

CABINET

12 JANUARY 2016

GATEWAY 3 CONTRACT AWARD: MEDWAY INTEGRATED COMMUNITY EQUIPMENT SERVICE (MICES)

Portfolio Holder: Councillor David Brake, Adult Services

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SUMMARY

This report seeks permission to award a contract to deliver a fully integrated community equipment service for Medway Council and NHS Medway CCG for 5 years on a 3 +1 +1 basis.

This Gateway 3 report has been approved for submission to the Cabinet after review by the Children and Adults Directorate Management Team and Procurement Board. It was recommended that this project be approved as a high risk procurement.

1. BACKGROUND INFORMATION

1.1 Budget & Policy Framework

1.1.1 Medway Council and NHS Medway Clinical Commissioning Group (CCG) have statutory responsibilities to provide Community Equipment in line with the following legislation and guidance:

- National Assistance Act 1948
- Chronically Sick and Disabled Persons Act 1970
- NHS and Community Care Act 1990
- National Health Service Act 1977
- Integrating Community Equipment Services, DH 2001 and Integrated Care & Support: Our Shared Commitment May 2013
- Health and Social Care Act 2006
- Transforming Community Equipment Services 2006 and 2011 Transforming Community Guides
- Health and Safety at Work etc. Act 1974 and guidance from the Health & safety Executive
- Putting People First 2007
- Aiming High for Disabled Children 2007

- Healthy Lives, Healthy People 2010
- Care Act 2014.

- 1.1.2 This contract is for an improved and fully integrated community equipment service (including minor building works) covering all service user and age groups.
- 1.1.3 The new provision will drive increased value for money and efficiencies by increasing innovation and contract management. The financial model incentivises the provider to track, collect, recommission, reuse and recycle equipment. Improvements in technology will streamline the order processes and lower acquisition costs.
- 1.1.4 Increased review and control of equipment issued will be supported by greater performance and management information available to manage the provider more effectively. The internal resource in Partnership Commissioning has received approval to appoint two (2) posts dedicated to manage the contract more closely.
- 1.1.5 This is a jointly commissioned service, managed as part of the Better Care Fund through a Section 75 Partnership Agreement between Medway Council and Medway Clinical Commissioning Group.
- 1.1.6 In line with demographic changes across the Country, Medway continues to experience increased demand for its community equipment services against the backdrop of limited resources in both health and social care.
- 1.1.7 Research has shown that Medway has a higher than average reliance on hospital beds. The drive to reduce the time spent in hospital beds such as investment in preventative activities, such as community equipment, is required to enable people to live longer, healthier lives independently in their own homes.

2. PROCUREMENT PROCESS

2.1 Procurement Process Undertaken

- 2.1.1 In line with Medway Council's Contract Procedure Rules, this procurement was subject to a formal EU Open Procedure, whereby an OJEU notice was published in the Official Journal of the European Union. An advert was issued on Contracts Finder and the tender issued and administrated via the Kent Business Portal.
- 2.1.2 The Open Procedure was used to accommodate the timelines (expiry of current contract) and in the knowledge that the market of providers who could provide the total requirement is limited. The approach to market was developed in consultation with providers through a market engagement event, at the Corn Exchange, Rochester.
- 2.1.3 The deadline for receipt of completed tenders was 20 October 2015. Twenty-three (23) providers registered on the Kent Business Portal and six (6) submissions were received.

2.2 Evaluation Criteria

Suitability Assessment

2.2.1 The procedure included a 'suitability question' which covered the regulatory exclusions necessary (for example, fraud) and required reference information to demonstrate experience. A financial assessment was conducted by representatives from Medway Council and Medway CCG finance departments. All six tenders submitted passed the suitability criteria.

Tender Evaluation

2.2.2 The award was based on the Most Economically Advantageous Tender (MEAT) criteria, with 50% of the score attributed to quality and 50% price.

- **Quality Aspect 50%**

2.2.3 The quality element was based on 21 questions with the sub criteria weightings as follows:-

Legislation and Social Value	8%
Facilities	5%
Staff and Training	4%
Operating Model	14%
ICT Systems	7%
Customer Service and Partnership Working	3%
Mobilisation	9%

- **Pricing Aspect 50%**

2.2.4 Expertise was commissioned to support the project team with a community equipment specific financial tender approach. The price element was based on a financial model known as the 'credit model'. The top 35 spend/ volume items were evaluated in order to select the submission with the highest score based on price. This factored in delivery, collection refurbishment recycle and reuse (total cost). The full financial evaluation sub criteria are detailed below.

Stock	Net spend to commissioners for catalogue equipment	30%
	Collection charges and refurbishment	5%
	Delivery Premiums	5%
Minor Building Works	Cost of New Equipment	2%
	Cost of Procurement & Delivery	2%
	Collection & Refurbishment Activity Charge	1%
Specials	Emergency Delivery	1%
	Urgent Delivery	1%
	Normal Delivery	1%
	Refurbishment	1%
	Maintenance	1%

2.2.5 Some cells in the pricing sheet were mandatory and clearly colour coded. Detailed instructions clearly stated that failure to complete the mandatory section would result in exclusion. Three (3) bidders failed to complete the pricing element as requested, leaving out mandatory information and therefore were excluded.

2.2.6 This resulted in three (3) compliant tenders being received and fully evaluated.

3. BUSINESS CASE

3.1 Delivery of Procurement Project Outputs / Outcomes

The following procurement outcomes/ outputs identified as important to the delivery of this procurement at Gateway 1 have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/ outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	Update at GW4
Full Integration	By ascertaining whether the procurement process provides a successful outcome for these four separate service arrangements.	<ul style="list-style-type: none"> - Partnership Commissioning - Adult Social Care - Category Management - Finance 	<ul style="list-style-type: none"> - GW4, GW5 and end of contract. - Regular contract compliance and review meetings. - Analysis of key performance indicators 	The recommended contract award will meet this outcome with all previous provision arrangements coming under one arrangement all at the same time (a phased approach was planned initially). There is also provision to include pressure relieving equipment (i.e. mattresses) in the new contract post contract commencement.
Better Value	By a direct cost comparison with previous service costs and activity data. An implicit requirement would be to introduce innovation into the service to drive efficiency savings during the life of the contracts	As above	<ul style="list-style-type: none"> - Routine monitoring meetings with the provider - GW4, GW5 and end of contract. - Regular review of key performance indicators 	The service specification includes enhancements in the form of: <ul style="list-style-type: none"> - improved stock management (including satellite stores) - innovative ways to maximise use of bespoke equipment - methods employed to improve recycling rates In terms of monitoring, historically data was not gathered in sufficient detail for the analysis of activity and cost. The new service specification detailed the reports and data to be provided as part of regular contract monitoring. In addition, new posts have been agreed to monitor activity and control costs.
Better Quality	<ul style="list-style-type: none"> - Examination of KPIs and the providers' on-going record - Complaint monitoring - Number of people supported to maintain or regain their independence in the community. - Reduction in hospital stays due to efficient and effective transition of patients in to the community. 	As above	<ul style="list-style-type: none"> - Routine monitoring meetings with the provider - GW4, GW5 and end of contract - Regular review of key performance and activity measures 	The new specification includes requirements that make best use of the following: <ul style="list-style-type: none"> - ICT systems and agile technology - an improved offer to self-funders - new standards that include urgent and emergency deliveries to aid hospital discharge - improved contract monitoring including the regular capture of compliments and complaints

4. RISK MANAGEMENT BUSINESS CASE

1. Risk Category: Service Delivery	Likelihood: Low	Impact: Marginal
<p>Outline Description MICES Procurement/ implementation slippage against implementation plan (go live for 1 April 2016). Short mobilisation period of only two months.</p>		
<p>Plans to Mitigate</p> <ul style="list-style-type: none"> - Initial timeline formulated with Category Management - Activity data reviewed and summarised, budget arrangements unpicked - Specification written and consulted on - Preparation of tender documentation, tender process followed as per EU Open process - Specialist input required on price modelling - Detailed implementation plan to be completed and project group set up - Recruitment of commissioning and clinical lead posts to support the monitoring and management of the new contract 		
2. Risk Category: Financial	Likelihood: Medium	Impact: Moderate
<p>Outline Description There is a risk that the new service will exceed the budget</p> <p>Existing services have been over-budget for some years with complicated invoicing and cost centre arrangements. Existing arrangements are based on block contracts and joint funding arrangements across multiple providers and contracts. These arrangements do not allow for the breakdown of costs by specific activity. Therefore, we do not have the required information (on individual equipment item costs, delivery and collection charges, cleaning and maintenance charges, emergency repairs, or recycling rates) from which to baseline or estimate the total costs of the new service.</p> <p>The model which has been utilised, the 'credit model', is the most used and recommended model across ICES contracts. This model requires Providers to break down their costs into the detail listed above. Due to the shortfalls in historic collection and scrutiny of activity data, we do not have, and cannot source, data to compare against bidders' submissions accurately.</p> <p>Bids were received from the four market leaders, as well as the incumbent provider so we can be confident that we have collected the best submissions from the market for this statutory service.</p>		
<p>Plans to Mitigate</p> <ul style="list-style-type: none"> - Budget arrangements unpicked and understood - Agreement given to increase the budget by 12.5% - Specialist input required on price modelling - Recruitment of commissioning and clinical lead posts to support the monitoring and management of the new contract - We will include a break clause in the contract to allow us to monitor costs and halt the arrangement if costs are over budget. 		

5. PROCUREMENT BOARD

5.1 The Procurement Board considered this report in December 2015 and supported the recommendations set out in paragraph 7 below.

6. SERVICE COMMENTS

6.1 Financial Comments

6.1.1 The expectation is that this contract will be delivered within budget. However, due to the change in contracting model and the lack of historic data that makes it difficult to predict future demand, there is some risk. In addition, although the successful bidder provides the best value based on the top 35 spend/ volume items used in the financial evaluation, further work will to be undertaken to scale this up to form the annual budget requirement.

Benefits

6.1.2 This joint service is being funded through the pooled fund contained as part of the Section 75 Agreement for the Better Care fund. This arrangement has a number of benefits which include:

- The provision of an integrated service under a single joint commissioning arrangement in contrast to the current position which is multiple contracts with three different providers.
- The introduction of consistent contract management arrangements managed by a lead commissioner.
- The development of the service in line with the aims and objectives of the Better Care Fund.
- More efficient use of the service and support more people in their own homes.

6.1.3 This scheme is not being established to take advantage of the VAT regime; however, as the pooled budget is hosted by the Council, the VAT regime applying to the Council may apply to all items of equipment (VAT exempt). It is difficult to be precise about the exact level of efficiencies that this will deliver but it may be possible to claim back 20% of expenditure on some items of new equipment which would have previously been accounted for under the CCG VAT regime (VAT is payable under the CCG regime).

6.1.4 It should be noted, however, that if community equipment that is provided as part of the wider intermediate care/ reablement strategy enables people to live independently in their own home, demand may increase. Savings will then be realised by the reduction of homecare packages or residential and nursing home placements.

6.1.5 The Section 75 Agreement outlines the way in which partners recoup any savings associated with services, in this instance it has been agreed to share any savings equally (50:50).

Controls

- 6.1.6 Subject to final approval, two new posts will be created to ensure there is greater contractual and financial control of the contract. These posts will be funded from the overall MICES budget and it is anticipated that the cost will be recouped in the savings/ costs avoided through closer monitoring and control.
- 6.1.7 A Senior Commissioning Officer will take a lead on community equipment (in addition to technology enabled care services - another key area for development in the preventative agenda). A part-time Occupational Therapist will lead on community equipment from the operational side. These posts will ensure the effective:
- Development of contract monitoring and performance reporting against KPIs
 - Management of the day-to-day administration of pooled finances, including the apportioning of costs and savings between the Council and CCG as per the Section 75 agreement
 - Training of operational staff to embed new processes and systems
 - Acting as a conduit between the provider and prescribers on technical and operational issues
 - Leading of equipment review and helping to manage the equipment catalogue to ensure best quality, best value and efficient stock-management
 - Management and organisation of regular meetings and forums
 - Maintenance of expert knowledge on legislation and government guidance
 - Provision of support, information and guidance to the providers on changing practice and new developments in service provision.

6.2 Legal Comments

- 6.2.1 Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions. The process described in this report complies with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules. This is a level 4 high risk category B procurement and therefore the decision to award is for Cabinet.
- 6.2.2 The Section 75 Agreement for the Better Care fund between Medway Council and the NHS Medway Clinical Commissioning Group sets out the joint commissioning arrangements for health and social care services and the management of pooled funds. The Section 75 Agreement was made pursuant to the section 75 of the National Health Service Act 2006. The key provisions of the Section 75 Agreement in relation to procurement and contracting for the Integrated Community Equipment Service Scheme require that:
- Medway Council's procurement and governance regime shall apply;
 - contract management is undertaken by the Partnership Commissioning Team;
 - matters are reported to the Partnership Board; the Council's Health and Wellbeing Board and to the CCG governing board.

6.3 Procurement Comments

- 6.3.1 As per the Contract Procedure Rules under section 3.3.1: 'All requirements above £100K must be advertised on the Council's Website, the Kent Business Portal and in the OJEU (where above the EU tender thresholds for goods, services or works).' In line with the Transparency Code 2015 the relevant Notice was placed on Contracts Finder.
- 6.3.2 The procurement was carried out via an OJEU open procedure through the Kent Business Portal to comply with these rules, to adhere to the updated Public Procurement Regulations 2015, and to support the Council's procurement strategy to provide best value.
- 6.3.3 The Pricing Model is effective in driving efficiencies and better contractual performance. For equipment that is outside of the initial 35 high spend/volume items, the credit model will be applied and represents a further opportunity to challenge on cost and specification of goods being supplied. The post that has been approved to fully contract manage this provision will work with a wider review group to challenge the goods and service provided throughout the contract duration.
- 6.3.4 The market has been fully engaged by running pre-tender activities and has attracted the attention of the key market players from a local, regional and national perspective. A thorough process has been conducted resulting in selection of the most economically advantageous tender available from the market to Medway Council and the CCG.

6.4 ICT Comments

- 6.4.1 There are no requirements to host the IT service at Medway council. There are also no requirements to integrate this to any other IT solution that is used by Medway Council. ICT are satisfied with solutions evaluated under this tender.

7. RECOMMENDATION

- 7.1 The Cabinet is asked to award the contract for the Medway Integrated Community Equipment Service (MICES) to the recommended tenderer as set out in paragraph 3.2 of the exempt appendix.

8. SUGGESTED REASONS FOR DECISION

- 8.1 The recommended tenderer scored the highest overall score in the evaluation process.

LEAD OFFICER CONTACTS

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APPENDICES

Exempt appendix

BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

Description of Document	Location	Date
None		