North Somerset Council

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REPORT TO THE HEALTH OVERVIEW AND SCRUTINY PANEL

DATE OF MEETING: 5 FEBRUARY 2015

SUBJECT OF REPORT: PUBLIC HEALTH CONTRACTS REVIEW

TOWN OR PARISH: N/A

OFFICER/MEMBER PRESENTING: COUNCILLOR ROZ WILLIS, CHAIRMAN PUBLIC HEALTH CONTRACTS WORKING GROUP

KEY DECISION: NO

RECOMMENDATIONS

The Panel is asked to endorse the following recommendations:

(1) consideration should be given to the appointment of a permanent Public Health Performance and Contracts Manager at the earliest opportunity;

(2) there is a need to address identified issues about limited procurement competition, market development and strategic commissioning gaps, possibly by the creation of a Strategic Business Development Lead role. Strategic contract management could be provided by a shared post within the Council or in partnership with another local authority; and

(3) that any on-going discussions with other authorities in respect of possible joint working on procurement should take account of the potential for a new structure to provide strategic contract management support to Council directorates, including Public Health.

1. SUMMARY OF REPORT

At the Panel meeting on 26th September 2013, the Public Health Contracts working group reported its interim findings and recommendations in respect of its review of the Public Health Contracts. This report reviews progress made in addressing those interim recommendations and makes further recommendations in respect to consolidating that progress.

2. POLICY

2.1 Under the Health and Social Care Act 2012, from 1st April 2013, local authorities were given a duty to improve the health and wellbeing of the people in their area. Accordingly, the Council's Public Health service works across a number of key areas of health promotion and improvement for the population of North Somerset.

2.2 The transfer of pre-existing arrangements for public health services was made through a "transfer scheme" as set out in the Health and Social Care Act 2012. For those contracts expiring on 31st March 2013, arrangements were made to commission public health services from existing providers for one year (NSC Contracts Standing Orders were temporarily waived) in order to enable continuity of services, consideration of the range and scope of services to be delivered and to allow time for the procurement of new contracts.

2.3 The North Somerset Joint Strategic Needs Assessment and People and Communities Strategy provide the policy framework for the on-going development of the Council's Public Health services and the procurement process must comply with the

Council's standing financial controls in seeking a range of providers that can meet the identified need.

2.4 Additionally, as part of the development of the Council's public health function, it was agreed that a Public Health Strategy be developed, the purpose of which is to:

- strengthen and prioritise the public health function across the local authority;
- support and integrate public health within the Council's organisational, financial and business planning arrangements (with a focus on mitigating revenue budget pressures and ensuring value for money); and
- ensure that the Council complies with its legal obligation.

3. DETAILS

Background

3.1 The HOSP Panel was requested by the Council at its meeting on 19th February 2013 to undertake a review of public health contracts on behalf of the Executive and to make recommendations arising from its findings. The Panel established the Public Health Contracts working group to undertake this review, the key aims of which are as follows:

- to consider the alignment of the contracts with Council and national policy and guidance;
- to consider the balance between statutory and discretionary services/contracts;
- to investigate potential efficiencies between contracts and with other services provided by the Council; and
- to seek assurance that current contracts were being effectively managed and delivering value for money.

Working group investigation

3.2 The working group presented a progress report to the September 26th 2013 HOSP meetings and Members endorsed a number of recommendations set out in that report.

3.3 Since then the working group has met on four occasions (15th January, 16th July, 22nd October and 15th December 2014) to review progress against these recommendations and to consider updates on the letting of contracts for 2014-15. In its last meeting, the working group heard evidence from the interim public health performance and contracts manager.

3,4 A table detailing the working group's key recommendations and the current status of actions taken to address these recommendations is set out in the attached appendix 1.

Conclusions

3.5 The working group welcomes the following key developments illustrating significant progress by the Public Health service against the working group's recommendations:

3.5.1 On-going progress on seeking and delivering efficiencies by aligning and integrating work with other Council services and through the re-procurement process as demonstrated by: -

- the advanced negotiations for the procurement of a new integrated drugs and alcohol service contract;
- the funding of a range of contracts across the Council which have a public health element/support the delivery of local public health outcomes (equating to around £395,000); and

- the negotiation of a 2 year fixed term contract with Weston Area Health Trust for the provision of an integrated sexual health service, weight management programmes, library services and a specialist breastfeeding clinic. The value of the contract has been decreased by £160,000 and has been expanded to include a Saturday clinic.

3.5.2 The better alignment of public health contract procurement and management with best practice and Council contract governance policy and procedures:-

- development of a Contract Performance Management Framework including the establishment of a comprehensive contracts register including: risk assessments and risk registers; performance reporting and escalation; a procurement timetable; and a contract management development plan;
- progress towards moving from the one year contract model (previously used by Public Health) to negotiate contracts over longer time periods to drive out better value for money and to reduce contract management costs; and
- the streamlining of contract management resource by the use of "articles of agreement" rather than contracts for services of a value less than £20,000.

3.5.3 Acknowledgement that levels of resources (including some Council support services) were compromising the efforts of the Public Health service to effectively out-source its services and that an evaluation of what would constitute reasonable level of contract management resource was needed:-

- an initial resource evaluation was undertaken by Public Health, the result of which was that funding has been identified for a one year fixed term Contract and Performance Manager position. Following an unsuccessful recruitment, an interim Performance and Contract manager (PCM) was seconded for a fixed period covering the last quarter of 2014; and
- the wider resource issue, including the capacity constraints within Public Health, Legal and Procurement teams is being considered as part of the Council's Transformations programme.

3.6 There remain, however, a number of outstanding issues of concern identified by the working group. These include:-

- notwithstanding future interventions arising from the Transformation Programme, the evidence shows that contract management resource continues to be significantly stretched. For example, all contracts under £135,000 in value have had their contract term extended for a further year in 2014/15 due to capacity constraints;
- there remains a number of small annual contracts;
- GP and pharmacy contracts remain disproportionately resource intensive;
- the need for more clarity on the cost evaluation of some contracts and that further work is needed to ensure all contracts contain SMART performance indicators;
- the contract framework (including procurement timetable and reporting mechanisms) need further development and focussed ongoing management;
- the need to build on the work started on developing integrating services across Council directorates (and other agencies); and
- there is limited procurement competition and market development and some strategic commissioning gaps.

3.7 The working group considers that momentum towards delivering improvements increased significantly with appointment of the interim PCM, such that the necessary foundations upon which these remaining concerns can be addressed are now in place.

However, Members are concerned that the term of appointment of the seconded officer undertaking the PCM role ceased on the 31st December 2014.

3.8 There is a risk that the considerable momentum generated by the interim PCM will stall if there is undue delay in the appointment of a replacement. Furthermore the identified funding for the PCM role is for a one year fixed appointment and there is concern that the structures and mechanisms put in place by the interim PCM will begin to erode without on-going consolidation and continuing management focus. The working group therefore takes the view that this role should be a permanent position.

3.9 Members recognise the identified need for strategic management of the process of procuring, mobilising and managing outsourced public health services together with a strategic focus on developing relationships with suppliers and managing the market. This could be addressed with the creation of a Strategic Business Development Lead role either by the creation of a shared post within the Council or in partnership with another local authority.

Members note the Council is considering procurement as part of the Transformation Programme and suggest that any discussions with other authorities in respect of joint working on procurement should take account of the potential for a new structure to provide strategic contract management support to Council directorates, including Public Health.

4. CONSULTATION

The working group has worked in close consultation with Public Health and Internal Audit Officers together with the Commercial and Contract Manager. I would like to thank Ginette Corr, Becky Pollard, Duncan Kioni, and Simon Farnsworth for their continued support throughout the review.

5. FINANCIAL IMPLICATIONS

The Council has received a ring fenced public health grant of £7.6m for 2014/15 and received notice that the allocation will remain at the same level for 2015/16.

The Public Health service has set out its intention to further align the public health grant to council activities to deliver local public health outcomes and savings as part of the budget reduction programme by an additional £500,000 in 2015/16, £250,000 in 2016/17 and £150,000 in 2017/18.

6. RISK MANAGEMENT

The working group has sought and received assurance that the commissioning and management of Public Health Contracts are compliant with the Council's risk management policy and practice.

7. EQUALITY IMPLICATIONS

Equality implications are always a priority on service redirections/changes regarding impacts on service users.

AUTHOR

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Public Health working group Members: Councillors Roz Willis (Chairman), Anne Kemp, Carl Francis-Pester,

PANEL/WORKING GROUP RECOMMENDATIONS	OUTCOME/CURRENT PROGRESS
That the CCM investigate and make recommendations on: (1) Progress on the alignment of Public Health contract procurement and (performance and risk) management with North Somerset contract standing orders and policies. (2) Concerns about risks and performance controls – particularly regarding significant numbers of Public Health services not yet subject to contract (3) Concerns about the significant number of short term (one year) contracts and associated resource implications. (4) Concerns about the lack of a "unit cost" approach to contract evaluation	Commercial and Contracts Manager (CCM) recommendations: (***Public Health response/action shown in bold)*** *Contract Procurement* • Acknowledge that the consequences of delaying longer-term decisions about public health funding are a heavy call on resources to procure contracts for the short term. The practice may also deter potential providers – ***PH welcomed recommendation. Commitment to negotiating longer term contracts stated in PH report to the Executive on 21st October 2014 (see below*)*** • Ensure that opportunities are taken to promote competition in the supply of out-sourced services, in line with Contract Standing Orders (CSOs) – ***PH Confirmed all new contracts procured in line with CSOs*** *Contract Governance* • Determine the appropriate approach to governance, take account of CSOs and then carry out a risk assessment to determine: which contacts require a formal contract and solicitor's input; which require formal contract without solicitor's input; and which can be secured by and Article of Agreement – ***Complete: undertaken by (interim) Performance & Contract (P&C) Manager*** • Ensure that contract specifications clearly outline the required service outcomes or outputs, an such a way as allows monitoring of the achievement of such measures –***new contracts for 2014/15 updated and include "smarter" targets*** • Update the template contract to remove outdated references to co-operating in Best Value reviews, and in the preparation of a Best Value Performance Plan - ***Completed*** *Human Resources* • Acknowledge that current levels of resources in some support services compromise the efforts of the Public Health service to effectively out-source its services ***– PH Welcome recommendation – Resources under review*** • Carry out evaluation of what would constitute reasonable level of contract management resource – ***Completed: budget found for P&C Manager Post (fixed one year term)- but following unsuccessful recruitment, Secondee appointed*** *Performance Management* • Develop a performance management framework for each contract – ***Completed by (interim) P&C Manager*** • Complete a quarterly performance dashboard for each key contract and refer high risk, high value or underperforming contracts to the P&C directorate through its quarterly contract report.***- In progress – RAG performance rating system established (interim) P&C Manager*** *Risk Management* • In due course, identify the risks associated with each contract and develop ways to mitigate those risks.***- (interim) P&C***

	Manager established NSC compliant risk assessments and register as part of Contract Performance Management Framework. • Manage each contract in the full knowledge of the risks and in ways that seek to mitigate the risk of them occurring **-** *Strategic contract management* • In due course, adjust the balance from day-to-day contract management, to include a more strategic focus on developing relationships with suppliers and managing the market.**- *recruitment of P&C Manager to develop this role.*** ***N.B On 21 October 2014 the Executive agreed the proposed funding and procurement strategy for the public health grant for 2015/16, 16/17 and 17/18 includes "negotiation of longer term contracts to drive better Value for money and outcomes."***
(5) That the Council's Internal Audit Service investigate and give assurance that sufficient (NSC compliant) controls are in place in respect to: • The Public Health contingency allocation • The significant numbers of Public Health services not yet subject to contract. • Budget risks (for example risk associated with urgent public health vaccination campaigns)	The Internal Audit Service undertook a review (reporting in January 2014) to assess Public Health contracts as part of the Council's 2013-14 annual audit plan. The stated objective was to provide assurance that controls relating to amounts in the Public health budget are adequate and effective. The following controls were reviewed and are listed with the resulting audit opinion: • The Public health contingency allocation mount is reasonable and consistent with Council Policy **EFFECTIVE** • Movements of amounts from the budget to the contingency allocation is consistent **EFFECTIVE** • Assumptions used in arriving at material budget amounts that do not have a contract are reasonable and sound **REASONABLY EFFECTIVE** • Costings for material budget amounts that do not have a contract are accurate **EFFECTIVE** • Risks relating to budget amounts have been identified and factored in **EFFECTIVE**
(6) That Public Health consider opportunities to find additional budget efficiencies by merging contracted services (for example the Drugs and alcohol contracts)	• On-going PH work to further integrate and transform the public health function to consolidate resources remove duplication and drive out efficiencies through internal transformation and wider collaborative working with other local authorities and partners - • On-going commissioning plans for the re-procurement of an integrated substance misuse service and Healthy Child Programme 0-24 years (children's public health service) ***– New integrated service being procured.***
(7) That PH contribute budget efficiencies by exploring opportunities for the integration of services & budgets with other l directorates (where service duplication and/or resource synergies exist)	• on-going commitment to seeking efficiencies by aligning and integrating work with other Council services and through the re-procurement process as demonstrated by the funding of a range of contracts across the Council which have a public health element and support the delivery of local public health outcomes - equating to around £395,000).