

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 19 September 2017	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 1 and 2 – Procurement Strategy and Contract Award Approval: Integrated Community Equipment Service	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Adult Care and Financial Inclusion	

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR ADULT CARE AND FINANCIAL INCLUSION**

Southwark’s Integrated Community Equipment Service is a key service to ensure we support our residents to live independently in their own homes, and ensure Southwark residents can get home from hospital on time after a period of admission, with all the necessary health and social care support in place to support their continued independence. Using an integrated service to provide health and social care equipment and simple aids for daily living provides the best outcomes for our residents, allowing for a streamlined assessment across health and social care professionals of what aids are needed to support residents, and enables co-ordinated and convenient delivery of aids and equipment.

This contract provides a strong value for money offer, with competitive equipment pricing. The service provided also reduces duplication of assessments, and equipment orders, across health and social care teams supporting our residents. The contract is based on a loan system, with active maintenance of equipment, allowing equipment to be sustainably and appropriately recycled, and kept in the best possible condition throughout its useful life, providing an environmentally and financially sustainable service to the borough.

## **RECOMMENDATIONS**

That cabinet:

1. Approves the procurement strategy for the community equipment service set out in this report as a participant of the London Consortium.
2. Approves the option to call-off the London community equipment single-supplier consortium framework, to award a 3.5 year contract, with an option to extend for 2 years, to Medequip Assistive Technology, for an estimated maximum total cost of £3,465,000 for Southwark Council (£630,000 annual value), or £4,050,000 to include the estimated £585,000 portion of the contract to be provided on behalf of the Southwark Clinical Commissioning Group from 1 October 2017 to 31 March 2018.
3. Approves the proposal set out at paragraph 35 for the council to act as the lead commissioner on behalf of NHS Southwark CCG for an integrated community

equipment service for 2017-18, and approves the proposed agreement under s75 of the National Health Services (NHS) Act relating to Lead Commissioning of an Integrated Community Equipment Service.

4. Delegates decision making on any future variations to amend or extend the s75 arrangements with NHS Southwark CCG to the strategic director for children's and adults' services.
5. Notes that a bridging contract was put in place for this service for six months from 1 April to 30 September 2017 in order to ensure service continuation and to enable the successful conclusion of negotiations with NHS Southwark CCG, as set out at paragraph 14 below.

## **BACKGROUND INFORMATION**

### **Integrated Community Equipment Services**

6. Local authorities and the NHS provide short-term and long-term loans of community equipment for people with an assessed health or care need in order to support them to live independently at home. In the majority of cases, community equipment is prescribed to an individual following a stay in hospital in circumstances where they would not otherwise be able to return home without this help. There is a range of community equipment items which range from walking aids through to pressure relieving mattresses, hoists, grab rails, bath boards and adapted toilet seats.
7. The assessment of an individual's equipment needs is carried out by a number of different health and social care practitioners, including occupational therapists, social workers, physiotherapists and nurses. These teams are also responsible for the prescribing and ordering of equipment, a task often completed under the tight timescales of an individual being discharged from hospital.
8. Community equipment is provided for both children and adults who have an assessed need where this service is required.
9. There are two mechanisms in place for the delivery of community equipment to people in Southwark:
  - The contracted Integrated Community Equipment Service (ICES) ensures that community equipment items are manufactured/or purchased and delivered to meet individuals' needs.
  - The local retail model allows clients with specific prescribed items to purchase this through a vendor (such as a pharmacy).
10. The provision of community equipment to certain individuals is vital in helping to achieve efficiency and cost-effectiveness across a range of other local authority and health authority services, and it is also important to help achieve local and health authority strategic objectives. Provision of the right community equipment can:
  - promote independence, safety, social inclusion, quality of life, improved end of life care

- cut unscheduled hospital admissions and Accident & Emergency attendance
- reduce the length of hospital stay and reduce delayed discharges from hospitals
- reduce the costs of long term care by avoiding the need for care home admissions
- reduce the costs of long term care by avoiding the need for paid carers, and/or by reducing the number of carers or frequency of care visits required;
- play a key role in the delivery of early intervention and prevention strategies, and in avoiding crisis admissions to high cost services; and,
- help to give elderly and disabled people control over their own lives.

### **Southwark Integrated Community Equipment Service – background to consortium contract**

11. In their coordinating role across the pan-London ICES consortium, the Royal Borough of Kensington and Chelsea (RBKC) do not undertake any work to support each borough's individual decision-making or the procurement of the letting of contracts, which remains the responsibility of each consortium partner. The consortium also has no role in the performance monitoring of local Medequip-delivered services. This role in Southwark is provided by the council's contract monitoring team.
12. Using the London Consortium Framework Agreement, initially established by RBKC, and utilised by a pan-London group of Local Authorities, and in line with the 2004 lead commissioning arrangements agreed with the then PCT, the council put in place a contract with Medequip to supply community equipment services, commencing on 1 May 2010, and ending 31 March 2017. Staff across social care and health (including community, acute and mental health) had used this contract to order equipment for patients / service users.
13. The aim of this cross authority working was to secure:
  - lower cost by maximising our joint purchasing power, including the move to generic products
  - greater use of non standard stock thereby increasing the use of returned specials
  - service efficiencies in terms of common processes and documentation
  - a forward looking information system that supports future changes; and,
  - direct influence in suppliers contract management and developmental processes.
14. In 2015-16 the council entered into detailed discussions with NHS Southwark CCG regarding the future of the integrated community equipment service ahead of the end of the consortium contract. These discussions were ongoing at the time of the contract expiry. In order to ensure continuation of service provision,

the Director of Commissioning exercised emergency powers from 1 April 2017 to 30 September 2017 to put in place a bridging arrangement with Medequip to provide a community equipment service in Southwark and to ensure continued provision to service users. This additional time enabled discussions with the CCG to continue and to be successfully concluded, and are the basis of the proposals set out in the proposed s75 agreement.

## Procurement Project Plan

15. The London Borough of Hammersmith and Fulham (LBHF), acting on behalf of the London Consortium has procured a new framework agreement through a competitive tender, which the local authority can call-off.

<b>Table 1</b>	
<b>Activity</b>	<b>Completed by/Complete by:</b>
London Consortium Framework available for call-off	31/03/2016
Forward Plan – Gateway 1 & 2	02/06/2017
DCRB Review Gateway 1 & 2	26/07/2017
Brief cabinet member for Adult Care and Financial Inclusion	01/08/2017
CCRB Review Gateway 1 & 2	17/08/2017
Notification of forthcoming decision – despatch of cabinet agenda papers	11/09/2017
Approval of Gateway 1 & 2: Contract Award Report	19/09/2017
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	29/09/2017
Contract award	30/09/2017
Add to Contract Register	30/09/2017
Contract start	01/10/2017
Publication of award notice on Contracts Finder	01/10/2017
Contract completion date	31/03/2021
Contract completion date – if extension exercised	31/03/2023

## KEY ISSUES FOR CONSIDERATION

### Options for procurement route including procurement approach

16. Table 2 below sets out the potential options for procurement:

<b>Table 2: Procurement options</b>		
<b>No.</b>	<b>Option</b>	<b>Impact</b>
1.	Do nothing	- The council would not meet its legal duties under the Care Act 2014.

<b>Table 2: Procurement options</b>		
<b>No.</b>	<b>Option</b>	<b>Impact</b>
2.	Provide the service in-house	<ul style="list-style-type: none"> <li>- The current arrangements cease and provision of a Southwark integrated equipment service lapses with it.</li> <li>- Individual social work teams and occupational therapy teams would need to source equipment to meet eligible needs identified under the Care Act 2014 and arrange delivery.</li> <li>- Likely higher costs for equipment and delivery, and significant resources needed by practitioners to implement.</li> </ul>
3.	Conduct an open competitive procurement / tender process for a Southwark integrated community equipment service	<ul style="list-style-type: none"> <li>- The process would ensure the potential for a competition between providers for the service provision.</li> <li>- Provision is likely to be more expensive than the current service, as economies of scale from the consortium are lost.</li> <li>- The tender process and mobilisation for the service would complete at the earliest by July 2018.</li> </ul>
4.	Join the London consortium for a London integrated community equipment service	<ul style="list-style-type: none"> <li>- The process would ensure the potential for a competition between providers for the service provision.</li> <li>- The number of boroughs (20) and likely volume of equipment indicated for the joint procurement are likely to result in better value and economies of scale.</li> <li>- Provision is likely to be cheaper than the current service, as improved contracting options to secure cheaper equipment alternatives are included. In the new contract.</li> </ul>

### **Proposed procurement route**

17. The recommended procurement route would be participation in the London consortium for an integrated community equipment service.

### **Description of procurement outcomes**

18. This report seeks approval to award a call off order under the Framework Agreement of the London Consortium for the supply of community equipment.
19. The community equipment will be supplied on short and long term loan terms for people with an assessed care need in order to support them to live independently at home.

## **Policy implications**

20. Local authorities have a statutory duty (under the Care Act 2014 and Children & Families Act 2014) to make arrangements for the provision of disability aids and “community equipment”, to meet the assessed, eligible needs of individuals who are resident in their area.
21. The community equipment contract will have cross cutting benefits to the quality of life for adults across their adult social care and needs, and the outcomes individuals wish to achieve in day to day life through having those needs supported. The contract will assist the local authority to prevent social care needs arising, and will assist the local authority in meeting assessed, eligible needs under the Care Act 2014.
22. The community equipment contract is aligned with the council’s “Fairer Future for All” vision, including the Fairer Future promises to create an age friendly borough and secure value for money services.
23. The community equipment contract is aligned with Southwark’s Health and Wellbeing Strategy 2015-20 by supporting independent living for older people.

## **Tender process**

24. LBHF procured a new framework contract for the supply of Community Equipment on behalf of the London Consortium. Southwark Council has been a member of the London Consortium since 2010.
25. The procurement followed an EU compliant competitive tendering process, in compliance with LBHF’s contract and financial standing orders.
26. LB Hammersmith and Fulham carried out a detailed commissioning review on behalf of the Consortium, to understand the service requirements for community equipment ahead of the procurement. The review included consultation with stakeholders and an options appraisal.
27. The invitation to tender process was conducted using LB Hammersmith and Fulham’s capitalSourcing portal, with tender submissions closing on 27 October 2016. 31 companies registered an interest on the portal, and a number of the interested companies asked questions during the tender process. Only one tender was submitted on the portal, by Medequip, the incumbent supplier. The market for supply is a limited market and the council is satisfied that the market has been properly tested and that the supplier offer represents value for money.

## **Tender evaluation**

28. LB Hammersmith and Fulham co-ordinated the tender evaluation on behalf of the London Consortium.
29. LB Hammersmith and Fulham conducted a two stage tender evaluation, with pre-specified qualification questions being reviewed prior to the main tender evaluation. These required the provision of financial, insurance and experience based evidence, which were all successfully met by Medequip. The award criteria used a price:quality split of 45% price and 55% quality.

30. Tenderers were required to respond to quality questions in 18 sections (12 on Equipment and 6 on Information Technology), specific to the service. Evaluation panel members scored the responses out of 5. Panel members then attended moderation meetings where consensus scores were agreed, along with supporting statements. Medequip scored 65.4% (out of a maximum of 100%) for their responses to the quality questions. The financial submissions from Medequip were reviewed and the result of this evaluation is summarised in Appendix 3 of this report. Owing to Medequip being the sole bidder, they were awarded a score of 100% for the financial element. The scores for quality and price were then multiplied by their respective weightings (55% and 45% respectively) and added to give an overall score of 81 out of 100.
31. LB Hammersmith and Fulham assessed that the Medequip quality responses either met or exceeded minimum requirements. Their bid, being the sole bid, is the most economically advantageous tender and the financial analysis carried out, which included a benchmarking exercise, showed that the contract should provide good value for money for consortium boroughs relative to the current community equipment contract.
32. The framework is activity-based and there is no minimum spend guaranteed for the supplier, therefore, in awarding the contract the council and CCG will retain control over their activity based spend.
33. The framework is available to call-off from 1 April 2017, with a duration of 4 years, with an option for up to two years extension.

#### **Plans for the transition from the old to the new contract**

34. The current service is provided by Medequip. Medequip is also the successful provider from the London consortium tender, which we are recommending to call-off.

#### **Plans for monitoring and management of the contract**

35. The contribution from the Southwark Clinical Commissioning Group for its portion of the contract will be governed by a s75 agreement, with a risk share arrangement in place for overall equipment and associated spend to be split 35 : 65 between the council and the CCG for the period 1 October 2017 to 31 March 2018. A governance review of s75 arrangements between the council and CCG is taking place.
36. The contract monitoring team will conduct monthly monitoring of performance and finance information, including progress against an agreed action plan for contract management and financial control measures. Monitoring information will also be shared with the Director of Integrated Commissioning and Director of Finance for the Southwark Clinical Commissioning Group.
37. A review report will be taken to the Health and Social Care Partnership Board in December 2017 to review the performance of the contract and the operation of the partnership arrangements.
38. In line with the council's Contract Standing Orders, a six-month report will be taken to Children and Adults' Board, as the established Departmental Contract Review Board, and a one year report will be provided to the Corporate Contracts Review Board.

39. An annual review of contract performance and arrangements will be undertaken at the end of the year, and reported to the Health and Social Care Board.
40. The contract management team and the Occupational Therapy lead will also attend relevant contract review meetings of the London Consortium.
41. Council prescribing under the contract is guided by eligibility criteria from the Care Act 2014.

### Identified risks for the procurement/new contract

#### Award of a contract for an integrated community equipment service for 2017-2021

42. Identified risks are set out in the table below:

No.	Risk	Risk Level	Mitigating Action
1.	Legal challenge from other providers	Low	- The London consortium conducted a full open tender process, in compliance with EU procedures. The council was a named body in the procurement, and is able to call-off the framework agreement.
2.	Sustainability of the provider	Low	- Medequip are a well-established provider, of significant size, and has a broad customer base within London, and across the country. Medequip conducted a detailed financial submission as part of the tender process for the consortium.
3.	Increased activity within the service	Medium	- Arrangements are in place for regular and robust contract management of the contract, including a review of prescribing activity against the contract, and will identify any significant increases in prescribing by teams early. - Ongoing work is in place to continue to increase the rate of collections to reduce new spend on equipment across the contract. - The OT team are conducting training with prescribers to ensure they are informed about the different pieces of equipment that may be prescribed, to ensure that correct items of equipment are prescribed, and over-prescribing does not take place.

### **Community impact statement**

43. The community equipment service is used to promote independence within groups who require support and assistance to meet needs that will help support them to achieve identified health and social care outcomes.
44. Improved outcomes will have a positive impact on service users and carers of service users, as well as the wider local communities, where service users and carers will be able to participate more fully in community life.

### **Social value considerations**

45. 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 included in the tender are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

### **Economic considerations**

46. Medequip staff associated with the contract are paid above the London Living Wage. The future service provision will also include the London Living Wage.

### **Social considerations**

47. The service will promote independence and people's ability to live longer in their own homes, and be discharged to their own homes sooner after a hospital admission, promoting their social wellbeing within their own communities.

### **Environmental/sustainability considerations**

48. The service creates an improved environmental footprint through loaning, sharing, refurbishing and disposing of equipment and use of electronic systems to operate the service.

### **Market considerations**

49. The community equipment market is specialist in nature, with a limited number of suppliers. As part of the consortium procurement, the consortium considered dividing the contract into small "lots" to facilitate bids from small local businesses with specialist skills. The consortium considered this would be disadvantageous by substantially increasing contract and supplier management costs, increasing communication difficulties, and removing economies of scale.

### **Staffing implications**

50. The contract management team and occupational therapy team currently support the Integrated Community Equipment Service contract. Under these proposals the posts will be part funded by the Clinical Commissioning Group. The OT team will use the additional funding from the CCG to backfill the senior OT post to allow the lead OT for the ICES contract to focus on the ICES contract management and service improvements full-time.

## Financial implications

51. This report asks for the award of a community equipment contract to Medequip and for approval of the proposed S.75 agreement with the CCG detailing how this will be funded.
52. The ICES service is currently funded via a pooled budget arrangement under a S.75 agreement with Southwark CCG. The council's net expenditure budget for 2017-18 is £187k, a saving of £900k on the prior year budget. The proposed S.75 agreement entails a change in the terms of the S.75 agreement to better reflect the respective prescribing patterns of the partner bodies. Effective 1 April 2017, the CCG will contribute 65% of the gross cost of equipment (up from 40%) and will make a further contribution towards the staffing and consortium costs the service incurs.
53. An estimate of the financial impact in 2017-18 is shown in the table below:

	<b>£000</b>
Forecast equipment cost	1,800
<i>Less: 65% contribution from CCG</i>	(1,170)
<i>Less: Staffing &amp; consortium cost contribution from CCG</i>	(104)
<i>Less: Better Care Fund grant applied</i>	(400)
<b>Projected Outturn</b>	<b>126</b>
<b>Budget</b>	<b>187</b>
<b>Projected Underspend</b>	<b>(61)</b>

54. The table above demonstrates that the proposed contract with Medequip and the S.75 agreement with Southwark CCG will achieve the budgeted saving of £900k and result in an additional underspend of £61k.
55. The forecast equipment cost of £1.8m in 2017-18 is based on an outturn of £1.9m in 2016-17 and taking into account commitments from both the council and CCG to work together to reduce these costs. Any overspend risk is shared with the CCG under the 65%/35% arrangement.
56. The £900k saving attached to the ICES contract is subject to close scrutiny via the Budget Recovery Board and, as such, the spend on equipment is being closely monitored.

## Legal implications

57. Please see concurrent from the director of law and democracy.

## Consultation

58. The consortium team carried out a detailed commissioning review to understand the service requirements for community equipment ahead of the procurement of the framework agreement, which included consultation with stakeholders.

59. Calling-off the proposed contract will not significantly affect the service that users receive from the current community equipment service.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (13DK1718)**

60. The strategic director of finance and governance notes the financial implications of the contract with the provider and the Section 75 agreement with Southwark CCG, in particular as stated in paragraph 35. The service will need to monitor demand and expenditure levels closely to ensure that a cost pressure is not experienced by the council.

### **Head of Procurement**

61. This report seeks the approval of cabinet to call-off the London community equipment single-supplier consortium framework to award the integrated community equipment services contract to Medequip Assistive Technology. This report seeks both approval of the procurement strategy, and approval to award the contract.
62. The report also seeks the approval of cabinet for the council to act as the lead commissioner on behalf of NHS Southwark CCG in the award of this contract, and for the decision making on future variations to amend or extend the s75 agreement between the council and NHS Southwark CCG be delegated to the strategic director for children's and adults services.
63. Paragraph 34 highlights that the proposed supplier is already delivering services under the current contract, meaning that there are limited risks associated with transition.
64. Paragraph 52 mentions that there has been a change in the terms of the s75 agreement which now means that the CCG will contribute 65% of the gross cost of equipment, as opposed to 40% previously, as well as making an increased contribution towards staffing and consortium costs.
65. Paragraph 30 outlines the procurement process conducted by the London Borough of Hammersmith and Fulham which led to Medequip's inclusion on the framework.
66. Paragraphs 35 – 41 outline the monitoring arrangements for the contract, which includes reporting mechanisms between the council and CCG.

### **Director of Law and Democracy**

67. This report seeks approval of a procurement strategy and contract award involving the call-off from the London community equipment consortium framework established on behalf of the London Consortium, of which Southwark is a member. The ability to call-off the framework will allow the council to place orders with the sole framework supplier, Medequip Assistive Technology (Medequip).
68. The report also seeks approval for the council to act as the lead commissioner of a community equipment service on behalf of NHS Southwark CCG, and for decisions on future variations to amend or extend the section 75 agreement

between those parties to be delegated to the strategic director for children's and adults services. The decision to approve the report recommendations is reserved to cabinet under the council's Contract Standing Orders (CSOs).

69. CSO 3.3.2 provides that any procurement involving the use of a third party's Framework contract is subject to usual Gateway 2 procedures and this report seeks the appropriate approval. The report confirms from paragraph 24 that the London Borough of Hammersmith and Fulham, acting on behalf of the London Consortium has conducted an EU compliant competitive tendering process in order to establish a framework for use by the Consortium members. Southwark, in line with the other members will pay an annual contract management fee of £10,150 and an IT licence fee of £10,500 in order to be able to access the framework and issue orders to Medequip.
70. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the council. Paragraphs 52 to 56 of this report confirm the relevant financial implications arising from the council's proposed use of the framework.
71. Cabinet will be aware of the Public Sector Equality Duty (PSED) set out in section 149 of the Equality Act 2010. At each stage, in exercising its function (and in its decision making processes) the council must have due regard to the need to:
  - (a) eliminate discrimination, harassment, victimisation or other prohibited conduct;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
  - (c) foster good relations between person who share a relevant protected characteristic and those who do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are protected in relation to (a) only.

72. Paragraphs 43, 44, 47, 58 and 59 of the report which note the community impact statement and the consultation undertaken by officers demonstrate how the council has had due regard to the PSED in this procurement and cabinet should satisfy itself that this duty as been complied with when considering these recommendations.
73. The director of law and democracy is advising officers in connection with the terms of the proposed agreement between the council and the NHS Southwark Clinical Commissioning Group under section 75 of the NHS Act 2006.

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 3 – Contract Extension Approval Integrated Community Equipment Service Contract via the London Consortium Framework	Commissioning Children's and Adults' Services	James Postgate 020 7525 7627
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4551">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4551</a>		

## APPENDICES

No.	Title
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Adult Care and Financial Inclusion	
<b>Lead Officer</b>	Genette Laws, Director of Commissioning	
<b>Report Author</b>	James Postgate, Commissioning Manager Layla Davidson, Senior Commissioning Officer	
<b>Version</b>	Final	
<b>Dated</b>	7 September 2017	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	7 September 2017	