

Item No.	Classification: Open	Date: 11 March 2014	Meeting Name: Strategic Director of Finance and Corporate Services
Report title:		Gateway 3 –Contract extension approval Integrated Community Equipment Service Contract via The London Consortium Framework	
Ward(s) or groups affected:		All	
From:		Strategic Director of Children's and Adults Services	

RECOMMENDATION

1. That the strategic director of finance and corporate services agrees an extension of the contract with Medequip Assistive Technology Limited (Medequip) via the London Consortium Agreement to supply community equipment services for a period of 2 years from 1 April 2014 to 31 March 2016 at an estimated contracted value of £3.4m.

BACKGROUND INFORMATION

2. The existing contract with Medequip commenced on 1 May 2010. It has a contract term of 3 years and 11 months and an option to extend for a further 2 years.
3. The Integrated Community Equipment Service (ICES) is designed to supply disability and mobility aids to adults and children who have temporary or permanent physical disability. The equipment is lent to clients free of charge, and then collected when no longer required and recycled whenever possible. Low value items are not collected.
4. Assessments for the equipment required are made by occupational therapists and nurses who then order the equipment from the provider. The contract is a joint contract with the Southwark NHS Clinical Commissioning Group and provides equipment to Kings College Hospital and Guys and St Thomas' Hospitals. Peripheral equipment stores have been established at the hospitals to enable clinicians to supply patients with their equipment upon discharge. This contributes significantly to our local hospitals being able to discharge patients in a safe and timely fashion.
5. The cost of the contract is currently split between the council and the SCCG on a 70% (council)/30% (SCCG) basis. The split had previously been on an 80/20% basis however this was altered in 2012/2013 due to increased use of the contract by NHS practitioners. The SCCG pays its contribution to the council through a s256 NHS Act agreement.
6. The existing contract with Medequip is derived from the London Consortium Framework Agreement which was procured by the Royal Borough of Kensington & Chelsea in accordance with EU Procurement Regulations.
7. When we joined the London Consortium in 2010 it was anticipated that efficiencies would be realised from the gradual standardisation of equipment used by consortium partners, resulting in greater economies of scale and standardised processes across boroughs. Southwark anticipated making savings of £100k per year by joining the consortium, it was also noted at the Gateway 1 stage, that the council would make a non cashable savings of £90k on contract management costs by joining the consortium and therefore avoiding having to undertake its own EU procurement process.

8. When Southwark joined the London Consortium Framework Agreement in 2010, there were eight other London boroughs using Medequip via the framework agreement. The framework is now formed of 20 London boroughs, most of which allow their CCGs access to their contracts.
9. The London Consortium Framework agreement is time limited and will end on 31 March 2017. No new entrants to the framework will be allowed after 31 March 2014. Planning for the end of the framework and the arrangements that will replace it has begun. As lead borough, Royal Borough of Kensington & Chelsea has consulted with members of the framework about their commissioning intentions in the final years of the existing framework agreement and after the existing framework expires. Most boroughs have indicated that they will extend their existing contracts within the lifespan of the existing framework until March 2017, with these decisions to be reached by March 2014. This allows sufficient time for Southwark to undertake the necessary process to extend for a further year, beyond March 2016, until the end of the framework.

KEY ISSUES FOR CONSIDERATION

KEY ASPECTS OF PROPOSED VARIATION

Cost

10. The estimated contract value for the two year extension period is £3.4m. This assumes current contract volumes continue and allows for a limited increase in spend as well as the London Consortium being able to continue to achieve best value on the behalf of Southwark by commissioning on pan London basis.
11. Activity levels over the life of the contract have increased significantly and there has also been an increase in demand for individual pieces of equipment ('specials') required to respond to an increasing complexity of need. This reflects the Council and CCG's focus on supporting more people to live independently within the community both in terms of greater demand for community equipment but also the acuity and complexity of individuals need being supported in a community setting.

Table 1: Levels of activity over last 3 years

	Budget	Spend	Overspend	Council spend	CCG spend	LA/CCG split	Reason
2010/11	£1.44m	£1,62m	£0.18m	£1.30m	£0,32m	80/20	Increased activity
2011/12	£1,45m	£1,55m	£0.10m	£1,24m	£0.31m	80/20	Increased activity
2012/13	£1,45m	£1,58m	£0.14m	£1.11m	£0.47m	70/30	Increased activity -

12. In this context, table 1. sets out how contract spend has exceeded the current budget set for community equipment and how the costs have been shared with the CCG. It is however important to note that the consortium arrangement has delivered savings on the previous contract and that efficiencies delivered by the consortium; its ability to use economies of scale to negotiate price reductions and procure improved products, has helped to constrain the level of overspend.

13. It is also worth noting that the ICES contract can be viewed not only in terms of enabling people to live more independently in their own homes but also as an 'invest to save' approach. The contract achieves cost savings elsewhere in the health and social care system in terms of reduced demand on hospital and residential care, as well as other high cost interventions. Therefore although clear efforts are made to constrain spend there is also an imperative to ensure that equipment is allocated appropriately to ensure that such savings are delivered and independence is maintained for service users.
14. In the first 12 months of the contract with Medequip (May 2010 – April 2011) savings of £87,795 were achieved on the previous year's spend. An analysis of price reductions on 254 types of equipment issued by Southwark prescribers between 2010/11 and 2011/12 indicates that there was 4.47% average price reduction for this equipment. The highest reduction was 49% and the lowest was 0.1%.
15. Further efficiencies have been realised by the consortium substituting existing stock items with improved cheaper items or by making cheaper alternative items available on the stock catalogue. The consortium estimated that consortium wide savings of £168k were made on them substituting or making alternatives available on three items of high volume equipment between 2010/11 and 2011/12.
16. Further efficiencies are being made by taking steps to improve recovery and recycling rates of equipment, sharing specialist equipment with other consortium members, reducing storage costs and smarter use of the equipment catalogue when ordering equipment. We will also continue to benefit from any further price reductions negotiated by the consortium of stock items.

Scope – Service Model

17. The existing specification and contract will be extended without amendment.

Time

18. This variation seeks to extend the contract from its original period of 4 years by a further 2 years and the cost is as follows:

	Value	Length of contract/extension
Original contract total	£4.745m	4 years
New Contract totals	£8.145m	4 years + 2
Previous variations	None	
Proposed variation	£3.4m	2 years
Variation as %age of contract	42%	

REASONS FOR EXTENSION

19. The existing contract expires on 31 March 2014 and it is vital that Southwark has efficient and robust arrangements in place for the supply and delivery of community equipment at this time. The provision of this equipment in people's homes assists people to maintain their independence at home and greatly assists with relieving pressures on our local hospitals as the timely provision of community equipment is a key component of the hospital discharge process.
20. There are limited options for making alternative arrangements. There are only one or two other providers that have the capability to provide and recycle equipment in the volumes required by Southwark
21. Extending the contract will continue to allow efficiencies to be achieved from the contract.
22. The current provider has demonstrated that it can provide the required service to a high quality. Over the past two years it has met or exceeded the key performance indicators in terms of the delivery and collection of equipment, which is an area of vital importance in this contract.
23. The national key performance indicator, D54, is the quality standard that equipment should be delivered within 5 working days from the time of placing the order. The expectation is that performance will be at least 99.0% of deliveries within 5 working days.
24. There have been progressive improvements in performance over the lifetime of the contract. On average 98.7% of deliveries and collections were on time for 2010/11, but this includes a significant percentage of occasions when there were 'accepted' reasons for failed deliveries or collections. Performance improved in 2011/12 as on average 99.2% of deliveries and collections were on time. In 2012/13 performance was exceptional with an average of 99.85%.

Year	KPI %	Target %
2010/11	98.7%	99%
2011/12	99.2%	99%
2012/13	99.85%	99% 25.

25. Performance is also measured by the number of complaints, with the first year of the contract seeing a large number of complaints. The most common reasons were:
 - Breakdown in communication
 - Equipment delivered faulty or dirty
 - Equipment not installed correctly
 - Failed delivery of equipment
26. However given the overall level of activity, the level of complaints is very low. There were only 26 complaints recorded in 2012/13 against an overall number of deliveries in excess of 21,000 for the year.
27. Over time the operational meetings with the contractor have enabled a strong working relationship to develop that has contributed to significant improvements in performance and a steady reduction in the number of complaints.

28. Action plans have been developed and agreed that Medequip are implementing so that the service continues to improve. This has improved communications with all partners, ironed out processes and procedures and in consequence complaints have reduced significantly since then.
29. From an operational perspective, the needs of the clients are becoming more complex and the nature of this contract is to provide preventative action in order to maintain the independence of the individuals living in their own home and reduce hospital admissions. For this reason the equipment provided needs to be the most up to date and to be reviewed continuously as they become obsolete very quickly due to the progress in technology.
30. Extending the contract will allow the council to avoid the significant cost of running a unilateral EU tendering process for this service. Equally the cost of managing and overseeing the delivery of the contract as a sole purchaser would incur significant costs to the council with dedicated resources in terms of staffing required likely to amount to in excess of £90k.

ALTERNATIVE OPTIONS CONSIDERED

Option	Advantages	Disadvantages	Reason for not recommending
Leave the London Consortium and run a single EU tender process for Southwark	<p>Possibility of a more bespoke service</p> <p>Opportunity to test the market to identify alternative suppliers</p>	<p>Lack of time to run an EU tender</p> <p>High cost and complexity of managing an equipment service as the sole purchaser</p>	Better value can be achieved within the existing framework agreement
Leave the London Consortium and join another consortium	<p>Possibility of better efficiencies</p> <p>Opportunity to test an alternative framework</p>	There are no local alternative frameworks	Better value can be achieved within the existing framework agreement
No service	<p>No expenditure on contract</p> <p>Reduced resource requirements in terms of contract procurement and management</p>	<p>Significant impact in terms of increased demand for residential care and delayed discharge from hospital</p> <p>Ad hoc purchasing of equipment leading to reduced levels of quality, service delivery and increased cost</p> <p>Reduced levels of service user experience</p>	<p>Better value and quality can be achieved within the existing framework agreement</p> <p>The impact on social care and health services would be unsustainable</p>

IDENTIFIED RISKS FOR THE EXTENSION

31. The key risks identified are listed in the table below.

Risk	Likelihood	Impact	Risk rating	Mitigating Action
<i>Continuity of provision - No arrangements in place at the end of current contract term</i>	1	10	Low	Rigorous progression of decision making through governance process.

POLICY IMPLICATIONS

32. Local authorities have a duty, under the National Assistance Act 1948, the Chronically Sick and Disabled Persons Act 1970 and the National Health Services Act 1977, to provide services to meet the needs of vulnerable adults. These services include the provision of disability and mobility aids.
33. By extending the contract with Medequip via the Framework Agreement we are meeting policy and strategic directives as follows:
- An Integrated Community Equipment Service
 - Joint/Cross Borough Working
 - Southwark's Vision for Adult Social Care

CONTRACT MANAGEMENT AND MONITORING

34. The contract will continue be monitored by the children's and adults commissioning unit. The consortium and Medequip provide extensive activity and quantitative data pertaining to the contract. Monthly monitoring meetings are held with Medequip to discuss the performance of the contract in Southwark; prescribing clinicians also attend these meetings.
35. The role and functioning of the consortium has evolved over the lifetime of the contract. Previously governance was weak and decision making slow, for several reasons:
- Decisions can only be taken in consortium meetings
 - Lack of clear resolution of issues
 - Discussions / negotiations with Medequip were not always robust enough
 - Development of equipment supporting telecare is rapid and there has been a failure to update the catalogue in a timely manner leading to expensive equipment being purchased 'off catalogue'
36. However, as the consortium has strengthened its role it has addressed most of these issues, making changes to governance, such as delegating some decision making and a small budget to sub-committees (the IT sub group and the Operational sub group). This has improved decision making considerably. The consortium have also set key priorities for the future that will maximise current resources such as reducing failed deliveries even further, boosting collections and increasing recycling of equipment.
37. The consortium has also set up the sharing of special equipment across boroughs (which means buying and selling them amongst partners at a nominal fee of £10), and a quicker process for new equipment to be added to the catalogue for

prescribers to use so that we can offer our community a more responsive and quality service.

38. There are regular monitoring meetings with Medequip and the four other boroughs who receive their service from the Medequip depot located in Southwark. Officers also attend Equipment Review Group meetings where decisions are made about the content of the equipment catalogue.
39. Overall the improved governance of the contract and the strong and mature relationship with the provider has ensured that the contract is delivering what we require and Medequip have improved their performance and quality of service in the last two years. The strength of the contract management will ensure the ongoing delivery of the contract in the coming two years.

FUTURE PROPOSALS FOR THIS SERVICE

40. It is likely that other members of the consortium will extend their contracts with Medequip until 31 March 2017 and will seek to join a new Framework when the existing agreement ends. It is therefore likely that there will be a large number of founder members of the new framework when it is formed. This will give the lead authority a stronger hand when negotiating with providers wishing to enter the new framework.
41. Any future framework will need to operate a 7 day week working model to accommodate discharge pressures in hospitals. It will also incentivise the provider(s) to improve re-cycling rates and to have more efficient business processes.

COMMUNITY IMPACT STATEMENT

42. The Consortium procurement process required tenders to proactively demonstrate their commitment to equal opportunities and have a satisfactory record in relation to diversity.
43. Providers were asked to provide evidence of their Equal Opportunities policies as well as a practical statement as to how much this is implemented in relation to service delivery and workforce development.
44. The service delivers a more easily accessible service to Southwark residents, where services users are afforded more modern methods of communicating with the service provider when asking for help, tracking orders or requesting collections.

ECONOMIC CONSIDERATIONS

45. The current contract brings additional economic benefits to the borough as the contractor is a significant local employer due to the fact that it has a depot based in Camberwell. The contractor operates an apprenticeship scheme that supports the employment of young people locally.

SOCIAL CONSIDERATIONS

46. Medequip currently ensures that all staff operating under this contract are paid the London Living Wage or above.

ENVIRONMENTAL CONSIDERATIONS

47. The contractor has an environmental policy in place that recognises the potential and actual impacts that their operations have on the environment and their integrated quality management system has led to an increased emphasis on protection of the environment and minimisation of our impacts from our products, services and employees. Actual examples include the recycling of written off equipment.

FINANCIAL IMPLICATIONS

48. The ICES service is funded in 2013/14 via a pooled budget arrangement with contributions of £1.45m by Southwark Council and £435k from the SCCG (formerly Southwark PCT). This level of funding is expected to be sustained in 2014/15 based on current budget proposals. There is currently a S256 agreement in place that clearly sets out the risk share agreement with the SCCG and indicates that the 70% council / 30% SCCG applies both to the agreed contractual spend and to any overspend or underspend.
49. Although funding for 2015/16 is unconfirmed, this contract will be considered as part of the revenue budget setting process to ensure contractual obligations can be met. In the event that the SCCG reduces or removes its contribution there is no expectation that the council will fund the shortfall.
50. Regular monitoring of the contract will ensure that the 70% council / 30% SCCG contribution remains a fair reflection of activity. If the ratio of activity moves significantly then consideration must be given to adjusting the contributions accordingly.

LEGAL IMPLICATIONS

51. Please refer to concurrent report of the Director of Legal Services below.

CONSULTATION

52. The ICES in Southwark has a robust governance structure which includes an Executive (that has both CCG and Social Services operational and finance officers); an ICES Advisory Board with voluntary sector and service user representatives; and an ICES Clinicians Group with operational team leads from across health and social care as well as the acute services.
53. All of these boards have input into the decisions around the Consortium, as well as the decision to extend the contract.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

HEAD OF PROCUREMENT

54. This gateway three report seeks approval to instigate the two year extension from 1 April 2014 to 31 March 2016 allowed for under the terms of the London Consortium Framework Agreement. Paragraph 8 confirms that the two year extension is required to provide sufficient time to plan and under take a procurement exercise to meet future community equipment requirements.
55. Paragraphs 10 to 15 confirm that demand for equipment and the cost of some items has meant that annual expenditure has exceeded budget targets but that this is in

part being offset by substituting other items with cheaper alternatives along with increased efficiencies through recycling and sharing of specialist equipment.

56. Paragraph 22 confirms that general contract performance to date is satisfactory with progressive improvements being made year on year. Paragraphs 31 to 36 confirm the management and monitoring arrangements that will be in place during this two year extension, with particular focus on continuing improvements in governance.

DIRECTOR OF LEGAL SERVICES

57. The Director of Legal Services (acting through the Corporate Team) has advised officers in connection with this matter and notes the content of this report.
58. The report seeks approval of an extension of an existing contract with Medequip which had been "called off" from a framework agreement procured and managed by the Royal Borough of Kensington and Chelsea ("RBKC"). The conditions of that contract make express provision for extension by a period or periods of up to two years. The report confirms that the current framework agreement is due to expire on 31 March 2017 and that RBKC are considering arrangements for future service provision beyond that date.
59. In recommending approval of a contract extension, officers are required to have due regard to the Public Sector Equality Duty imposed by the Equality Act 2010. The report sets out the benefits that the contract is intended to generate for persons with physical disability and notes the representation of service users on the ICES Advisory Board, which influences decisions made around the operation of the contract.
60. In view of the value of the contract and the value and extent of the proposed contract variation, the decision to approve the report recommendation is one which is required to be taken by the strategic director of finance and corporate services in line with the council's Contract Standing Orders ("CSOs"), after consideration of the report by the Corporate Contract Review Board. The proposed extension of the contract with Medequip will enable the council to discharge its statutory duties in this area and will be consistent with corporate policy.
61. CSOs also require that no variation decision may be made unless the expenditure has been included in approved revenue or capital estimates, or has been otherwise approved by, or on behalf of the council. Paragraph 45 explains how future funding is intended to be secured and managed.

STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES (F&CS13/034)

62. This report seeks approval to an extension of the contract with Medequip Assistive Technology Limited (Medequip) via the London Consortium Agreement to supply community equipment services for a period of 2 years. The financial implications are contained in paragraphs 44 to 46.
63. The strategic director of finance and corporate services notes that this contract is funded in part by the Southwark clinical Commissioning Group (SCCG). This contribution (including level of activity) will need to be regularly monitored to ensure it continues to deliver best value for both parties.

64. The SCCG's contribution to the council comes through a pooled budget agreement under section 256 of the NHS Act 2006. This will be subject to monitoring and reporting in line with council procedures.

FOR DELEGATED APPROVAL

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 Date 20.3.14

Designation STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 1 – Procurement Strategy Approval: London Consortium Integrated Community Equipment Service Framework Contract	Adult Commissioning Unit Children's & Adults Services Tooley Street	Dimitra Nikoloudaki X 52891
Gateway 2 - Contract Award Approval: Integrated Community Equipment Service via the London Consortium Framework	Adult Commissioning Unit Children's & Adults Services Tooley Street	Dimitra Nikoloudaki X 52891
Report to CCRB 14 August 2012: Integrated Community Equipment Services – Annual Performance Report	Adult Commissioning Unit Children's & Adults Services Tooley Street	Dimitra Nikoloudaki X 52891

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Jonathan Lillistone, Head of Commissioning	
Report Author	Mark Taylor, Commissioning Manager – prevention and inclusion	
Version	Final	
Dated	03 February 2014	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included

Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Home Ownership and Tenant Management Initiatives	No	
Cabinet Member		
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member		
Date final report sent to Constitutional/Community Councils/Scrutiny Team		12 March 2014

