

## **Cabinet**

**1 October 2024**

### **Gateway 1 Procurement Commencement: Medway Integrated Sexual Health Service**

Portfolio Holder: Councillor Teresa Murray, Deputy Leader  
Report from: Professor David Whiting, Acting Director of Public Health  
Author: Claire Hurcum, Health Improvement Programme  
Manager

#### Procurement Overview

Total Contract Value (estimated): £13,227,055 (includes extensions)  
Regulated Procurement: Yes  
Proposed Contract Term: 36 months initial term, plus 1 x 24-month  
extension

#### Summary

This report seeks permission to commence the procurement of the Medway Integrated Sexual Health Service Contract.

1. Recommendation
  - 1.1. The Cabinet is requested to approve the procurement of the integrated sexual health service (in parallel with National Health Service England (NHSE) for Adult HIV treatment contract) as per the preferred option identified in paragraph 5.3.1.
2. Suggested reasons for decisions
  - 2.1. The failed tender process in 2023 using a competitive process demonstrated limited competition and suitable providers in the market who can deliver an integrated sexual health service.
  - 2.2. Commissioners are satisfied with the incumbent's delivery of the current contract and are confident they will deliver against the new service specification.
  - 2.3. Direct Award Process C will enable a smooth transition into the new Integrated Sexual Health Service contract to commence 1 April 2025.

### 3. Budget & Policy Framework

3.1.1. Funding for the provision of a specialist sexual health comes from the Public Health Grant that is given to Local Authorities by Central Government.

3.1.2. The statutory responsibility is placed on Local Authorities under the Public Health Functions and Entry to Premises by Local Healthwatch Representatives) Regulations 2013.

### 3.2. Background Information and Procurement Deliverables

3.2.1. It is a statutory responsibility of Local Authorities to provide sexual health services comprising of both genitourinary medicine, and sexual and reproductive health. When delivered as one service this is known as an Integrated Sexual Health Service (ISHS). Such services are funded from the ring-fenced Public Health Grant and are overseen by the Director of Public Health.

3.2.2. The ISHS will deliver the following: services to prevent, detect and treat sexually transmitted infections; services to prevent unplanned pregnancy; clinical and outreach services to reduce barriers to access and stigmatisation.

3.2.3. This procurement exercise will be delivered jointly with NHS England (NHSE), who commission HIV Treatment services, with Medway Council leading the recommissioning process.

3.2.4. Under the existing contract HIV treatment services are commissioned using a section 75 agreement with NHS England, but due to anticipated delegation of responsibility of HIV treatment to the Integrated Care Board (ICB) it is not proposed Medway renew the S75.

### 3.3. Parent Company Guarantee/Performance Bond Required

3.3.1. A parent company guarantee or bond will not be required.

## 4. Procurement Dependencies and Obligations

### 4.1. Project Dependency

4.1.1. The Service provision will be divided into two elements with both elements - Sexual Health services and HIV awarded to one and the same lead provider. Providers will therefore be expected to bid for both elements.

### 4.2. Statutory/Legal Obligations

4.2.1. The Council has an obligation to provide a number of health service functions set out in section 2B of the NHS Act 2006 and the Local Authorities (Public Health functions and Entry to Premises by Local

Healthwatch Representatives) Regulations. Part 2 section 6 relates to sexual health provision by the local authority.

#### 4.3. Procurement Project Management

4.3.1. The management of this procurement process will be the responsibility of the Category Management team.

#### 4.4. Post Procurement Contract Management

4.4.1. The management of any subsequent contract will be the responsibility of the Health Improvement Programme Manager (Sexual Health and Substance Misuse).

4.4.2. To ensure the needs of the requirement are met and continuously fulfilled post award, the following KPIs will be included in the tender and will form part of any subsequent contract.

#	Title	Short Description	%/measurement criteria
1	Clinically safe practice	Service provision will adhere to BASHH, FRS, NICE, IPC and other relevant guidance	Annual site and service audit indicate adherence
2	Accessibility of clinician led services	Services are accessible in both time and location to the wide variety of service users; evidence-based outreach is empowering hard to reach groups to access universal and targeted services.	Demographic data indicates service user represent population, with higher attendances from those at greatest risk of sexual ill-health / contraceptive need. Numbers accessing out of area services does not increase.
3	Accessibility of self-sampling and self-managed care	Services offer clients with a range of services that do not require attendance at a clinic. These options are well designed, delivered and utilised	Numbers using self-managed care increase year on year.
4	LARC Provision	LARC prescribed and fitted in general practice, pharmacy, community settings and clinics increases	Numbers of LARC fitted increases in all settings increase year on year

5	User dependent contraception / contra-infection	Condom distribution scheme is accessible and well used. EHC, COC/POP starter packs are available and pathways are in place for other forms of contraception.	Numbers of people using condom distribution scheme increase year on year.  Audit indicates effective pathways in place for EHC, COC and POP
6	Services for young people (YP)	Services for YP will be held in locations, at times and in a format young people prefer.	Patient and public engagement is clearly demonstrated to shape services for YP
7	Contextual Safeguarding	YP and vulnerable adults will be safeguarded with a view to all aspects of their lives, not just sexual health.	Numbers of referrals made for non-sexual health safeguarding issues increases year on year

## 5. Market Conditions and Procurement Approach

### 5.1. Market Conditions

5.1.1. In 2023, Medway Council went out to tender for the ISHS, but the re-procurement process failed due to the following reasons:

- No additional providers engaged with the competitive dialogue process, which resulted in the incumbent being the only provider left in the process.
- The incumbent provider withdrew from the tender process, due to the financial risk associated with the cost of delivery of the service within the contract budget, over the contract length (7 years), possibly due to the national cost of living crisis and the economic uncertainty at the time.
- The competitive dialogue route prevented commissioners from entering contract negotiations with the incumbent provider for the new contract.

5.1.2. As a result of the above, it was agreed that the existing contract would be extended for a further 18 months, to give commissioners time to review the contract value and service specification and evaluate the market position. The market remains stable since the last procurement exercise in 2023, with no new providers delivering sexual health services in the Kent and Medway area.

- 5.1.3. KCHFT have continued to meet KPI's and deliver an accessible, good sexual health service in Medway. Accessibility, quality and innovation represent 80% of the contract evaluation criteria.
- 5.1.4. There is an increase in demand for the services with Sexually Transmitted Infections increasing. Following a sudden fall during the Covid lockdowns, STI new diagnoses are rapidly increasing in England and, if the current trajectory continues, will soon be at pre-pandemic levels. Medway had been seeing a fall since 2016 but is now also seeing an increase. Providers across the sector are reporting that the complexity of clients is increasing, this may be in part due to self-managed care becoming more common for non-complex cases.
- 5.1.5. Across the health sector staffing has been problematic at a national and local level. The Royal Collage of Nursing state "There are record nursing vacancies in the NHS in England and the latest data shows there will be 2,000 fewer nursing students graduating from education in 2025 than there are in 2024". This will affect any organisations bidding for Sexual Health contracts.
- 5.1.6. The UKHSA Sexual Health Facilitator supported Southeast Commissioners to compare commissioning intentions. Survey of Local Authorities (LA) in the SE (including Medway) was conducted by UKHSA. 15 LA's awarded contracts to the incumbent provider when they last recommissioned, and 1 LA was due to recommission for 2025.
- 5.1.7. After the failed tender Public Health Commissioners worked with the provider to establish a realistic budget, that gave value for money to the council and security to the provider. The provider has a track record for delivering the service on budget and offer open book accounting for transparency. Cost represents 20% of the contract evaluation criteria.
- 5.1.8. The Office for Health Inequalities and Disparities (OHID) 'Spend and Outcomes Tool' (SPOT) aims to help local authority commissioners improve health and wellbeing and reduce health inequalities through better information about value for money. Medway Council's spend on Sexual Health Services from the Public Health Grant is calculated as £8.57 per resident head, in comparison to £10.37 for England. This provides supporting evidence on value for money in the Medway contract.
- 5.1.9. Out of area activity presents a financial risk for Local Authorities. There is an established protocol for cross charging where a resident from one Local Authority Area has to reimburse another area where their resident attends services Out of Area. The current provider have accepted responsibility for Out Of Area invoicing, payment and budgeting as part of the contract. This is highly unusual in the sector and prevents additional and significant costs and unpredictable costs being incurred by Medway Council. It also places an incentive on the provider to make Medway services as attractive as possible and thereby reduce their out of area expenses.

## 5.2. Procurement Options

5.2.1. As this is a (predominantly) health-based services contract, the Provider Selection Regime dictates the following options:

5.2.1.1. **Option 1– Direct Award Process A:** *Direct award process A must be used where there is an existing contract and there is no realistic alternative provider due to the nature of the services. It cannot be used to award newly established services nor frameworks.*

Process A is not applicable for this procurement activity as the existing provider is not the only capable provider.

5.2.1.2. **Option 2 – Direct Award Process B:** *Direct award process B must be used where there is unlimited patient choice and the Local Authority has, or would establish, a system to admit all eligible providers. It cannot be used to award newly established services, nor frameworks.*

Process B is not applicable for this procurement activity as there is only one service in Medway, which delivers integrated sexual health services.

5.2.1.3. **Option 3 – Direct Award Process C:** *Direct award process C may be used where there is an existing provider whose satisfied the current contract, which is ending, is likely to satisfy a new contract with no considerable changes to the services, and Direct award processes A nor B apply. It cannot be used to award newly established services, nor frameworks.*

Please see the Provider Selection Regime (PSR) decision making flowchart in Appendix A, which details the process that has led commissioners to proposing direct award C as the preferred route for this contract. Reasons are also outlined below:

- the Council are seeking to award a contract for an existing service. The existing contract has been in place since 2016, it has been delivered effectively and efficiently by KCHFT.
- the incumbent provider is likely to satisfy the new contract. Commissioner are satisfied with KCHFT's delivery against the current contract and key performance indicators.
- the service has not changed significantly, and the considerable change threshold (requiring a competitive process) has not been met.
- there is likely to be significant disruption to service delivery during and after a competitive process.

This disruption is likely to outweigh any potential gains.

- as a Public Health Grant funded service there will be no impact on the Council Budget.
- the direct award process under PSR was intended for circumstances such as this.

5.2.1.4. **Option 4 – The most suitable provider process:** *The most suitable provider may be used where Direct award processes A nor B do not have to be applied, and the Council does not wish to or cannot follow direct award process C. It cannot be used to establish a framework but can be used for a newly established service.*

Option 4 is not applicable for this procurement activity as the existing provider is likely to satisfy the proposed contract to a sufficient standard.

5.2.1.5. **Option 5 – The competitive process:** *The competitive process must be used when direct award processes A nor B apply, the Council cannot or does not wish to follow direct award process C, or wishes to establish a framework agreement or similar.*

From the flowchart the competitive process remains an option, but commissioners believe it is unlikely to be appropriate for this contract for the following reasons:

- No bids were submitted during the 2023 procurement exercise. This demonstrated limited competition and willingness among other providers to deliver an integrated contract. This position is not unique to Medway and has been seen by other LA commissioners during their tender processes.
- Disruption to the service is generally seen after a competitive tender. In the case of Sexual Health Services this is likely to reduce the primary and secondary prevention delivered. This is due to a number of factors including staff retention during the period of uncertainty, the focus of the provider on re-tendering rather than service development, and service delivery time lost to demobilisation/mobilisation. Not only will the core service be disrupted but the disruption is likely to affect the Council's ability to support systemwide initiatives such as Women's Health Hub model being developed with the ICB and the Blood Borne Virus opt out testing and peer support project to identify HIV and HepC through the Medway Emergency Department.
- The competitive tender is unlikely to generate financial savings. Any changes to the budget would be savings (or

cost) to the Public Health Grant, there would be no impact on the wider Council budget.

- The harms caused by the disruption and additional risk are likely to outweigh any benefits achievable through a competitive process.

### 5.3. Advice and analysis

5.3.1. Commissioners believe Option 3: Direct Award C, is the preferred route to procure the ISHS contract. The key reasons are explained below:

- Commissioners have followed the PSR flowchart which indicates Direct Award C is an option. Commissioners believe for the reasons stated above that Direct Award C is the most appropriate. Justification explained in point 3.1.2.3.
- The incumbent provider is well established in Medway, having provided services since 2016 and an active member of the sexual health partnership network, with links already built with a variety of local organisations including termination services, GP's, pharmacies, ICB, charity organisations.
- The service delivers an accessible, high quality and innovative service, which addresses inequality. The current provider takes a collaborative approach, actively seeking opportunity to integrate sexual health into other overlapping work areas. The incumbent provider has demonstrated service sustainability operationally and financially – they have adapted service delivery and sub-contracted activity to meet increasing demand and emerging health issues such as Covid and Mpox. The integrated model used in Medway has been recognised by other local authority commissioners with a desire to replicate in their areas. The incumbent provider was approached by commissioners in East Sussex and have been awarded the contract based establishing a similar model to Medway. It is highly likely that the incumbent would score highly in all the 80% non-financial elements of the evaluation.
- Limited competition and ability to deliver an integrated service in the market has been experienced by other local authorities, and Direct award C carries the least risk to the Council and provides continuity of a good integrated sexual health service for Medway residents. This will also minimise disruption to prevention and health improvement, and likely to present the best value for money in the long term.

5.3.2. It is recommended that the contract duration be 3 years (36 months) with the option to extend for 2 years (24 months) by mutual agreement.

## 5.4. Evaluation Criteria

5.4.1. The Provider Selection Regime mandates the use of 'key criteria' as the only scoring criteria. The table below details the key criteria as well as the scoring methodology applied for this tender.

5.4.2. Officers propose to evaluate bidders against the following quality criteria within the tender.

<b>Key Criteria</b>	<b>Weighting (%)</b>	<b>Purpose</b>
Improving access, reducing health inequalities, and facilitating choice	30%	Services are accessible in both time and location to the wide variety of service users. Some people will face barriers coming to the service, so the service will go to them to build links, trust and an understanding that the service is for them. There are many ways to access the service and the service will mix technology with traditional health care methods. The service is inclusive and removes barriers for people at risk of sexual ill-health. The service will provide clinics, services, partnerships, outreach, and staff will put people at the centre and understands that people think, behave and value different things, which the service adapts to accordingly. Prevention is prioritised and designed into all service delivery. Sexual ill-health is prevented, diagnosed and treated quickly to prevent worsening of ill-health, the likelihood of onward transmission is reduced, partners notified, and the chain of transmission broken. Unwanted pregnancies are prevented through contraception, emergency contraception, and rapid pathways into termination of pregnancy services. Repeat terminations are prevented

Key Criteria	Weighting (%)	Purpose
		by additional support to access and maintain contraception.
Integration, collaboration, and service sustainability	25%	<p>The service acts as a system leader who shares expertise to develop the skills and knowledge of its staff and people from the wider workforce and community. They plan with system partners and use an action plan to monitor progress improving the system. The service welcomes partnership working opportunities to meet the needs of the community and places collaboration before competition, which brings people together who are working to improve the outcomes for people with a sexual health need. People of all ages will be supported to have good sexual health, with services tailored to meet the specific needs of those over 45, of reproductive age, young people and children, and children under 13 years. Safeguarding and support will be a defining feature of the service. People will have rapid access to contraception to meet both immediate and long-term needs. As those needs change over the life course the service will work with partners in General Practice and Pharmacy to make sure the care is continuous.</p>
Quality and innovation	20%	<p>The service is designed for and by the people of Medway. Residents are not just users of a service or patients, but they are partners in managing their</p>

Key Criteria	Weighting (%)	Purpose
		<p>own health. Their views matter, they shape the ways the service does things, and the service can evidence they have listened. This will mean that Medway residents will choose to use Medway services. The service will be led by good evidence, from which the service learns, contributes to, shares, and adapt to. The service will understand its role in achieving national targets and local priorities.</p>
Value	20%	<p>Value: The service delivers services that give excellent value for money, make savings where there is waste, use innovation to reduce cost and maximise the impact on health using the finite resources. When people access the service their whole health and wellbeing is considered. The service is part of a larger system that works in partnership to reduce health inequalities and helps people access all the services they need to become healthier physically, emotionally, and mentally.</p>
Social Value	5%	<p>No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter</p> <p>Percentage of local employees (FTE) on contract</p> <p>Initiatives taken or supported to engage people</p>

		<p>in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children</p> <p>Innovative measures to promote local skills and employment to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc.</p>
--	--	---

## 6. Risk Management

- 6.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. Using the following table this section should therefore consider any significant risks arising from your report.

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
NHS England	HIV treatment integration with ISHS is at risk due to re-commissioning	Discussions and project planning are in place to deliver a joint re-commissioning.	CII
Destabilisation of service	Re-commissioning may destabilise a service that is performing well and innovation introduced during the life of the contract lost This will be the first time the Council has used PSR Direct Award C.	Using direct award process C instead of a competitive process removes the risk of destabilisation. Public Health and Category management to agree a timeline, and keep in regular communication on progress. Public Health and Category Management to collaborate in	CII
Failure to complete procurement exercise by the contract start date	While internal processes for PSR are being agreed and implemented there is a risk to completing the procurement exercise on time for the contract start date.		BII

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
		developing processes that are efficient and effective.	

For risk rating, please refer to the following table (please **retain** table in final report):

<b>Likelihood</b>	<b>Impact:</b>
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

## 7. Consultation

- 7.1. Regular feedback is obtained from service users and reported via quarterly contract review meetings.
- 7.2. Primary research with stakeholders was part of sexual health need assessment written in late 2022.
- 7.3. Commissioners have consulted with Category Management regarding PSR processes, timelines and risks.
- 7.4. Commissioners have participated in regional review of commissioning arrangements for Sexual Health Services.
- 7.5. The 'Spend and Outcomes Tool' was used to compare local budget with national spend.

## 8. Service Implications

### 8.1. Financial Implications

- 8.1.1. The procurement requirement and its associated delivery as per the recommendations are funded through existing revenue budgets with funding coming from the Public Health Grant.

## 8.2. Legal Implications

8.2.1. As this contract is for health-based services the Provider Selection regime sets out the options for carrying out this procurement,

8.2.2. The Council has the ability to award contracts under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to in connection with the performance of its functions.

8.2.3. The proposed option complies with the Council's contract procedure rules.

## 8.3. TUPE Implications

8.3.1. If the Direct Award C route is chosen, TUPE will not apply as the incumbent provider would remain the same. TUPE would only apply if a competitive process was followed.

## 8.4. Procurement Implications

8.4.1. The procurement requirement constitutes a health service and is therefore governed by the Health Care Services (Provider Selection Regime) Regulations 2023.

## 8.5. ICT Implications

8.5.1. There are no ICT implications within this report.

## 9. Social, Economic & Environmental Considerations

9.1. A list of social criteria will be contained in the tender document.

Social Value	How
<p>Social: Healthier, Safer and more Resilient Communities</p> <p><i>Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children</i></p>	<p>The ISHS will deliver health improvement and harm reduction interventions that support Medway residents to access contraception, diagnosis and treatment of sexual transmitted infections, and prevention of HIV.</p> <p>The service will be part of the Medway Sexual Health Partnership and welcome partnership working opportunities to meet the needs of our community. We place collaboration before competition and will bring people together who are working to improve health outcomes for people in Medway.</p>

Social Value	How
<p>Promote Local Skills and Employment</p> <p><i>No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter.</i></p> <p><i>Percentage of local employees (FTE) on contract</i></p> <p><i>Innovative measures to promote local skills and employment to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc.</i></p>	<p>A well trained, healthy, and well supported staff deliver an excellent and improving service. They feel supported by the service leaders, by each other and can be their authentic self in the workplace.</p> <p>The workforce is well established in Medway with a significant number from the area. Money from the contract will be fed back into the local economy through wages and rent.</p> <p>There will be a patient advisory group for co-design, this will upskill members in sexual health matters.</p> <p>The Service will be able to report to commissioners what percentage of the workforce are Medway Residents - and identify which of those are being upskilled.</p>

## Lead Officer Contact

Name: Claire Hurcum  
Title: Health Improvement Programme Manager  
Department: Public Health  
Email: [claire.hurcum@medway.gov.uk](mailto:claire.hurcum@medway.gov.uk)

## Appendices

Appendix A – Decision Making Flowchart

## Background Papers

Sexual Health Needs Assessment, January 2023

[A Framework for Sexual Health Improvement in England, 2023](#)

[Commissioning Sexual Health services and interventions: Best practice guidance for local authorities](#), 2013

# Appendix A

