



Report of: Executive Member for Health and Wellbeing

Meeting of:	Date	Ward(s)
Executive	9 February 2017	All

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement Strategy and Award Report for Integrated Community Equipment Services

1. Synopsis

- 1.1 This report seeks pre-tender approval of a procurement strategy and approval of the contract award for a framework agreement in relation to an Integrated Community Equipment Service (ICES) in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 This contract enables the Council to fulfil its statutory duty to make arrangements for the provision of certain home-based services, including the provision of disability aids and "community equipment". The Integrated Community Equipment Service (ICES) provides community equipment for residents of Islington following a needs-based assessment by health or social services staff. Equipment provided ranges from Complex Aids to Daily Living (CADL) such as air alternating pressure mattresses to Simple Aids to Daily Living (SADL) such as a raised toilet seat.

2. Recommendations

- 2.1 To approve the procurement strategy for Integrated Community Equipment Services as outlined in this report.
- 2.2 To approve the contract award for Integrated Community Equipment Services to Medequip Assistive Technology Ltd via the London Community Equipment Consortium framework agreement.
- 2.3 To delegate any subsequent call-off from the framework to the Corporate Director for Housing and Adult Social Services.

3. Background

3.1 Islington Council's Community Equipment service is currently provided through a consortium framework contract with the London Community Equipment Consortium. The present ICES framework agreement is accessed by 20 London Boroughs via individual Access Agreements and separate call-off contracts. The London borough of Kennington and Chelsea are currently the lead commissioning authority, although this is being passed to the London borough of Hammersmith and Fulham for the new contract. The lead authority employs two Consortium officers who carry out tasks on behalf of the Consortium member such as organising meetings, maintaining the equipment catalogue, provider negotiations and commissioning support. These roles are funded jointly by all boroughs using the framework. The Consortium board meets on a quarterly basis to discuss joint concerns and make collective decisions. There are also quarterly specialist meetings to discuss IT, Operations and Equipment.

The service includes the supply, delivery, fitting/installation, adjustment, servicing/testing, collection, refurbishment, recycling and disposal of items of equipment as requisitioned by authorised prescribers on behalf of the local authorities for the benefit of service users. As part of the installations, service users will be trained on how to use equipment correctly by technician or occupational therapist when appropriate.

The provision of this service requires a certain degree of logistic expertise. When required, the service needs to be provided within prompt timescales such as out of business hours or within 4 hours. To enable this flexibility, the service provider is required to have sufficient resource capacity for example warehouse space, staffing levels and skill mix, and operating systems.

In addition to being a statutory duty for local authorities, the provision of community equipment is key to achieving local and health authority strategic objectives, efficiency and cost-effectiveness. For example, provision of the appropriate community equipment can:

- promote independence, safety, social inclusion, quality of life and improved end of life care
- reduce unscheduled hospital admissions and Accident and Emergency attendance
- facilitate hospital discharges, reducing the length of stay in hospitals
- reduce care costs by avoiding or delaying admissions to residential care and the need for paid carers
- play a key role in the delivery of early intervention and prevention strategies.

The Consortium's existing framework agreement expires on 31 March 2017 so it is necessary for the service to be re-procured.

3.2 Estimated Value

ICES is funded through a pooled budget between London Borough of Islington (LBI) and Whittington Health (WH) through a Section 75 agreement.

The ICES Pooled Budget is hosted by Islington Council and the 2016/17 gross budget was £900,000 of which £450,000 is funded by Islington Council and £450,000 is funded by Whittington Health.

Outside of the ICES Pool Budget there is an additional £500,000 Capital budget for the purchase of ICES equipment over the value of £1,000 which is funded by Islington Council.

As the full length of the proposed contract is six years (four + two years), the total value of this procurement is estimated to be £8,400,000. The estimated value of the procurement for the Consortium as whole is £636,037,040. This figure is based on the current 20 London boroughs budgets for 2015/16.

The spend over the last two years has been £1,600,000 in 2014/15 (Section 75 with WH of £990,000 plus a further £600,000) and £1,700,000 in 2015/16 (Section 75 with WH of £970,000 plus £740,000)

ICES is a statutory service that helps residents remain independent and in their own homes for longer

and enables swift hospital discharge. There has been a growing demand for the service in recent years. It is believed that procuring in partnership with other London boroughs will give us the best economies of scale however there are no plans to deliver any other efficiencies from this procurement.

The London Consortium carried out a review at the beginning of the re-procurement process. The review considered options to reduce costs, conducted national local authority spend benchmarking exercises, as well as reviewing the commissioning needs of the Consortium. Islington was fully engaged in this process.

The review highlighted the following key cost benefits to procuring together:

- commissioning and procurement project costs will be split across all boroughs
- provider tendering costs will be reduced enabling them to submit the most cost effective bids through the competitive tendering process
- economies of scale, common equipment, business processes and a single IT system will enable boroughs to maximise efficiencies.

3.3 Timetable

The current contract expires on 31 March 2017 and there is no provision to extend this. As this is a statutory service and a key part of health and social care offer, this deadline must be met.

Key dates are as follows:

Hammersmith and Fulham's (procurement exercise to establish the framework).	November – December 2016
Executive approval to award	February 2017
Contract commencement date	1 April 2017

Consultations regarding the re-procurement of this service have been completed with health and social care practitioners using the existing service, both at a senior and more junior level. Extensive consultations have also been held with neighbouring boroughs concerning current service arrangements and future provision for the service. Additionally, the commissioning team have met with several market providers to appraise options for the future provision of the service. Legal services have also been consulted regarding the framework's terms and conditions.

3.4 Options Appraisal

A variety of procurement options have been considered both internally and with the London Consortium. The following options were considered:

- The Consortium appraised the opportunities of joining alternative frameworks, however, none currently in use would be accessible for the Consortium as whole.
- The Consortium also appraised the opportunities of using an alternative procurement arrangement such as NHS shared business services (SBS), Croydon Integrated Procurement Hub (IPH) or Commercial Services Kent Ltd to provide the Consortium's service. These were discounted because they did not provide value for money or possess the necessary infrastructure to service the 20 boroughs.
- Leaving the Consortium and procuring the service at an individual borough level through an open tender. This option was discounted because it would not achieve the economies of scale and savings enabled by the Consortium approach
- Leaving the Consortium and providing it as an Islington in-house service. The option of providing a community equipment service in-house was also considered but LBI does not have the specialist resources to deliver the type and frequency of the services needed
- Leaving the Consortium and procuring with a smaller group of London boroughs (Camden, Haringey, Hackney, Waltham Forest, Tower Hamlets, Redbridge, and Havering) seeking to identify alternative market providers It was concluded that this would not be a viable option at this point in time as the other local authorities' commissioning intentions were not aligned and the alternative

market providers were not financially able to extend their service without the business of more than one local authority.

There are considerable cost and savings benefits attached to calling off from the London Community Equipment Consortium framework.

In addition to the financial advantages of working collaboratively, the London Consortium:

- provides an opportunity to share resources, both in terms of staffing and time
- enhances opportunities for collaboration and sharing good practice
- enables standardised systems and practice
- ensures consistent quality
- maximises service efficiencies
- reduces Islington officers' time as Hammersmith and Fulham will lead the procurement process.

It is acknowledged that collaborative approaches such as this could result in a loss of control over how the service is procured and managed over the life of the contract, and the likely need to compromise as each local authority has slightly different priorities. To mitigate this, a local agreement will be drawn up between Islington and the provider to cover any areas of variation for the Islington contract.

3.5 **Key Considerations**

Consideration has been given to whether the contract could be divided into smaller "lots", to enable bids from small businesses and third sector organisations. However due to the contract value, specialist nature, logistical requirements and the limited number of suppliers, this was not deemed to be a viable option.

Consideration will be given to incorporating specialist apprenticeships and/or local employment for both the prime contractor and any sub-contractors, which does not necessitate division into lots. This has been incorporated into the tender evaluations through a question concerning how the provider proposes to reach the target regarding apprenticeships in the workforce.

Providers will need to supply a satisfactory equal opportunities policy as part of the tender process. The service supports equality and diversity by assisting people with disabilities and/or illnesses to remain independent and to make the most of life opportunities.

The provision of community equipment is key to achieving efficiency and cost-effectiveness across a range of local authority and health authority services and supports their respective strategic objectives and responsibilities under the Care Act.

The framework will include a range of key performance indicators (KPI's) to ensure continuous improvement through economies of scale, efficiencies and effectiveness. These include the following areas:

- identifying and implementing alternative products that result in equipment savings
- fast turn-around of collection credits
- boosting collection credits
- delivery performance
- responsiveness
- invoice accuracy
- customer services.

It is intended that through our local contract variation, further KPI's will be added to drive up quality in the service. It is likely that these will focus on: customer care, complaints management, staff training and support, and service development. Quality will also be a focus for other forms of contract monitoring, especially through service user feedback as a form of quality control.

In addition to the KPIs, the pricing model of the contract will incentivise the supplier to increase

equipment reuse, thereby increasing credits paid back to the Council. The majority of equipment is provided as a loan, once no-longer needed and it is collected from the community, Islington will be credited the cost of the item and it will available to be reused.

There will also be incentive payments or compensatory payments (depending upon the supplier's performance) for the following:

- Reducing equipment prices each year (for like-for-like items of the same make and model)
- Finding and implementing lower cost alternative equipment items (different makes/models)
- Telephone waiting times
- Activity timescales.

Continuous improvement and added value will be tested at the tender evaluation stage through a series of questions focused on the enhancement of the service user's experience, service innovation, and maintaining value for money for the contracting authorities.

The London Consortium has confirmed that London Living Wage (LLW) can be included as a local requirement in the boroughs' individual agreements.

TUPE will apply. This has been incorporated into the Consortium's project plan and risk assessment.

- 3.6 The tender will be conducted in one stage, known as the Open Procedure as the tender is 'open' to all organisations who express their interest in the tender. The Open Procedure includes minimum requirements which the organisation must achieve before their evaluation Award Criteria is considered.

This is considered to be the best option due to the limited number of suppliers that operate within this market. This also allows for a faster route to market.

The award criteria is broken down as follows:

Price – 45%

Quality – 55%

The Quality Criteria (55%) is further subdivided between;

- Equipment (60%) including service implementation planning, customer service, workforce management and added value.
- Information Technology (40%) for the web ordering portal including key processes and day-to-day system, and system configuration and management.

3.7 **Business Risks**

The community equipment provider market is limited. There is a risk that the current provider or others might not bid for this tender. As part of the pre-procurement process, the Consortium board met with all key market providers to discuss the requirements of the service and to gauge their interest in bidding for the contract. They have advised that they are confident that the current provider and other key market providers will be submitting applications.

ICES is a statutory service and the current provider has advised that it would be very complicated and costly to extend following the contract end date in 31st March 2017 as the warehouse leases will need to be extended at a great cost. This means that there is a business risk if the procurement is not completed on time. This risk is being mitigated through a strict timetable to ensure that the contract award and call off periods are completed in time to allow for a sufficient transition period should the current provider be unsuccessful.

- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-

blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	The Integrated Community Equipment Service (ICES) provides community equipment for residents of Islington following a needs-based assessment by health or social services staff See paragraph 3.1
2 Estimated value	The estimated budget value per year is £1,400,000, which is less than previous years' outturn expenditure due to enhanced management oversight and effective working. The agreement is proposed to run for a period of four years with an optional extension of two years. See paragraph 3.2
3 Timetable	The timetable is outlines within this report. See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Outcome of options appraisal are described within this report. See paragraph 3.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Outcomes are described within this report. See paragraph 3.5
6 Evaluation criteria	The cost and or price/quality breakdown is: 45% cost 55% quality The award criteria price/quality breakdown is more particularly described within the report. See paragraph 3.6
7 Any business risks associated with entering the contract	Business risks are described within this report. See paragraph 3.7

4. Implications

4.1 Financial implications

The current budget earmarked for the Integrated Community Equipment Service is £1.5m. This budget is made up of a £900k pooled fund via a Section 75 arrangement with Whittington Health split on a 50/50 basis. There is a further £600k LBI Capital fund meaning the total budget attributable to the Council is £1.05m

This is a cost and volume type service with costs based on activity levels and types of equipment ordered. This budget has been overspent in recent years and recommissioning on similar terms with similar funding streams will cause a pressure to the Council and partner organisation. However, tighter management oversight and rigorous controls will continue to ensure effective action on these pressures.

4.2 Legal Implications

The council has a general duty to promote the well-being of individuals including promoting control by the individual over day-to-day life as set out in the Care Act 2014, Part 1. The Council has power to undertake a joint procurement exercise with another local authority under section 111 of the Local Government Act 1972 which provides the power for the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Council has power to enter into contracts for the provision of community equipment services under section 1 of the Local Government (Contracts) Act 1997 on the basis that such services are properly required for the discharge of the Council's functions.

The services being procured are subject to the light touch regime set out in Regulations 74 to 77 of the Public Contracts Regulations 2015 (the Regulations). The threshold for application of this light touch regime is currently £589,148.00. The value of the proposed contract is above this threshold. It will therefore need to be advertised in the Official Journal of the European Union (OJEU). The council's Procurement Rules require contracts over the value of £164,176,000.00 to be subject to competitive tender.

In compliance with the requirements of the light touch regime in the Regulations and the council's Procurement Rules the proposal outlined in the report is to procure this contract as part of a consortium of local authorities using a competitive tender process with call for competition issued in the Official Journal of the European Union. On completion of the procurement process the contract may be awarded in compliance with the conditions set out in the framework agreement subject to the tender providing value for money for the council.

4.3 Environmental Implications

As this is a re-procurement of a service that is currently delivered, it is unlikely that the environmental impact will change. The service entails the delivery (and collection) of items of equipment to residents' homes. These activities are completed by van; route planning technology is used to create the most effective route which minimises the environmental impact. The contract requires the Service Provider to, in providing the Service, observe good environmental practice (including the recycling and refurbishment of equipment and minimising pollution) and comply with any relevant statutes, codes of practice, industry guidance, policy and any amendments or modifications thereof. This requirement is tested at the tender evaluation stage.

4.4 Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has been completed. This service is expected to have a positive impact on Islington residents including several of the protected characteristics including older residents and

residents with disabilities.

5. Reason for recommendations

- 5.1 This report recommends approval for this procurement strategy for an Integrated Community Equipment Service (ICES) as outlined above and the approval to award the contract for Integrated Community Equipment Services to Medequip Assistive Technology Ltd via the London Community Equipment Consortium framework agreement because in the limited community equipment market this arrangement provides the best value for money for the borough.

Final report clearance:

Signed by:



Executive Member for Health and Wellbeing

Date: 19 January 2017

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