

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Strategic Director for People
Date of Decision:	28th June 2016
SUBJECT:	STRATEGY AND PROCUREMENT PROCESS FOR THE PROVISION OF EARLY YEARS SERVICES
Key Decision: Yes	Relevant Forward Plan Ref: 001644/2016
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s):	Cllr Majid Mahmood – Value for Money & Efficiency Cllr Paulette Hamilton - Health and Social Care Cllr Brigid Jones – Children, Families & Schools
Relevant O&S Chairman:	Cllr Mohammed Aikhlaq- Corporate Resources & Governance Cllr John Cotton – Health, Wellbeing and the Environment Cllr Susan Barnett – Schools, Children & Families
Wards affected:	All

1. Purpose of report:	
1.1	This report seeks approval to commence a procurement process for a new integrated health and wellbeing service to support children and families during their Early Years. Delivery of this new integrated offer is a key component of the Children's Improvement Plan.
1.2	This report provides details of the work to date that has been undertaken to test and confirm the new integrated service model to include consultation, market engagement and procurement options appraisal.
1.3	This report provides details of the tender strategy and procurement process to be followed for the provision of an Early Years Health and Wellbeing Service from September 2017 for a period of five years with a possible extension for a further two years subject to satisfactory performance and budget availability.

2. Decision(s) recommended:	
That Cabinet:	
2.1	Approves the commencement of a procurement process to secure a delivery partner(s) for the redesigned Early Years Health and Wellbeing Offer as outlined in paragraphs 5.10 and 5.20.
2.2	Delegates authority to the Cabinet Member, Value for Money and Efficiency jointly with the Strategic Director for People following the procurement process to award a contract for a period of five years commencing 1 st September 2017 with the suppliers recommended with the option to extend for a further two years subject to satisfactory performance and budget availability.

Lead Contact Officer(s):	Pip Mayo – Head of Service, Commissioning Centre of Excellence
Telephone No:	0121 303 1022
E-mail address:	Pip.Mayo@birmingham.gov.uk
Lead Contact Officer(s):	John Denley – Assistant Director, Commissioning Centre of Excellence
Telephone No:	0121 303 6136
E-mail address:	John.Denley@birmingham.gov.uk

3. Consultation

3.1 Internal

The recommissioning of Early Years Services is governed by the Early Years Project Board which is chaired by the Service Director for Commissioning from the People Directorate. The Board includes senior representatives from Public Health, Education, Children's Social Care, Legal, Finance, Procurement and HR. The Board have been fully consulted on the proposals for recommissioning and are in support of them.

The Children's Joint Commissioning Board have received regular updates on the recommissioning proposals and support the principles.

Staff working in Early Years services, including Children's Centres, have been consulted as part of the development of these proposals both via the formal consultation process and specially convened forum events. A regular dialogue has also been maintained with the Unions.

Officers from Finance, Legal Services and Procurement have been involved in the preparation of this report.

3.2 External

The proposals for recommissioning the redesigned Early Years Health and Wellbeing offer have been the subject of considerable consultation. The outcomes of consultation have helped to shape the proposals.

A period of formal consultation was held between the 30th November 2015 and the 28th February 2016. This consultation received a high level of engagement with 3428 responses being secured. 1428 of these responses were from parents of children aged 4 or under. 333 were from Early Years professionals. The remaining 1667 were from parents of older children, other professionals or interested persons.

The outcomes of consultation showed a high level of support to redesign the way Early Years services are delivered to create a more targeted and integrated Health and Wellbeing Offer. Respondents were also keen to see a flexible model of service delivery which could respond to local needs and work across a range of locations valued and used by families with young children.

In addition to the formal period of consultation the views of key stakeholders have been secured via a range of means. Presentations have been given to a wide range of forums including Clinical Commissioning Groups (CCGs), the Early Years Forum, the Early Help and Safeguarding Board and the Nursery and Primary Heads Forums.

Providers have been invited to participate in the development of the service specification with around 400 stakeholders being invited to attend one of 4 design workshops.

A parents group has been convened and has met to discuss in more detail key elements of the proposals. The feedback from this group has helped to shape the service specification in key respects, reaffirming the localised delivery model and need for flexibility in terms of hours of operation.

Through the external consultation a high level of support for the recommissioning proposals has been secured.

A second period of consultation will be held as part of the procurement once the detail of the intended new model is known. This second period of consultation will ensure that the

council complies with its duties to consult on planned changes to specific services or employment terms and conditions.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

The recommendation contained within this report is consistent with:

4.1.1. Council Business Plan and Budget 2016+

The services referred to within this report are key to the delivery of the Council Business Plan and Budget 2016+.

Recommissioning services into an integrated service model will support the creation of a more cost effective service model by reducing duplication. This will enable the services to be delivered within a reduced financial envelope without compromising the offer to children and families.

The new integrated service offer will support delivery of the Council's priorities as set out below:

- A strong economy
- Safety and Opportunity for all children
- A great future for young people
- Thriving local communities
- A healthy, happy city
- A modern council

The proposals within this report support the delivery of The Council Business Plan, improving health and wellbeing outcomes for children and families.

The remodelling of key Early Years Services to create a more integrated service model was highlighted as a key priority for action within the Children's Improvement Plan. The proposals contained within this report represent a key step in delivering this priority and support the Council's journey of improvement in relation to Children's Services.

4.1.2. Future Council

The recommendations made in this report support delivery of the Council's Future Council programme by helping to prevent family breakdown and by helping to create healthy, independent and resilient families and communities.

The proposals contained within this report are in line with the design principles for the Council's Future Operating Model promoting an integrated and collaborative service model.

Strong linkages exist between the remodelling of Early Years Services and other Future

Council projects. A key principle within the recommissioned model is a focus on services rather than buildings. As part of the tendering process due consideration will be given to the future use of assets in line with wider Council objectives.

4.1.3. Birmingham Business Charter for Social Responsibility

Compliance with the Birmingham Business Charter for Social Responsibility is a mandatory requirement that will form part of the conditions of this contract. Tenderers will submit an action plan with their tender that will be evaluated in accordance with the tender assessment framework. The action plan of the successful tenderer will be implemented and monitored during the contract period.

The Birmingham Living Wage will apply to this contract and those tendering for the new contract will be required to confirm that all providers within the system will pay their employees at this rate or above.

The provision of apprenticeships and employment opportunities for local people will be a key requirement within the new contract. Those tendering for the contract will be required to detail how they intend to engage local parents to help deliver the new model in exchange for training and employment opportunities e.g. via the development of an Early Years Apprenticeship LEVY.

4.2. Financial Implications

4.2.1 It is proposed that an indicative maximum contract value of £34m per year is included in the documentation. The maximum contract value would be £170m for the initial five years with a potential of a two year extension up to the value of £68 million. This value includes budgets for Public Health services for 0-5 year olds, Early Years services including Children's Centres, and some related services. It excludes Early Education provision through Schools and Private, Voluntary, and Independent providers and central support services for this provision. It takes into account the savings targets set out in the Council Business Plan and Budget 2016+. The calculation assumes that there will be no direct provision by the City Council of services covered by the contract.

4.2.2 The funding for this commission will be provided mainly from the Public Health Grant. The Government has already announced reductions in the Public Health Grant in future years. However, the funding of Early Years can be accommodated within these reduced amounts. The Government is planning a consultation on the future approach to the full local retention of Business Rates including the consolidation of funding streams such as the Public Health Grant within the new system. The implications of this change for any particular service will need to be considered as part of the future priorities and financial planning of the Council as a whole. A small element is also funded from Direct Schools Grant subject to continued agreement of Schools Forum. The tendering process will be managed within existing resources by the Commissioning Centre for Excellence located within the People Directorate.

4.2.3 The contract documentation will provide for the possible future reduction in budget allocated to these services either because of reductions in Government grant or other reductions in funding which the Council may need to manage.

4.2.4 There are likely to be transition costs associated with the change to a new Early Years system. These include costs associated with changes to the staffing and building use associated with these services. The initial expectation is that there will be no additional costs to the Council above the indicative maximum value above arising from these issues.

4.3 Legal Implications

The Council has a number of statutory duties in relation to the provision of services to children and families.

Childcare Act 2006 - The Council has a statutory duty under Section 5A of the Childcare Act 2006 (as amended by the Apprenticeships, Skills, Children and Learning Act 2009) to provide, so far as reasonably practicable, a sufficient Children's Centre Offer to meet local need and to make arrangements to secure that early childhood services in their area are provided in an integrated manner which is calculated to facilitate access to those services, and maximise the benefit of those services to parents, prospective parents and young children (Section 3(2)).

Health and Social Care Act 2012 – Transferred the responsibility for Public Health from the NHS to local authorities from April 2013. The Council therefore has a statutory duty to improve population health and wellbeing and ensure provision of the Healthy Child Programme. To support this the Health Visiting contract was transferred to the local authority in October 2015 and the Council become responsible for ensuring that the 5 mandated health visitor contacts are delivered to every child.

TUPE Legislation - This contract will fall under the TUPE legislation where the outcomes of procurement mean that employees will move from one provider to another. There is the potential that this will include BCC staff.

4.4 Public Sector Equality Duty

The Public Sector Equality Duty was introduced in April 2011 and covers age, disability, gender reassignment, pregnancy and maternity, race, religion, gender and sexual orientation. The Duty also covers marriage and civil partnerships. The Council must have regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity between different groups
- Foster good relations between different groups

A stage 1 Equality Assessment has been completed which has concluded that due consideration needs to be given throughout the recommissioning and procurement exercise to ensure that protected groups are not disadvantaged. A full stage 2 Equality Assessment will be completed as part of the procurement exercise. **(Appendix C)**

5. **Relevant background / chronology of key events:**

5.1. In December 2013 the People Directorate published 'Integrated Transformation – Our Strategy for Improving Services for Children and Young People in Birmingham'. The review of early years services, children's centres and family support services was

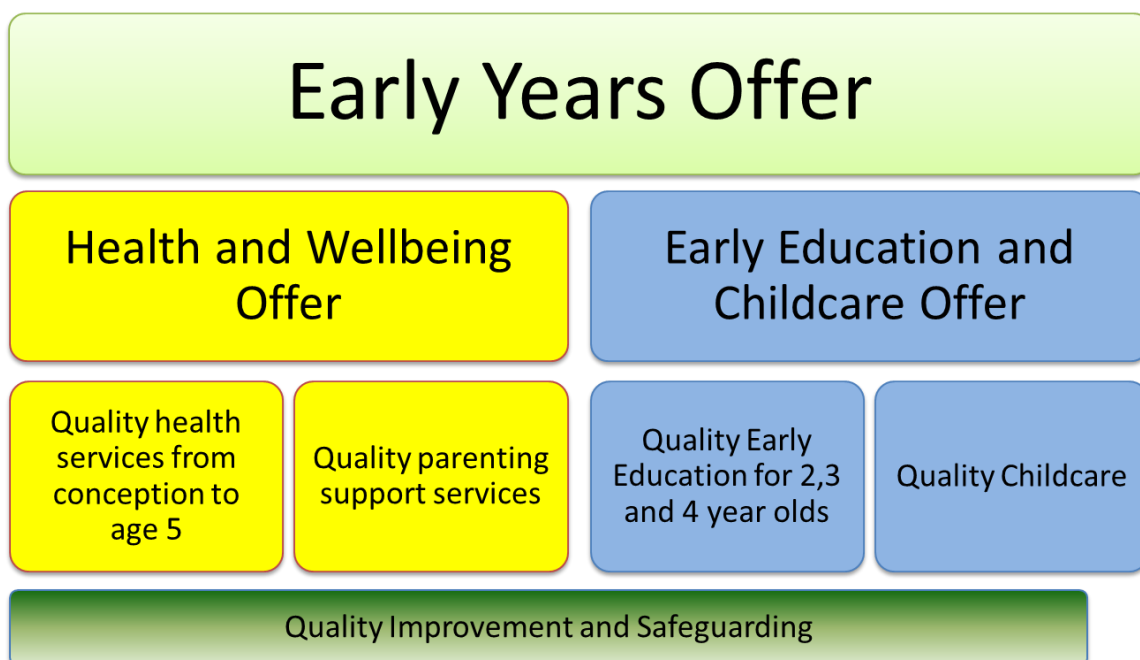
highlighted as a key priority for action within this strategy and the associated action plan.

5.2 Early Years Services provide support to families from the point a child is conceived up until they start school at the age of 5. Early Years Services provide support to children and families to help them to reach a good level of development by the time they start school.

5.3 In 2014 a review of Early Years Services was launched with 3 main criteria

- Improve education and health outcomes
- Reduce child poverty
- Close the inequality gap in terms of education and life chances

As an outcome of the review a new model for delivering Early Years Services to children and families was developed as shown below. The elements of the central service related to early education and childcare are not in scope.



The review noted that the Early Education and Childcare Offer is funded via the Dedicated Schools Grant (DSG) the use of which is underpinned by the national school funding regulations and, therefore, highly restricted and regulated. The services that comprise in this part of the offer to include Nursery Schools are therefore not included in scope for the new commission.

By contrast the review identified that considerable potential existed to remodel the services which comprised the Health and Wellbeing Offer to create a more coherent and integrated service offer. At present the 76 distinct services comprise this part of the offer are provided via a complex arrangement of separate contracts, SLAs and agreements with the consequence that the services are difficult to navigate and outcomes for children and families are inconsistent. In preparation for this report work has already been undertaken to ensure that the end dates for these agreements are coterminous with the start date for the new contract. Further details of these services have been included at **Appendix D** of this report, but in summary comprise:

The 60 Childrens Centres operating within Birmingham as summarised below:

	Number
Attached to LA maintained nursery school	17
Attached to LA maintained school (without nursery)	3
Attached to Academy	8
Directly delivered by Birmingham City Council	24
Private, Voluntary or Independently managed	8
Total	60

Pregnancy and Breastfeeding Support Services provided via a commission from the voluntary sector (Gateway and Health Exchange).

Parenting support services provided both directly by Birmingham City Council (Foundation Years Parenting Support) and via a commission from the voluntary sector (Homestart).

In addition to these direct delivery contracts there is also a central support function which provides administrative and management support to children's centres, early education and child-care. This central support function is provided by Birmingham City Council. The elements of the central service related to children's centres are deemed to be in scope for commissioning as part of the new integrated Health and Well-Being Offer.

- 5.4 A Business Case for Change further developed the proposal to commission the Early Years Health and Wellbeing Offer. The Business Case recommended that the Council commission the in scope services into a single system to create:
- A more targeted model of service delivery be developed to ensure that additional support is provided to those families who need it the most.
 - A new model focused on services and outcomes for children and families rather than buildings.
 - A more integrated model of service delivery be developed with system leadership being provided by a lead organisation(s).
- 5.5 On the 29th June 2015 Cabinet approved the commencement of consultation to seek the views of citizens and stakeholders on the proposal to:
- Recommission Early Years Health and Wellbeing Services as a single integrated system
 - Tender for a lead organisation to provide system leadership to the new integrated delivery model.
 - Fully integrate health visiting services into the remodelled service.
 - Cabinet also gave approval to consult on whether a number of area based lots should be created within the tendering process.
- 5.6 In October 2015 Public Health services for babies and children up to age 5 including health visiting transferred to the Local Authority from the NHS. This further cemented the opportunities for integration. It was agreed via the Cabinet Report of the 29th June 2015

to include the health visiting and associated services in scope for remodelling alongside those highlighted at 5.3 above. Further details of these services is included at **Appendix D**.

5.7 In November 2015 a 90 day period of formal consultation commenced to secure the views of citizens and stakeholders to the main proposals in relation to:

- Remodelling services into a single integrated system under the management of a lead organisation.
- Redefining the service offer to target services better at those children and families who need them most.
- Rethinking the service model to deliver services into the places that children and families use most often.
- Recommissioning a service model focused on outcomes for children and families.

A high level of support for the direction of travel was secured through the consultation.

5.8 In April 2016 a scoping exercise was undertaken to identify potential procurement options. An evaluation of the options was undertaken with the support of Corporate Procurement and with input from Legal Services, Health, Education and Social Care. The options appraisal was complex and multi-staged. In the first stage of options appraisal the panel showed a preference for delivering the new integrated service via a Joint Venture Partnership with a health provider. However when this option was tested further concerns were identified in relation to the options deliverability. Soft market testing indicated that a number of potential partners were present and that selection of one partner over another without a due competitive process could leave the Council open to legal challenge. It was further recognised that the formal processes surrounding the creation of a Joint Venture Partnership could be extremely time consuming and could compromise as a consequence the delivery date of September 2017 for the new service offer to be in place.

5.9 Following a second stage of option appraisal it was assessed that the most appropriate way of commissioning the integrated system is to adopt a single lead organisation approach. This would mean that the Council would go out to tender to secure a lead organisation who would be responsible for delivering the Early Years Health and Wellbeing Service to citizens at a local level. This could be a single organisation, or two or more organisations may come together to form a formal consortium. The lead organisation would need to demonstrate that it can work with a range of partners within formalised partnership arrangements to deliver all components of the specified service.

5.10 The lead organisation model is being recommended as it will enable services to be delivered in a more integrated way to children and families. Bringing the services together under one lead organisation will ease access and help to create coherent and well managed journey for families. Additionally, the tender process will help to ensure that value for money is secured for the Council through the competitive process.

5.11 It should be noted that through the process Birmingham City Council will no longer be a direct provider of children's centres.

5.12 The outcomes of recent consultation and the options appraisal have been considered alongside information about the needs of children and families, the legislative and policy context and current performance information to form a Commissioning Strategy. This is attached at **Appendix A** of this report. The Commissioning Strategy uses this information and presents a new model for delivering Early Years Health and Wellbeing Services. Within this new model the services currently delivered by Children's Centres, the Health Visiting service and a range of parenting support services will be drawn together to create a new integrated service offer which combines these elements.

- 5.13 The new proposed service model has been created with reference to the needs of the child and their family. The level of service proposed within the new model will be based on the level of presenting need. This means that a core universal offer will be in place for everyone to access and additional services will be provided to those who are identified as requiring them. The proposed service would be delivered by multi-skilled teams. The locations for service delivery would be determined with reference to the needs and preferences of local children and families. A system leader would have responsibility for co-ordinating the new service offer which would be delivered by a partnership of providers. The proposed new service model has been further translated into an outline service specification which is attached at **Appendix B** of this report.
- 5.14 It is proposed that the tender opportunity will be advertised in the Official Journal of the European Union, Contracts Finder and Finditinbirmingham. It is proposed to utilise Section 7 of the The Public Contract Regulations 2015, referred to as the Light Touch Regime, within the procurement . This procurement method has been selected to promote maximum innovation within the commissioning approach whilst still ensuring effective governance and transparency.

A process of competition with negotiation under a number of stage steps as set out below:

Pre-Qualification Stage to secure expressions of interest from potential lead organisations and draw up shortlist of potential providers	July 2016
Issue of formal invitations to tender to shortlist	September 2016
Return of tenders and initial evaluation	December 2016
Negotiation and Final Tender Evaluation	February 2017
Second Stage Consultation	March 2017
Contract Award Decision	May 2017
Service Commencement	September 2017

A staged approach will enable the supply chain of the lead organisation to be configured as the process progresses and weaker organisations are discounted.

- 5.15 It is proposed that in the assessment of the tender there will be a split of 30% Price, 10% Social Value and 60% quality.

Mandatory Criteria	Weighting %	Sub-Criteria	Weighting %
Price	30%	N/A	N/A
Quality	60%	Method Statement	20%
		Outcomes based delivery	20%
		Diversity competence	20%
		Performance Management & Validation	10%
		Infrastructure	10%
		Safeguarding	20%
Social Value	10%	Local Employment	20%
		Buy Birmingham First	20%
		Partners in Communities	20%
		Good Employer	20%
		Green and Sustainable	10%
		Ethical Procurement	10%
	100%		

- 5.16 Throughout the procurement process there will be a high level of dialogue with potential providers to ensure that the proposal meets the key requirements in terms of outcomes for children and can be mobilised without excessive costs or delays. Consideration will be given within this to the use of current assets such as buildings. Care will be taken to ensure that the successful tender builds upon existing good practice.
- 5.17 At the award stage a detailed mobilisation/transition plan will be required to be produced by the new provider given the size and complexity of the current system.
- 5.18 The contract to be tendered will be for a period of 5 years from the 1st September 2017. Subject to satisfactory performance and budget availability an option to extend for a further period of 2 years is also proposed. A break clause will be inserted after 3 years to protect the Council in case there is a significant change in national policy or central funding. In addition the contract document will provide for possible future reductions in budget allocated to these services because of reductions in Government grant or other reductions in funding which the Council may need to manage.
- 5.19 The contract will run on a fixed fee model with payments being triggered by satisfactory delivery of specified targets. The outcomes required from the new contract are detailed in the service specification document attached at **Appendix B** of this report. To promote innovation in service design key performance indicators will be confirmed through the tender negotiation process. Where appropriate some elements of payment by results may be included into the final contracting model.
- 5.20 The contract will be managed by a senior officer from the Commissioning Centre for Excellence within the People Directorate. Contract issues will be managed within the Governance structure of the Children's Joint Commissioning Board.

6. Evaluation of alternative option(s):

- 6.1 Decommission Services – The Council has duties to provide Early Years services, decommissioning them would place us in breach of these and would have a hugely negative impact on citizens. This option is not considered viable.
- 6.2 Extend current service model – The current service model has been comprehensively reviewed and does not deliver consistent outcomes to children and families. The current service model is not cost effective and cannot be delivered within the available budget. This option is not considered viable.
- 6.3 Tender for a Health Visiting Partner and tender for other partners in parallel - The development of an integrated service model is key to the vision and central to the delivery of the required outcomes for children and families. Procuring separate contracts will not enable the benefits of integration to be realised and is not considered viable
- 6.4 Tender for a Health Visiting Partner then work to fill in the gaps - The development of an integrated service model is key to the vision and central to the delivery of the required outcomes for children and families. Procuring separate contracts will not enable the benefits of integration to be realised and is not considered viable.
- 6.5 Invite tenders from the open market for 3 or more organisations – Splitting the tender into 3 or more lots based on geography was felt to have limitations in terms of responsiveness to changing local need, failing to recognise fully the high level of geographical mobility within Birmingham. This option was therefore discounted.
- 6.6 Create a Partnership via a Joint Venture or Strategic Contract Agreement for Health Visiting Partner.– This option was considered to have considerable potential however was discounted as detailed above (5.9) due to concerns about procurement challenge and deliverability.

7. Reasons for Decisions (s):

- 7.1 To enable the Council to tender for a redesigned Early Years Health and Wellbeing service.

Signatures	<u>Date</u>
Councillor Majid Mahmood (Value for Money and Efficiency)
Councillor Paulette Hamilton (Health and Social Care)
Councillor Brigid Jones (Children, Families & School)
Peter Hay Strategic Director for People

List of Background Documents used to compile this Report:
Cabinet Report Commissioning Option for Consultation 29 th June 2015 Early Years Health and Wellbeing Consultation Outcome Report Early Years Health and Wellbeing Procurement Options Analysis Early Years Health and Wellbeing Services Needs Analysis

List of Appendices accompanying this Report (if any):
Appendix A Early Years Health and Wellbeing Commissioning Strategy Appendix B Outline service specification Appendix C Equality Analysis Appendix D Details of Services in Scope

Report Version	13	Dated	14 June 2016
-----------------------	-----------	--------------	---------------------