

	Open	4 March 2019	Strategic Director of Housing & Modernisation
Report title:	Gateway 3 – Variation Decision Adult Integrated Drug & Alcohol Treatment System contract		
Ward(s) or groups affected:	All		
From:	Director of Communities		

RECOMMENDATIONS

That the Strategic Director of Housing & Modernisation:

1. approves the variation of the Adult Integrated Drug & Alcohol Treatment System (AIDATS) contract with Change, Grow, Live (CGL; a registered charity delivering health and welfare services) in order to novate the contract to Change, Grow, Live Services Limited (CGL Services; a wholly owned, non-charitable, trading subsidiary) for a period of nine months from 4 April 2019 with the option to extend for a further period not exceeding one year and up to an remaining maximum contract value of £6,518,134.
2. notes that the leader of the council on 24 January 2019 delegated his authority to agree the approval of this Gateway (GW) 3 variation to the Strategic Director of Housing and Modernisation.

BACKGROUND INFORMATION

3. A GW3 report dated 25 May 2017 sought approval to novate the AIDATS contract from Lifeline Project Limited ("Lifeline"), the successful provider awarded the contract in September 2015, to CGL due to the insolvency of Lifeline which was approved by the Cabinet Member for Adult Care and Financial Inclusion (with delegated responsibility for the Cabinet Member for Public Health and Social Regeneration's portfolio) on 29 May 2017 and implemented on 1 June 2017.
4. A further GW3 report dated 6 September 2018 sought approval to extend the contract to CGL for a further period of one year from 4 January 2019, the approval of which was granted by the Cabinet Member for Community Safety and Public Health.
5. The AIDATS service delivers a range of community evidence based drug and alcohol treatment interventions with a strong focus on recovery and supporting service users to build resilience. In addition to treatment, the service facilitates access to support with employment and training opportunities as well as establishing new substance free social networks and interests and working alongside service users and stakeholders to build a visible recovery community in Southwark, all of which contribute to improving outcomes and life chances for Southwark residents with drug and alcohol misuse issues.
6. As at January 2019, 998 adult residents were engaged with the service of which 445 (45%) are receiving a prescription for opioid dependency directly and 219 are receiving a prescription from Primary Care with recovery support delivered by the service.
7. The contract is funded by the council's Public Health grant allocation. Pursuant to section 31(4) of the Local Government Act 2003, the Secretary of State has attached a number of conditions to the payment of the grant including "A local authority must, in using the grant: 'have regard to the need to improve the take up

of, and outcomes from, its drug and alcohol misuse treatment services.” The AIDATS contract is the major vehicle for meeting this condition.

8. CGL approached the council in Quarter (Q) 3 2018/19 to inform commissioners of an opportunity available to local authorities which, if approved, would serve to maximise the use of the public funds entrusted to them by the council on frontline delivery.
9. CGL holds registered charity trading status for the delivery of health and welfare services and, as such, cannot recover VAT on supplies or charges, which increases the cost of delivering commissioned services.
10. CGL is able to contract through its wholly owned, non-charitable, trading subsidiary CGL Services which means that CGL Services is able to charge VAT on the contract that is recoverable by the council. Additionally, CGL Services is also able to recover VAT charged by suppliers of the service allowing a focus of expenditure on frontline service delivery rather than on paying VAT.
11. CGL have identified a conservative estimate of c£20k per annum in VAT savings that could be achieved through a novation of contract to CGL Services which would be reinvested into frontline service delivery to the benefit of vulnerable residents using the services. Intentions for the monitoring of reinvestment of savings are detailed in paragraph 25.

KEY ISSUES FOR CONSIDERATION

Key aspects of the proposed variation

12. The variation recommended in this report relates specifically to a transfer of the service contract from CGL to CGL Services on 4 April 2019 with no changes to the financial envelope, service offer or specified outcomes and performance as required by the council.
13. The delivery of the AIDATS service will continue to be undertaken by the registered charity CGL on a sub-contracting basis with CGL maintaining the appropriate regulatory status. Staff will continue to be employed by CGL and will not transfer to CGL Services.
14. CGL would also provide a parent company guarantee, if required, for the delivery of the AIDATS service contract as CGL Services does not have a trading history. As a result, commercially, there will be little change for the council.

Reasons for the proposed variation

15. As referenced in paragraphs 9 to 11, the reason for requesting the proposed variation has arisen from an opportunity identified by the provider CGL that, if approved, would serve to maximise the use of the council's funds on frontline delivery through contracting with the wholly owned trading subsidiary CGL Services who are able to charge VAT on charges and recover VAT on supplies, thus generating a saving that can be reinvested into the service.
16. As detailed in the GW3 dated 6 September 2018, significant savings were realised for the council against the services under the contract as part of the original procurement process which saw a reduction in budget allocation for the services from £5.8m in 2014/15 to £3.9m in year 1 (4 January 2016 – 3 January 2017),

£3.510m in year 2 (4 January 2017 – 3 January 2018), and £3.499m in year 3 (4 January 2018 – 3 January 2019).

17. Whilst additional savings were realised due to a lower contract value than the tender financial envelope proposed by the council, it has become apparent that the contract value proposed by Lifeline in their tender bid has resulted in challenges for CGL to deliver the full scope of the service specification and there are capacity pressures within some aspects of the service.
18. Additionally, a significant increase in the price of buprenorphine, an opioid medication used by the service to treat opioid (heroin) dependency, nationally since May 2018 has created financial pressures on the prescribing budget increasing costs by up to c£11k per month.
19. Commissioners recommend the novation of contract from CGL to CGL Services as an opportunity to increase funds available for frontline delivery, thus benefiting vulnerable residents using the services, and reducing adverse impact from identified capacity and cost pressures detailed in paragraphs 17 to 18, thus demonstrating best value for the use of public money.

Future Proposals for this Service

20. Future Proposals for the services under the contract will be detailed within a GW0 Strategic Options Assessment to follow in 2019/20.

Alternative Options Considered

21. If a decision was taken not to approve the novation detailed in this variation report and to continue to contract with the registered charity CGL, there would be a missed opportunity to maximise the use of council funds on frontline service delivery through the generation of a saving that could be reinvested into the services and a failure to demonstrate best value.
22. At a time of considerable pressure on the council's Public Health grant with further reductions to the council's Public Health Grant allocation forthcoming in 2019/20, commissioners consider it vital that every opportunity to maximise funds is taken for the benefit of vulnerable residents accessing the services.

Identified risks for the variation

23. The risks and mitigation pertaining to this proposed variation are detailed in the table below:

Risk	Mitigating action
There is a risk that CGL Services may fail financially.	A parent company guarantee will be entered into between the provider and the council which stipulates a requirement for the service contract to be transferred back to and delivered by the registered charity CGL in the event of a CGL Services' financial failure.

Policy implications

24. As detailed in the GW3 report dated 6 September 2018.

Contract management and monitoring

25. Robust contract management and monitoring arrangements will continue to apply for the duration of the contractual term as detailed in the GW3 report dated 6 September 2018. Additionally, the re-investment of VAT savings generated from contracting with CGL Services will be monitored as part of the formal quarterly contract review arrangements.

Community Impact Statement

26. As detailed in the GW3 report dated 6 September 2018.

Social Value considerations

27. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations being delivered by this contract are as set out below.

Economic considerations

28. As detailed in the GW3 report dated 6 September 2018.

Social considerations

29. As detailed in the GW3 report dated 6 September 2018.

Environmental/Sustainability considerations

30. None applicable.

Financial Implications

31. There is a total maximum contract value remaining of up to £6,518,134 (up to £2,653,100 – nine months between 1 April 2019 and 3 January 2020 and up to £3,865,034 – between 4 January 2020 and 3 January 2021) which, subject to approval, would be funded by the Public Health grant.
32. The novation recommended within this report will solely relate to a change from the current contractor CGL to a trading subsidiary CGL Services with no impact on budget allocation and the delivery of a conservative estimate of c£20k per annum of VAT savings which will be re-invested in frontline service delivery.
33. All VAT charged through contract invoicing is recoverable by the council.

Consultation

34. No consultation is proposed in relation to the recommended variation of contract.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

35. The report seeks approval to vary an existing contract with CGL to enable a trading subsidiary to recover the VAT charged on certain supplies. The report provides an estimate of the VAT figure concerned at paragraph 32 and states an intention to monitor the reinvestment of the recovered VAT at paragraph 25.
36. Paragraph 33 notes that the VAT added to the invoiced value would be fully recoverable by the council provided the invoice is presented in the appropriate format. There would be no change to the cost of the contract as reflected by the service.

Head of Procurement

37. This report is seeking the approval of the Strategic Director of Housing & Modernisation to novate the Adult Integrated Drug & Alcohol Treatment System (AIDATS) contract to Change, Grow, Live Services Limited for a period of up to 21 months from 4 April 2019.
38. Paragraphs 15 to 19 details the rationale for the novation including additional financial benefits arising for the council due to changes in the way VAT is charged and recovered.
39. The report confirms that there will be no material change to the service provided in terms of cost and delivery to the council. Paragraph 25 confirms that the contract will be monitored and managed in the same way as before but with particular attention paid to ensuring value for money is achieved from the reinvested VAT savings.

Director of Law and Democracy

40. This report seeks approval of a variation of an existing (AIDATS) contract with Change, Grow, Live (CGL), involving its proposed novation to a wholly owned, non-charitable, trading subsidiary Change, Grow, Live Services Limited (CGL Services) for the purposes and reasons explained within paragraphs 8 to 11.
41. The legal implications relating to the contract novation are detailed in the Gateway 3 report dated 25 May 2017.
42. The legal implications relating to the one year extension of CGL's contract from 4 January 2019 are set out in the Gateway 3 report dated 6 September 2018.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature


Michael Scorer, Strategic Director of Housing and Modernisation

Date 15 April 2019

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)

As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

6. DECLARATION ON CONFLICTS OF INTERESTS

~~I declare that I was informed of no conflicts of interests.*~~

or

I declare that I was informed of the conflicts of interests set out in Part B4.*

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 1 – Procurement Strategy Approval: Adult Integrated Drug & Alcohol Treatment System	Housing & Modernisation Community Safety & Partnerships DAAT / G Drive	Donna Timms 0207 525 7497
Link: http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50005448		
Gateway 2 – Contract Award Approval: Adult Integrated Drug & Alcohol Treatment System	Housing & Modernisation Community Safety & Partnerships DAAT / G Drive	Donna Timms 0207 525 7497
Link: http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50006894		
Gateway 3 (25 May 2017) – Variation Decision: Adult Integrated Drug & Alcohol Treatment System	Housing & Modernisation Community Safety & Partnerships DAAT / G Drive	Donna Timms 0207 525 7497
Link: http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50013712&PlanId=457		
Gateway 3 (6 September 2018) – Variation Decision: Adult Integrated Drug & Alcohol Treatment System	Housing & Modernisation Community Safety & Partnerships DAAT / G Drive	Donna Timms 0207 525 7497
Link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=6604		

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	Stephen Douglass, Director of Communities		
Report Author	Donna Timms, Unit Manager – Drug and Alcohol Action Team		
Version	Final		
Dated	20 March 2019		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	

Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	On 20/03/2019	On 20/03/2019
Date final report sent to Constitutional/Community Councils/Scrutiny Team		

**BACKGROUND DOCUMENT – CONTRACTS REGISTER UPDATE FORM –
GATEWAY 3**

Details	Original	Extension 1	Extension 2
Contract Name			
Contract Description			
Contract Type			
Fixed Price or Call Off			
Lead Contract Officer (name)			
Lead Contract Officer (phone number)			
Department			
Division			
Procurement Route			
EU CPV Code (if appropriate)			
Departmental/Corporate			
Supplier(s) Name(s)			
Contract Total Value			
Contract Annual Value			
Contract Start Date			
Initial Term End Date			
No. of Remaining Contract Extensions			
Contract Review Date			
Revised End Date			
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)			
Comments			
London Living Wage			

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.