

Item No.:	Classification: Open	Date: 15 th December 2009
To	Executive	
Report title	Gateway 1 –Procurement Strategy Approval London Consortium Integrated Community Equipment Service Framework Contract	
Ward(s) or groups affected	All Wards & People with Disabilities	
From	Strategic Director of Health & Community Services	

RECOMMENDATION (S)

1. That Executive approves the procurement strategy outlined in this report for the London Consortium Integrated Community Equipment Service Framework Contract.
2. That Council Executive delegates authority to the Chief Officer, Strategic Director of Health & Community Services, to approve the award of a 4 year service contract through the framework.
3. That Executive delegates the decision to the Chief Officer for a single 2 year extension after the initial 4 year term.

BACKGROUND INFORMATION

4. The London Consortium Integrated Community Equipment Service Framework Contract for Southwark has an initial term of 4 years.
5. The framework contract has extension provision for 2 years.
6. Under current EU Procurement Regulations there is usually a prescribed maximum duration of 4 years in respect of a framework agreement, subject to "exceptional circumstances" for which the contracting authority is able to provide justification - in particular, "circumstances relating to the subject of the framework agreement". The justification relied upon by the lead authority (and stated in its contract notice published in the OJEU) is that several other national agreements sponsored or managed by the Department of Health are due to expire in March 2016, meaning that it would be impractical and cost ineffective to conclude the framework agreement in 2014 and then procure a further short-term contract pending the announcement of DoH policy for initiatives which are to operate from 2016. Southwark's view is that such justification is sound and that the risk of challenge is negligible.
7. The anticipated reduction in expenditure being realised will be due to the gradual standardising of equipment used by consortium partners, resulting in greater economies of scale and standardised processes across boroughs leading to efficiencies.
8. Justification for a framework agreement, the duration of which exceeds four years is based upon the Call off period to join the framework being 4 years - length of contract to March 2016 coinciding with end dates of other national contracts.
9. Local authorities are required by law to assess any ordinary resident who presents themselves in need of social care. Based upon a needs assessment, fair access criteria and the financial position of the individual resident, local authorities are required to have access to a range of services; one of these services is the provision of Community Equipment Services to enable

residents to remain living at home. Due to legislation this service is not subject to means testing as it is part of the Government's health prevention agenda.

10. Similarly Primary and Acute Health Trusts need to provide equipment to meet the health needs of residents being cared for at home.
11. In 2000 the Department of Health (DH) published a recommendation to local authorities and health trusts that consideration should be given to the integration of their community equipment services into a single operation/service (Integrated Community Equipment Service – ICES). Although acceptance of the recommendation was not mandatory most London Authorities and the Primary/Provider Care Trusts (PCT) adopted the recommended model.
12. Southwark Health & Social Care typically issues and collects over 17,000 pieces of equipment annually.

THE LONDON CONSORTIUM FRAMEWORK

13. The London Consortium is a group of eight Local Authorities and their health partners working together, innovatively, to explore ways in which the Community Equipment Service can be more responsive to the needs of Service Users whilst, at the same time, achieving operational efficiencies.
14. The London Consortium Community Equipment Framework began as a West London Alliance (WLA) Procurement Group Project.
15. The West London Alliance (WLA), formed in 1998 by the London Boroughs of Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow, aims to promote the economic, environmental and social well being of the West London community.
16. Drawing from the Southwark's learning gained through leading on the development of the Lewisham & Southwark Supporting People Framework, an innovative and cost effective approach to the procurement of support services commissioned through the Supporting People programme, commissioners were keen to engage in the London Consortium Community Equipment Framework. This has given Southwark the opportunity to benefit from a forward thinking approach to cross borough working through joining the Framework Agreement which procurement approach recommended in this report.
17. There are already a further eight Local Authorities and their health partners (bringing the total to 16) interested in joining the Consortium and utilising the Framework agreement. This will, in turn, lead to even greater efficiency savings.
18. A framework agreement is an agreement with a named service provider/s and a designated group of contracting authorities. One of the designated authorities who wishes to purchase the specified service may do so under the terms of the framework agreement, including price, without recourse to further competition. On occasion it may be decided to appoint more than one provider to the framework, in which case a further round of tendering only with the framework providers (mini-competition) is necessary.
19. Each local authority/PCT (with the exception of Kensington & Chelsea and Hammersmith & Fulham) has previously procured an ICES service provider independently. Due to the limited number of potential service providers a large number of authorities, including Southwark, ended up with a common provider (Medequip and Millbrook). A significant number of these contracts are now due to be re-let.

20. The current procurement model gives rise to questions such as:-
 - Are we maximising our joint purchasing power?
 - Are we setting the overall service standard or are we reacting to local relationship issues with the provider?
21. The DH integration agenda has a specific workstream related to the Community Equipment Service, the Transformation of Community Equipment Services (TCES). Proposals have been made to:
 - Introduce a retail prescription model whereby service users and their carers, who elect to collect their own equipment (i.e. small scale, easily portable) would be issued with a prescription which can be redeemed from an approved retail supplier (Retail Model – see background papers).
 - Local commissioned services would still need to be commissioned – to meet all non retail equipment needs.
22. The business model for any incoming ICES provider will have to reflect these changing requirements of Southwark Health & Social Care.
23. The Transforming Community Equipment Services (TCES) Project is currently in Southwark is developing the market and implementing a retail model for simple aids to daily living (simple community equipment). In modelling the award the effect of the Retail Model was considered and it was found it does not change the recommendations made in this report.
24. The effect of the retail model on the contract will be a gradual decrease in volumes for low cost items reducing the volumes delivered by the ICES Provider. This will be a gradual change over several years as the market develops and the behaviour of Southwark residents changes.
25. The TCES project has also been evaluating the benefits of the London Consortium Framework Agreement.
26. The London Consortium has carried out a full and robust tender, detailed below, and awarded the Framework contract to a Medequip Assistive Technology Limited.
27. The awarding of the framework to multiple providers was considered. The advantages would be increased competition and spreading risk. However, this option is not recommended as a complex formula to allocate business would need to be developed and established followed by a mini-competition round. This would result in increased costs and key service outcomes such as meeting delivery time targets (D54 KPI) not being achieved. It would also delay the implementation of the framework agreement as these new procedures would need to be agreed before contract award.
28. It is only now, that the framework has been awarded by the Consortium that the full benefits, including efficiencies, can be measured and the recommendation to approve Southwark's participation in the Consortium Framework be sought.
29. The establishment of this framework agreement is subject to EU procurement regulations.
30. Southwark does not incur any contract liability with Kensington & Chelsea or any other partnering authority, as each authority will have a direct contractual arrangement with the service provider.

REASON FOR THIS PROCUREMENT

31. Southwark's current Integrated Community Equipment Service (ICES) contract is in its 5th and final year and expires on 31st March 2010. We are required to either extend the current contract beyond the originally planned contract period or carry out a procurement process.
32. Strategic directives around personalisation require a revised contract model that accounts for business model changes for our providers. Changes to our service model brought about by development of and engagement with a retail model for simple aids to daily living requires a developed service specification for our provider to achieve value for money. The framework agreement accounts for these factors and delivers a more robust contract with in-built 'future-proofing'.

MARKET CONSIDERATIONS

33. This report concludes that there would be no advantage to Southwark in carrying out a separate tender. The consortium has tested the market, with the three market leader providers being the three shortlisted tenderers.
34. If Southwark does not join the framework agreement and carries out our own procurement we would not benefit from the commercially advantageous rates offered to the consortium because of economies of scale and potential for shared business processes.
35. Consideration must also be given to the cost of officer time if a separate procurement process is undertaken. A full tender process would take 6 to 9 months and would require dedicated officer time, as well as significant input from operational staff. The estimated cost for this resource implication is £90k.
36. It would be highly likely that if Southwark were to carry out a separate tender process it would result in the same outcome.
37. The chosen provider already has 5 of the 8 contracts of the partner London Authorities and PCTs. The risks for a growth of 3/8 is deemed acceptable by both the consortium's project board and Southwark's Transforming Community Equipment Services Project Board.

SUMMARY OF THE BUSINESS CASE/JUSTIFICATION FOR THE PROCUREMENT

38. This report recommends that the framework's procurement process has been sufficient to meet Southwark's procurement and legal requirements.
39. This report also recommends that the consortium framework agreement offers the best possible value for money for Southwark.
40. The Consortium partnership was initiated by a common purpose: the need to address expiring equipment contracts, to drive more efficiencies out of the market and, responding to the Department of Health personalisation agenda
41. By utilising the framework effectively, standardising stock and implementing shared processes Southwark can expect savings over the maximum term of the contract (6 Years).

IDENTIFIED RISKS AND HOW THEY WILL BE MANAGED

42. Sustainability - A range of sustainability issues have been included within the proposed contract and have been formally assessed as part of the assessment process.
43. Risk Assessment – the monthly Consortium Project Board receives highlight reports and risk logs. The tender technical report (see background papers) presented to the London Consortium Project Board on 9th July 2009 also highlighted a range of additional risks including proposed mitigation.
44. There is an additional layer of risk management within Southwark's Transforming Community Equipment Services (TCES) Project Board. Here there is a Southwark specific risk log where risk and issues are identified and measures to control risk and deal with issues are developed. (see background papers)
45. When the TCES Project is finished the Integrated Community Equipment Service (ICES) Executive will risk manage as part of their regularly scheduled bi-monthly meetings.

KEY ISSUES FOR CONSIDERATION

46. The aim of the cross authority working are:-
- 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 support future changes; and
 - Directly influencing suppliers contract management and developmental processes.

POLICY IMPLICATIONS

47. Please refer to the following paragraphs:
- a. Paragraph 11: An Integrated Community Equipment Service
 - b. Paragraph 22: Integration of the Community Equipment Service & Retail Model
 - c. Paragraph 33: Personalisation

PROCUREMENT PROJECT PLAN

48. Several of the Consortium members began work on cross border co-operation and development of common desired service outcomes and specification for their equipment service in August 2008.
49. Southwark became involved with the Consortium in November 2008 and it was then that Officers from Southwark actively participated in the development of service specifications for both 'means of equipment delivery' and process specifications.
50. The ICES Executive Board have been monitoring and steering Southwark Officers in respect to the Consortium option since December 2008.
51. Southwark's service user representatives (from the ICES Advisory Board) have been informed about the consortium since December 2008 and have been involved in the service user presentations and scoring of providers.
52. The table below shows the timeframe for the setting up of the framework:

Table 1: Procurement Timeframe

Target Date	Action
23/12/08	EU Contract Notice 23.12.08 please see link for actual notice – see Appendix 4 & Equipment Full Notice Appendix 4a
29/01/09	Expressions of Interest Deadlines
08/05/09	Tender Documents sent out
10/06/09	Tender return & opening
12/06/09	Tender Evaluation
15/08/09	Lead Authority Approval Report
December Council Executive	Southwark Gateway 1 (this report)
01/01/2010	Gateway 2 Report – allow time for call in
20/01/2010	Contract award
01/04/10	Contract start

TUPE IMPLICATIONS

53. TUPE implications do not directly affect the Council as an employer, but The Authority needs to be aware of the TUPE factors, when delivering the procurement plan.
54. TUPE implications are not considered to be at such a level as to affect the choice of appointed Provider.

DEVELOPMENT OF THE TENDER DOCUMENTATION

55. The development of tender documentation was carried out, in the main, by the lead borough, Kensington & Chelsea in line with their standard methodology and in full consultation with the Consortium Project Board. A comprehensive documentation of the tender methodology is available on request and has been considered by Southwark’s procurement team as adequate.
56. Work shops were held with partner local authorities between September and December 2008 to agree award criteria and tender documentation.

SELECTION PROCESS

57. The methodology in appraising tenders established a weighted criteria considering both quality and cost issues, frequently referred to as the “most economically advantageous” model. When applying this methodology, quality issues normally have a higher weighting. The Project Board agreed to the following weightings:-

Table 2 – Quality/Price Ratio

CRITERIA	WEIGHTINGS
Quality	60%
Price	40%

This methodology is the lead borough’s (Kensington & Chelsea) standard methodology and results in a favourable outcome for Southwark.

58. Quality - The tender documents also highlighted that the quality criteria would be subdivided into three areas. These are summarised in the table below:-

Table 3 – Quality Criteria

CRITERIA	WEIGHTINGS
Equipment Means of Delivery/Method Statements	45%
Data systems	45%
Interviews/Presentations	10%

59. Price - Tenderers were advised that this would be based upon a 'basket of products' (high cost/high volume) covering current expenditure of three boroughs plus activities data.

60. In terms of financial capacity the tender documents requested tenderers to update any financial information previously submitted as it was intended to re-assess individual tenderers capabilities (i.e. risk profile) to support various contract values. The documentation also stated that the Partners will need to take a view as to the total number of potential partners that are likely to join the framework and the value of services to be procured. The financial risk profile may well vary depending upon this appraisal.

61. The Service Providers were advised that the outcome of this process may result in the highest ranked submission being rejected due to the financial risk profile or the decision to appoint more than one Service Provider.

ADVERTISING THE CONTRACT

62. A prior indicative notice was published 8th August 2008, with an EU Contract notice published 28th December 2008. (See appendix 4 and 6)

EVALUATIONS

63. The quality criteria measured separately equipment means of delivery and systems. The evaluation panel was drawn from across the partners.

64. In addition there were formal presentations to Service Users and officers from across the partners.

COMMUNITY IMPACT STATEMENT

65. The Consortium procurement process required tenderers to proactively demonstrate their commitment to equal opportunities, and have a satisfactory record in relation to diversity.

66. Providers were asked to provide evidence of their Equal Opportunities policy as well as practical statement as to how this is implemented in relation to service delivery and work force development.

67. The framework's developed service specification will deliver a more easily accessible service to Southwark residents – where service users are afforded more modern methods of communication with the service provider when asking for help, tracking orders or requesting collections.

OTHER IMPLICATIONS OR ISSUES

64. In Southwark, and in most other authorities, the service is operated as a pooled budget in partnership with the local PCTs. Any increases/decreases in cost will have a knock on impact on each partner's contribution to the pool.
65. Whilst Southwark will engage and make use of the framework, the agreement is still open to local arrangements so that Southwark officers and service users can make local agreements above and beyond the framework, that best suit the residents of Southwark.

RESOURCE IMPLICATIONS

66. The current annual budget for the Integrated Community Equipment Service includes staffing and on-costs.
67. Staffing Implications – there has been officer input to the development of the framework since November 2008. This could be estimated as 0.2 of an officer post for the last 10 months.
68. The on-going commissioning and monitoring of the framework will be conducted within the current ICES resource.
69. Financial Implication - The contract value will not only need to be contained within current budgets, but will also have to deliver economies of scale to meet objectives noted within the Transforming Community Equipment Services Project.
70. Volume discounts will be available and will vary depending on both the number of authorities making use of the framework agreement (business volume discount) and the amount of standard items (same manufacturer) agreed across multiple authorities (item volume discount).

CONSULTATION

71. The ICES in Southwark has a robust governance structure which includes an Executive (that has both PCT 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.
72. All of these boards have input into the decisions around the Consortium, as well as being involved in the assessments of tenders.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

73. Advice has been sought from finance, procurement, legal and operational colleagues who have informed the recommendations in this report.

STRATEGIC DIRECTOR OF COMMUNITIES, LAW & GOVERNANCE

74. The Strategic Director of Communities, Law & Governance ("SDCLG", acting through the Contracts Section) has advised the report author and other officers in connection with the legal issues arising from this report and notes its content.
75. The report seeks authority to procure a new long-term "ICES" contract through the London Consortium Framework ("LCF"), the details of which are set out from paragraph 14. The SDCLG has examined the terms of the legal documentation prepared by the Royal Borough of Kensington & Chelsea for this purpose and would confirm that it meets Southwark's

requirements in respect of both its service and process specifications and the protection of its interests.

76. The establishment of the LCF has been subject to the application of the current EU Procurement Regulations, and the SDCLG confirms that the process undertaken by Kensington & Chelsea has complied with all of the relevant requirements of those Regulations. Paragraphs 7 and 9 of this report confirm the position concerning the extension of the framework beyond the four year limit prescribed by the Regulations, in line with legal advice provided by the SDCLG and the legal advisers acting for Kensington & Chelsea.
77. Under the Council's Contract Standing Orders ("CSOs"), any procurement involving the use of a third party's Framework contract is subject to usual Gateway 1 and 2 procedures. However, CSO 3.2 provides that the requirements in CSOs for obtaining tenders or quotes shall not apply where the Council intends to purchase under a consortium contract so long as approval for the use of that consortium contract has been given via a Gateway 1 report which should identify the procedure and route for approvals for future orders being placed under the consortium agreement. The report indicates the process and anticipated timetable for the award of its service contract through the appointed framework provider Medequip. The proposed delegation of the decisions relating to the award of the service contract and its possible future extension are also permitted by CSOs and are expressly requested within the Recommendations at the head of this report.
78. The procurement of this contract is a strategic procurement as defined in the CSOs, and as such the decision on the approval of the proposed procurement strategy is one which is to be taken by the Executive or executive committee, after taking advice from the Corporate Contract Review Board.
79. CSO 7 requires the lead contract officer to ensure that systems are in place to manage and monitor contracts in respect of compliance with specification and contract, performance, cost, user satisfaction and risk management. Where the estimated contract value exceeds the relevant EU threshold, the lead contract officer should prepare a six-monthly monitoring report to the relevant DCRB. Where the contract relates to a strategic procurement, the lead contract officer should prepare an annual monitoring report to the CCRB.

FINANCE DIRECTOR - FI:/903

80. The provision of Community equipment services proposed in this report is to be funded from 'pooled' resources between the Health and Social Care Department and Southwark PCT. The gross value of the budget is £1.546m. The actual expenditure is expected to come within budget and hence no financial risks are anticipated.

HEAD OF PROCUREMENT

81. This report is seeking approval to procure an integrated community equipment service via a framework that has been set up by Royal Borough of Kensington and Chelsea which followed a full EU compliant process.
82. The report describes the process that was followed to set up the framework and confirms that officers from LBS were involved in the development of the specification and the evaluation of submissions. This involvement would help to ensure that LBS requirements and standards will be met and that the providers appearing on the framework would be able to deliver the full scope of the service requirements.
83. By tapping into an established framework, the council will benefit from better rates achieved from increased buying power. Other benefits come from reduced procurement timescales and

savings on resources that would be needed if the council was to follow a full competitive tender process.

84. Following the approval of this report, officers will secure best possible rates for the council and finalise the contract details. This will result in the production of a separate gateway 2 report which through this report will be delegated to the Strategic Director of Health and Community Services for approval.

KEY POINT SUMMARY

- This procurement followed the standard methodology used by the Royal Borough of Kensington & Chelsea and is compliant with EU Procurement Regulations.
- This is a strategic procurement.
- The contract is for services and is replacing an existing provision.

BACKGROUND PAPERS

Background Papers	Held At	Contact
TCES Retail Model	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
TCES Project Partner Briefing	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
Consortium Final Technical Report	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
TCES Risk Action Issues and Lessons Learnt Log	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
Equipment Full Notice	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
Contract Notice	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
RBKC Tender Assessment Methodology	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374
Prior Indicative Notice	Commissioning - Adults Social Care	Taylor Jakks 020 7525 0374

AUDIT TRAIL

Lead Officer	Susanna White		
Report Author	Taylor Jakks		
Version	Final		
Dated	3 rd December 2009		
Key Decision?	Yes	If yes, date appeared on forward plan	September 2009

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Legal: Strategic Director Communities, Law and Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
Executive Member	<yes/no>	<yes/no>
Date final report sent to Constitutional Support Services		<i>04/12/2009</i>