earnings level, the Preferred Bidder will receive a set payment. If the resident is then supported to achieve a higher earnings threshold which is set at the current London Living Wage level, the Preferred Bidder will then receive a second outcome payment. There is also an outcome payment for residents who are supported into sustainable self-employment.

1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Revenue Budget available				
Expenditure	0	0	0	0
Income				
Effect of decision from report				
Expenditure	665	1,927	2,836	2,818
Income	(665)	(1,927)	(2,836)	(2,818)
Remaining budget	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Budget available				
Expenditure	0	0	0	0
Effect of decision from report				
Expenditure	0	0	0	0
Remaining budget	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

2 The effect of the decision

The effect of the decision is that the Council will commit to spending up to £13.38M to enable the Preferred Bidder to set up and deliver services to support the local residents into sustainable employment within South London. Any proportion of the £13.38M budget that is actually spent will be claimed back from the DWP and the ESF, the joint funders of the programme on a 50:50 split; this will result in a nil effect on the Council's revenue budget.

3 Risks

Risk 1: There are ESF eligibility and compliance requirements which need to be adhered to in order to draw down the ESF funding. If the Council or the Preferred Bidder do not adhere to these requirements, ESF funds may be withheld or clawed-back.

Mitigation Measures:

- A Contract Management team is currently being recruited to ensure ESF contract compliance; the team will be responsible for managing the relationship between the Council, ESF and DWP and the relationship with the Preferred Bidder. The team will have experience of successfully managing ESF contracts and ensuring strong performance and compliance with funding regulations during contract delivery

Risk 2: ESF could seek to recover funds from Croydon Council as the leading authority should the commissioned W&H provider significantly under-perform against the contract KPI's.

Mitigation Measures:

- The council will recruit a dedicated Contract Management Team responsible for setting up robust protocols for performance managing and contract monitoring the successful Provider.
- The financial risk to the authority will be minimised through the application of the MoU with other South London Partnership boroughs; the MoU shares financial risks and liabilities proportionally amongst the partners.
- The Council's external legal advisers have drafted the contract terms and conditions and the financial risk is being transferred to the provider. The Bidders all received copies of the terms and conditions during the dialogue process.
- The overall contract value with the provider will be capped so that the overall spend cannot exceed the available funding.
- The MoU signed with ESF allows for performance to be balanced over the lifetime of the programme.

Risk 3: Contract overspend due to over-performance by the provider:

Mitigation Measures:

- Stretching performance targets will be set up in the contract.
- Performance will be capped so it cannot exceed the allocated envelope of funding.

Risk 4: Croydon left out of pocket by activities required as lead accountable body

Mitigation measures

- The MoU between the SLP boroughs sets out (amongst other things) cost share, risks, and responsibilities and set out the roles of the authorities involved.

Risk 5: Reputational risk regarding delivering a service which includes elements of mandating and sanctions.

Mitigation measures

- Ensure senior officers and members are appraised of proposed mandated elements of the programme.
- Ensure clients are aware of responsibilities and roles within programme e.g. DWP will continue to operate sanctions regime, not Croydon.

Risk 6: TUPE – there is an existing national programme which could mean the provider may be liable for TUPE responsibilities.

Mitigation Measures:

- DWP has identified that it is the potential supplier's responsibility to consider whether TUPE applies in the individual circumstances of their tender i.e. the responsibility is with the Preferred Bidder.

Has this project been put on the corporate risk register? Yes

4 Options

The options that were considered were as follows

- Do nothing – do not enter into agreements with DWP and ESF to commission the programme, the impact of this is that South London would have been part of DWP's national programme of support and would not have been specifically tailored to meet the needs of residents.
- Undertake a joint procurement process with the 3 other London sub-regions for a single London programme - this would have meant that the specification requirements for the whole of London would have been identical and would not have allowed us to tailor the programme to the local needs of the South London boroughs.
- Secure a Provider to deliver the programme locally on behalf of the SLP to ensure that delivery meets the needs of each of the 5 boroughs and aligns with local priorities and agendas. This is the chosen option as per the recommendation in the report.

5 Future savings/efficiencies

The Preferred Bidder will use the South London boroughs' integration plans when implementing the contract to avoid duplication with any local services. With the informed consent of the residents, the Preferred Bidder will be able to liaise with various other local partners such as Mental Health Trusts, GPs and Social Services to ensure that there is a joined up coordinated approach to helping residents overcome or manage their barriers to employment more effectively and within shorter timescales.

The provision of support will maximise employment opportunities for the local residents and supports the council in delivering value for money in performance, delivery and cost.

As the expenditure will be covered from grant funding there are no saving opportunities within this report, but the delivery of the programme will be at a net nil cost to the Council.

(Approved by: Luke Chiverton, Head of Finance; Finance, Investment & Risk)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor to the Council confirms that the procurement process as detailed in this report is in accordance with the requirements of the Council's Tenders & Contracts Regulations and meets the Council's duty to secure best value as provided under the Local Government Act 1999.

(Approved by Sean Murphy Head of Commercial and Property Law and Deputy Monitoring Officer for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

7. HUMAN RESOURCES IMPACT

- 7.1 This report makes recommendations involving a new service provision and it is considered that there will not be any Transfer of Undertakings (Protection of Employment) 2006 Legislation requirements or liabilities at the start of the Programme as it is a newly localised commissioned Programme. All Bidders were also asked to seek their own independent TUPE advice.
- 7.2 A small Performance & Contract Management team will be recruited directly by the Council to manage the performance and relationship with the Preferred Bidder. This team will also manage the relationship and reporting requirements with ESF, DWP, Job Centre Plus and any other key stakeholders.
- 7.3 The Council as an employer, will also be a potential beneficiary of local residents seeking work opportunities.

(Approved by: Sue Moorman, Director of Human Resources)

8. EQUALITIES IMPACT

- 8.1 Equality considerations were taken into account as part of the requirements defined within the original tender documents (including the Terms and Conditions of Contract) whereby there is a need for the provider to be compliant with the Equality Act 2010.
- 8.2 The Equality Policy 2016 - 20 sets out the Council's commitment to equality and its ambition to create a stronger, fairer borough where no community is held back. The policy reflects the council's statutory duties under the Equality Act 2010 and is supported by the equality objectives set out in the Opportunity and Fairness Plan 2016-2020.
- 8.3 The equality objectives for 2016-20 are aligned to and will support the delivery of the Council's business outcomes set out in its Corporate Plan particularly in relation to:
- **Growth** - creating growth in the local economy and ensuring that all residents in the borough are able to share the benefits
 - **Independence** - taking on an enabling role to help residents to be as independent as possible
 - **Liveability** - creating a welcoming, inclusive and pleasant place in which local people want to live and work and feel safe.

- 8.4 A full Equality Analysis has been undertaken which will be kept under review to ensure that where necessary action is taken to mitigate potential negative equality impacts e.g. access issues for people with restricted mobility.
- 8.5 There is also a requirement from ESF for us as the Lead Authority and for the Preferred Bidder to not only comply with the Equality Act but to also create, submit and maintain a Gender Equality and Equal Opportunities implementation plan. The outline version of this plan has already been submitted to ESF, which has been approved, and the final version will be submitted once the Preferred Bidder has been given the opportunity to make their contribution into the plan.
- 8.6 The contract includes the requirement for the Preferred Bidder and its supply chain partners to pay the London Living Wage as a minimum.
- 8.7 There are also requirements for the Preferred Bidder to deliver Social Value outcomes. These include creating opportunities for local residents such as work placements, guaranteed job interviews, apprenticeships, training and providing support for local schools across South London.

9. ENVIRONMENTAL IMPACT

- 9.1 There is an ESF requirement for the Council and the Preferred Bidder to create, submit and maintain a Sustainable Development implementation plan. The outline version of this plan has already been created and submitted to ESF and the final version will be submitted once the Preferred Bidder has had their own input. The plan covers various areas such as minimising waste, energy efficiency, reducing transportation/travel and staff awareness training.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no adverse Crime and Disorder impacts arising from this report. The expected increase in number of residents becoming employed will have a positive impact across the borough.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 Following the evaluation of the final tender submissions, the evaluated scores are given in the table with Bidder A recommended as offering the most economically advantageous tender.

Bidder	Quality Score	Price Score	Overall Score	Rank
Bidder A	44.84%	32.66%	77.50%	1
Bidder B	32.58%	38.29%	70.87%	2
Bidder C	26.79%	29.40%	56.19%	3

12. OPTIONS CONSIDERED AND REJECTED

- 12.1 All 3 Bidders submitted compliant bids and met the requirements as specified by the Council within the invitation to submit the final tender (ISFT). The recommended Preferred Bidder achieved the highest combined score of 77.50% and is best placed to meet the needs of the residents of Croydon and the four other participating South London boroughs of Merton, Kingston, Sutton and Richmond.

CONTACT OFFICER: Tony Azubike - Project Manager, 0208 726 6000 Ext 60255
Background documents: none