



London Borough of Hammersmith & Fulham

Cabinet

11 JANUARY 2010

LEADER

Councillor Stephen Greenhalgh

**COMMUNITY EQUIPMENT SERVICE –
APPOINTMENT OF FRAMEWORK
PROVIDER.**

**Wards
All**

**CABINET MEMBER
FOR CHILDREN’S
SERVICES**

Councillor Sarah Gore

This report outlines the outcome of the tender for a framework provider for Community Equipment services across 9 London Boroughs.

CONTRIBUTORS

DFCS
ADLDS

**HAS A PEIA BEEN
COMPLETED?
YES**

Recommendation:

That approval be given to enter into a service contract with Medequip Assistive Technology Ltd (Medequip) for a period of 5 years (with the option to extend for a further 2 years) as the appointed framework provider for the provision of community equipment across 9 London boroughs, under a framework agreement procured by the Royal Borough of Kensington and Chelsea as lead authority, at a notional annual value estimated at £755K.

1. INTRODUCTION

- 1.1 This report seeks approval to enter into a service contract with Medequip Assistive Technology Limited (Medequip) as the appointed framework provider for Community Equipment Services. The Royal Borough of Kensington and Chelsea (RBKC) acted as lead authority for a number of London Boroughs and sought approval from their Cabinet to establish the framework agreement.

2. BACKGROUND

- 2.1 Local authorities are required by law to assess any ordinary resident who presents him/herself 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 offer a range of services, one of which is the provision of Community Equipment Services so as 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.
- 2.2 Similarly Primary and Acute Health Trusts need to provide equipment to meet the health needs of residents being cared for at home.
- 2.3. 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 (PCTs) adopted the recommended model.
- 2.4. Each local authority/PCT in London (with the exception of RBKC and Hammersmith and Fulham) procured an ICES service provider independently. Due to the limited number of potential service providers, a large number of authorities ended up with a common provider. A significant number of these arrangements are now due to be re-let.
- 2.5. The current procurement model gives rise to questions such as:-
- 2.5.1 Are we maximising our joint purchasing power?
- 2.5.2 Are we setting the overall service standard or are we reacting to local relationship issues with the provider?
- 2.6. A number of London boroughs have over the last nine months been working together to explore ways in which the Community Equipment Service can be more responsive to the needs of Service Users and how operational efficiencies can be achieved. These discussions have been led by the Royal Borough of Kensington and Chelsea (RBKC).

- 2.7 The DH integration agenda has a specific workstream related to the Community Equipment Service. Proposals have been made to:-
- 2.7.1. 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).
 - 2.7.2 Local commissioned services would still need to be commissioned – to meet all non retail equipment needs.
- 2.8. This report makes no recommendations as to the Retail Model as this is a matter outside the scope of this contract. In modelling the award the potential effect of the Retail Model was considered and it was found it does not change the recommendations made in this report.

3. PARTNERSHIP OUTCOMES

- 3.1 The aim of the cross authority working are:-
- 3.1.1 Lower cost by maximising our joint purchasing power, including the move to generic products;
 - 3.1.2. Greater use of non standard stock, thereby increasing the use of returned specials;
 - 3.1.3. Service efficiencies in terms of common processes and documentation;
 - 3.1.4. A forward looking information system that supports future changes; and
 - 3.1.5. Directly influencing suppliers contract management and developmental processes.

4. PROCUREMENT PROCESS (SECTIONS 5-11):

5. EXPRESSIONS OF INTEREST

- 5.1 The contract was procured using competitive dialogue with the Royal Borough of Kensington and Chelsea acting as lead authority.
- 5.2 In accordance with EU procurement regulations, a Prior Indicative Notice (PIN) was issued on 7th August 2008 with the formal Contract Notice being published on 23rd December 2008.
- 5.3 Following evaluation of the information provided in the requests to be selected to participate, Project Board approved the following companies being invited to participate in dialogue:-

- Medequip Assistive Technology
- Nottingham Rehab Services
- Millbrook Healthcare
- British Red Cross

6 AWARD CRITERIA

6.1 The project team applied the methodology for tender evaluation frequently referred to as the “most economically advantageous” model. When applying this methodology, quality issues normally have a higher weighting. The Project Board therefore agreed to the following weightings:-

Table 1 – Quality/Price Ratio

CRITERIA	WEIGHTINGS
Quality	60%
Price	40%

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

Table 2 – Quality Criteria

CRITERIA	WEIGHTINGS
Equipment Means of Delivery/Method Statements	45%
Data systems	45%
Interviews/Presentations Service Users 50% Officers 50%	10%

6.3 Price - Tenderers were advised that this would be based upon a basket of products (high cost/high volume) covering the current service profile of three partner boroughs (Westminster, RBKC and Hammersmith and Fulham).

6.4 In terms of financial capacity, the tender documents requested tenderers to update any financial information previously submitted at expressions of interest stage 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 needed to take a view as to the total number of potential partners that would be likely to join the framework and the value of services to be procured. The financial risk profile may well vary depending upon the number of boroughs joining or number of service providers.

6.5 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.

6.6 Tender Assessment

- 6.7 The quality criteria measured separately equipment, means of delivery and systems. The scoring panels were drawn from across the partners; in addition there were formal presentations to Service Users and officers drawn from across the partners, the results are summarised below.
- 6.8 Based upon the information included in the tender documents the price assessment was carried out on a like for like basis.
- 6.9 Validation process - This process identified a few inconsistencies in scoring across the 9 partners and scoring had to be adjusted to discount these.
- 6.10 The above adjustments resulted in very minor movements in the quality assessment.
- 6.11 In terms of price validation the process related to taking into account a wider range of costs, for example the purchase of non standard stock.
- 6.12 The validation process reconfirmed that if it was decided to appoint one provider the recommended provider would remain Medequip as they submitted the most economically advantageous tender.
- 6.13 In the case of two providers being appointed the additional financial costs were modelled; this showed that on average, costs would increase by 6%, due to higher unit charges being applied. A two provider solution would result in the benefits of cross borough working not being achieved, for example efficiencies in terms of costs and the sharing of non standard stock being more difficult. In addition, due to mini-competition being required between the two providers, the planned commencement of the new service for April 2010 is at risk.

7. FINANCIAL ASSESSMENT

- 7.1 A thorough financial assessment [of all the bidders] was carried out by RBKC including background checks and credit rating.
- 7.2 In addition, Hammersmith & Fulham Council conducted further financial checks on the recommended provider Medequip. This provided the Council with sufficient assurance to enter into a contract up to £5m with this company.

8. CONSULTATIONS

- 8.1 During the development of the specification, dialogue was undertaken with Service Users (workshop sessions and service questionnaires) with the aim of ensuring their requirements/issues have been considered as part of the process. Furthermore, Service User representatives from across the partners were engaged in the assessment process.

9. IMPACT FOR LBHF

9.1. Partnerships

The community equipment contract is managed by the Council on behalf of H&F NHS and Imperial College NHS Trust. Two representatives from the PCT service and one from the Acute Trust attended the preliminary workshops to finalise the specification and agree process. They did not however form part of the project board.

9.2 H&F NHS are also going to be involved in finalising the catalogue list and in the development of the online ordering system.

Financial Implications

9.3 Based on the pricing model submitted in Medequip's tender document, it is estimated that under the new contract, the cost of non-specialist equipment will reduce by approximately 20% and other contract costs will reduce by 2%. Further analysis has been undertaken by the Procurement Team which indicates that the price of specialist equipment is expected to remain similar to current 2009/10 forecast levels.

9.4. A £50k saving has been identified in the Joint Equipment budget through the Council's Medium Term Financial Strategy from 2010/11 onwards. It is expected that these savings are realised through the new contract.

9.5 The Council has entered into Section 75 agreements with the PCT and Acute Trust whereby the Trust has agreed to reimburse the Council for their costs. A further £31,400 fixed contribution from Imperial has been agreed with the Council. The Council has agreed to contribute 80% of the remaining net spend with the Trust paying the remaining 20%.

9.6. Table 3 below sets out the forecast position for 2010/11

Table 3 – Joint Equipment Budget and Forecast Outturn 2010/11

Forecast 2010/11	LBHF £000	H&F NHS £000	Imperial £000	Total £000
Non-Specialist Equipment	329		60	389
Specialist Equipment	29		5	34
Delivery and other running costs	25		4	29
All Costs		303		303
Gross Expenditure	383	303	69	755
HRA Contribution	(41)			(41)
Disabled Facilities Grant Contribution	(7)			(7)
PCT Contribution		(303)	(8)	(311)
Imperial Contribution			(31)	(31)
Other Contributions	(48)	(303)	(39)	(390)
Net Cost to LBHF General Fund	335	0	30	365
Resources Available (reduced for MTFS)	358	0	43	401
Forecast (under)/overspend	(23)	0	(13)	(36)

There is a risk that the volume of orders may increase in future, and Table 3 shows that a 5% provision is contained within the existing budgets.

Recommendation

9.7 The options available were:-

9.7.1 To approve the appointment of one provider Company A;

Recommended on the grounds they are the highest ranked provider and currently operate a large number of contracts across London.

9.7.2 To consider the appointment of two providers (Company A and Company B) on the grounds of improving competition between providers and spreading risk;

Not recommended – although this option would spread the risk of service failure, a formula to allocate the work would need to be established followed by a mini-competition round. This option would result in a number of the service outcomes not being achieved, increase costs and service commencement delays.

10. SUSTAINABILITY AND RISK ISSUES

10.1 Sustainability - A range of sustainability issues have been included within the proposed contract and have been formally assessed as part of the assessment process.

10.2. Risk Assessment – the monthly Project Board receives highlight reports and risk logs. The tender technical report presented to the Project Board on 9th July 2009 also highlighted a range of additional risks including proposed mitigation.

Next Steps

10.3 Subject to the recommendations being accepted by the Cabinet and permission being granted to enter into a service agreement with Medequip, it is proposed that an implementation plan be agreed with the provider for transferring the service. Medequip is the current provider for this service to the Council, so this will facilitate the process considerably.

10.4. There are two members of staff who TUPE-transferred from the in-house service to Medequip when the original ICES contract was let in 2003. The Council has been paying a top up to Medequip representing the difference in salary for the two affected members of staff. Officers will seek appropriate legal and HR advice in considering whether this arrangement will continue with the new contract.

- 10.5. The main Project Board which is being led by RBKC has created a number of working groups to look at the IT implications for the partners, finalising the equipment catalogue and agreeing a monitoring framework. The outcomes of these working groups will then inform how the contract will be run from the Framework. It will then be up to the individual Councils to negotiate any variations.
- 10.6 Subject to the approval by Cabinet of this report, we intend to start final discussions with Medequip in December 2009. A working group including representatives from the PCT and the Acute Trust will need to be set up in order to implement the new service.
- 10.7 **Supporting your choice**
The personalisation agenda was not considered as part of this tender as all the partners were at different stages of implementation. The contract does give the Council total control over who has access to it and once the process for ordering has been agreed i.e. either through a broker, OT or other professional, they will be able to raise orders on behalf of clients. The contract is also designed to deal with the retail model (Transforming Community Equipment) and will be used by retailers to process prescriptions.

Conclusion

- 10.8 It is planned to commence the new service on 1st April 2010 and it is intended that all prescribers will be up to speed on the changes and ready for the new service.
- 10.9 Once their appointment has been confirmed, the working group will then agree a protocol for monitoring and tracking progress. This process will then feed in to the monitoring carried out by the representatives of all 9 contract partners

11. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 11.1. The contract described in this report has been procured using competitive dialogue following the requirements of the Public Contracts Regulations 2006 ("2006 Regulations"). The procurement process has been lead by the Royal Borough of Kensington and Chelsea.
- 11.2. Under the provisions of the 2006 Regulations, framework agreements should not exceed 4 years other than in exceptional circumstances. However, guidance from the OGC specifies that contracts called off under a framework agreement may be for a period of longer than 4 years. The contract was advertised as being for a period of 5 years, with the option to extend by a period of up to 2 years on an annual basis. However it was specified that the call off period for joining the framework was 4 years with the end date for any contracts called off under the framework being March 2016 to coincide with the end dates of other national contracts.

- 11.3. It would appear that the Public Contracts Regulations 2006 have been complied with and the AD (Legal and Democratic Services) agrees with the recommendations in this report.

12. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 12.1. Based on an analysis of the contract pricing model and expectations of demand, the current contract cost is anticipated to cost £755,000 per annum.
- 12.2. As the cost of the contract varies according to the demand for different types of equipment, any variance from the available budget costs would be reported via the Council's monthly monitoring regime.
- 12.3. There are no financial implications resulting from the Council's commitment under the existing TUPE arrangement.

13. COMMENTS OF THE ASSISTANT DIRECTOR STRATEGY, PERFORMANCE & PROCUREMENT

- 13.1 The procurement process has been coordinated by the Royal Borough of Kensington & Chelsea on behalf of a number of London boroughs. The contract has been tendered in accordance with the Public Contracts Regulations 2006 with a Contract Notice appearing in the Official Journal of the European Union (OJEU) on 27 December 2008. The RBK&C as contracting authority needs to place a Contract Award Notice in OJEU, although this Council does not as it is calling off from the framework agreement that is being created.
- 13.2. Commercially, this is a sound method of obtaining goods and services as costs should be reduced through obtaining economies of scale. This arrangement complies with the Council's Contract Standing Orders.

14. COMMENTS OF THE ASSISTANT DIRECTOR HUMAN RESOURCES

- 14.1. The AD HR has been consulted upon and agrees with the recommendations as set out in this report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1	RBKC Key Decision report approving the award of the framework to Medequip.	Paulo Borges Ext 5748	CSD- Partnerships and Procurement 4th floor, 77 Glenthorne Road
2	Tender documentation	Paulo Borges Ext 5748	CSD- Partnerships and Procurement 4th floor, 77 Glenthorne Road
3	Existing Contracts	Paulo Borges Ext 5748	CSD- Partnerships and Procurement 4th floor, 77 Glenthorne Road