

Forward Plan reference number: FP/237/11/21

Report title: Procurement of a new Integrated Community Equipment Service contract for 2023 - 2028	
Report to: Cabinet	
Report author: Councillor John Spence, Cabinet Member for Health and Adult Social Care	
Date: 15 March 2022	For: Decision
Enquiries to: Moira McGrath Director for Commissioning, Adult Social Care, Moira.McGrath@essex.gov.uk Matthew Barnett, Head of Commissioning, Matthew.Barnett@essex.gov.uk	
County Divisions affected: All Essex	

Confidential Appendix

This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

1. Everyone's Essex

- 1.1. Enabling people to remain independent, and to live as full a life as they can in their own home, is fundamental to Essex County Council's approach to supporting people. One of the principal ways we do this is with the provision of community equipment to people of all ages and needs across Essex – this includes items such as commodes, shower chairs and hoists, as well as adaptations such as grab rails and chair raisers.
- 1.2. Our Integrated Community Equipment Service (ICES), which works on behalf of both local authority and NHS partners across Essex, has supported 33,000 residents with 140,000 items of equipment in the last year. The ICES is currently provided partly by the Integrated Procurement Hub (IPH), who undertake the sourcing of equipment, and partly by the Council's wholly owned trading company Essex Cares Ltd (trading as ECL), who deliver the logistics and management services. The ECL contract expires in March 2023 and the purpose of this report is to make recommendations about the future provision of this service.
- 1.3. The ICES complements other Council services such as reablement and domiciliary care support. The aims of the service are to promote independence and enable people to gain, regain and maintain skills, as well as helping prevent hospital admissions. The landscape has changed significantly in Health and Social Care in the last two years, with a sustained increase in demand for faster delivery of community equipment to support the Home First ambition and the Discharge to Assess pathway against the challenges posed by the Covid-19

pandemic, workforce pressures and climate change. This is an opportunity to procure a streamlined, cost-effective, efficient, and responsive community equipment service for Essex, which aims to deliver social value and climate action as a fundamental part of the service and will bring the service in line with the requirements of today's health and care system.

- 1.4. This accords strongly with the Everyone's Essex ambition of promoting health, care, and wellbeing for all ages, as well as the Council's aims around levelling up. It does this by promoting independence and healthy lifestyles, levelling up health, supporting carers, improving outcomes for vulnerable adults and children, encouraging green growth (minimising waste and increasing recycling of equipment) and strengthening family resilience and stability.
- 1.5. This service will uphold the Council's climate change and social value ambitions and carbon neutral pledge by aiming to reduce carbon emissions as described in section 4.2. Using equipment service business professionals in the County with their specialist experience, skills and training will enable the Council to develop this area of the economy and create jobs with social value.

2. Recommendations

- 2.1. Agree that the community equipment contract between the Council and Essex Cares Limited will terminate on the contract expiry date of 31 March 2023.
- 2.2. Agree to terminate the contract between the Council and The Mayor and Burgess of the London Borough of Croydon known as The Integrated Procurement Hub (Croydon) for the provision of community equipment with effect from 31 March 2023.
- 2.3. Agree to procure a contract for the Council, Thurrock Council, Castle Point and Rochford Clinical Commissioning Group, Basildon and Brentwood Clinical Commissioning Group, Thurrock Clinical Commissioning Group, Essex Partnership University Trust, Mid Essex Clinical Commissioning Group, Mid Essex Hospital Trust and East Suffolk and North Essex NHS Foundation Trust for the provision of an Integrated Community Equipment Service for Essex residents, to support them to live safely and/or independently in the community, for a five year contract term commencing in April 2023, with an option to extend for up to a further two years.
- 2.4. Agree that the new contract will have an expected expenditure of up to £83m over the five-year contract period (£57m for the Council and £26m for the Health and Local Authority Partners), based on forecast spend at current activity levels, which will be managed by the Council under a pooled fund arrangement with additional contributions from the partners if there is any over-spend.
- 2.5. Agree that the contract will be procured using the competitive procedure with negotiation as outlined in section 3 of this report.

- 2.6. Agree that the services will be procured using an evaluation model based on 30% price, 50% quality and 20% social value and climate action.
- 2.7. Agree to purchase up to a maximum of £1.1m of equipment owned by Essex Cares Limited which can be reused at the expiry of the current contract, which will be purchased by the successful bidder if they are not the incumbent.
- 2.8. Agree to enter into a section 75/101 partnership agreement with Thurrock Council, Castle Point and Rochford Clinical Commissioning Group, Basildon and Brentwood Clinical Commissioning Group, Thurrock Clinical Commissioning Group, Essex Partnership University Trust, Mid Essex Clinical Commissioning Group, Mid Essex Hospital Trust and East Suffolk and North Essex NHS Foundation Trust under section 75 of the National Health Service Act 2006 and section 101 of the Local Government Act 1972 (respectively) under which the Council procures and purchases and manages the community equipment services and manages a pooled fund on behalf of such partners.
- 2.9. Agree that the Executive Director, Adult Social Care, in consultation with the Cabinet Member for Health and Adult Social Care, is authorised to agree the detailed evaluation model for the procurement.
- 2.10. Agree that the Executive Director, Adult Social Care, in consultation with the Cabinet Member for Health and Adult Social Care, is authorised to approve the final terms of the partnership agreement and service contract.
- 2.11. Agree that the Cabinet Member for Health and Adult Social Care is authorised to award the contract to the successful bidder following completion of the procurement process.

3. Background and Proposal

- 3.1. The Council and its partners have a responsibility to provide equipment and adaptations free of charge to support people with an assessed need to live safely and/or independently in the community. This helps to manage resources more effectively across the whole system by delivering early intervention and prevention, support for carers, consistent good quality practice and integration. The partners are Thurrock Council, four of the Essex Clinical Commissioning Groups (Castle Point and Rochford, Basildon and Brentwood, Thurrock and Mid Essex), Essex Partnership University Trust, Mid Essex Hospital Trust and East Suffolk and North Essex NHS Foundation Trust (the 'Health and Local Authority Partners').
- 3.2. The equipment available through this service ranges from simple daily living aids, to assist service users to mobilise, bathe and toilet themselves independently, to more complex equipment and installations, such as profiling beds and hoists, which support formal and informal carers in their role.

Current Arrangements

- 3.3. This service has never been procured by the Council via any form of competitive tender process. It was delivered in-house by the Council until it was outsourced in 2009 to the Council's wholly owned trading company Essex Cares Ltd (trading as 'ECL').
- 3.4. The Council has a pooled fund s75/101 partnership arrangement with its Health and Local Authority Partners to deliver economies of scale and a consistent integrated service. The Council currently purchases for itself and its Health and Local Authority Partners via two contracts –
 - 3.4.1. new equipment from the Integrated Procurement Hub (IPH) (operated by Community Equipment Service of Croydon Council);
 - 3.4.2. management and logistics services from ECL, which includes delivery, installation (including minor and major adaptations to properties), maintenance, repair, collection, recycling, and decontamination.
- 3.5. The contract with ECL expires on 31 March 2023 but has an option to extend for a further two years until 31 March 2025. It is proposed that this contract is not extended and that it expires on 31 March 2023.
- 3.6. It is proposed that the Council will terminate the IPH contract at the same time as the ECL contract expires. Termination of the IPH contract is permitted under the terms of the IPH contract at no cost to the Council.
- 3.7. Community equipment services are, by their nature, complex due to the on-going management of the equipment stock and the credit/refund models which are operated in this industry. The split between IPH and ECL also makes contract management and reconciliation more time-consuming and expensive, adding costs with limited ability to negotiate or manage supply chain issues. The landscape has changed significantly in Health and Social Care in the last two years, with a sustained increase in demand for faster delivery of community equipment to support the Home First ambition and Discharge to Assess pathway against the challenges posed by the Covid-19 pandemic and climate change. This point in the contracting cycle is therefore an opportunity to put in place a redesigned provision able to meet the needs of the Essex residents and today's health and care system.

Future Arrangements

- 3.8. Benchmarking and market engagement have shown that our overall costs for these services are higher than those of most other local authorities, spend on non-standard bespoke equipment is also higher than many others and there is significant scope for improvement and advancement across the current service, such as digital innovation.
- 3.9. We want the service to deliver the right prescribed equipment at the right time in the right place from the outset. Rather than extending the current contracts, it is recommended that we ask the market to tender against a new service specification that combines the procurement and sourcing of equipment and the

management of the Integrated Community Equipment Service (ICES) in one contract.

3.10. The service must be streamlined, cost-effective, efficient, and responsive, aim to deliver social value and climate action as a fundamental part of the service and deliver efficiencies and economies of scale. The supplier must have a flexible and responsive operating model that is able to adapt to demand fluctuations and seasonal pressures, and a swift delivery, repair, and collection process which will support the discharge to assess pathway, where faster delivery speeds are now the norm. The supplier must provide:

3.10.1. dedicated professional clinical support and development at the centre of the service offer;

3.10.2. both standard and non-standard equipment and adaptations (bid against minimum standards in the specification) and not tie us into any particular manufacturers or product ranges;

3.10.3. increasing reuse and recycling through an environmentally friendly model, through a number of initiatives outlined further in section 4;

3.10.4. flexible collection and delivery processes and devolved storage to meet system demand to support hospital discharge;

3.10.5. innovative solutions responsive to changes and integration in the health and social care system;

3.10.6. continuous improvement of service outcomes, ensuring the voice of the service user is recognised, valued, and reflected;

3.10.7. clear reporting on all elements of the services and costs, with a focus on transparency, trends, and opportunities available in real time;

3.10.8. increasing sustainable local employment and promotion of social value and ethical procurement through supply chains;

3.10.9. plans to reduce carbon footprint both in storage and in transportation.

Proposed Procurement Approach

3.11. A contract duration of five years with an option to extend for up to a further two years is proposed, which will allow the successful bidder to deliver any changes in service delivery, to invest in delivering an increasingly personalised service to end users and to be innovative and creative in how services are provided.

3.12. The proposed evaluation weighting is based on 30% price, 50% quality and 20% social value and climate action. Market engagement tells us that the elements of costs may not be significantly different between bidders, so the focus will be on technical aspects including social value and climate action solutions to ensure that the whole life cost of the contract is clear. A minimum overall quality

threshold score and individual quality question thresholds will be specified in the tender documents.

- 3.13. Market research and engagement has confirmed that, while there is an established market for these services, there is no standard specification or pricing model used across the entire market. We are keen to allow bidders the flexibility to tailor their delivery model, provided they deliver value for money across the whole contract, achieve high levels of customer satisfaction with the service, are incentivised to recycle and reuse equipment (in full or in part) and create efficiencies and savings.
- 3.14. There are key elements within the costings and technical responses which may require clarification and negotiation to ensure best value will be delivered. It is therefore proposed that the new service is procured using a competitive procedure with negotiation (CPN) process in accordance with Regulations 26 and 29 of the Public Contracts Regulations 2015, due to the nature and complexity of the financial make-up for the required services and the risks attaching to them. An open or restricted procedure does not permit any negotiation of terms and is therefore not suitable for the procurement of these services.
- 3.15. Areas of negotiation are likely to include equipment transfer, credit and refund models, inflation, affordability, a 7-day model, transfer of existing stock valuations and service delivery models. Commercially sensitive matters in relation to the areas of negotiation are set out in Appendix B - Confidential Appendix.
- 3.16. The Council will reserve the right to award the contract with no negotiation where initial bids deliver the Council's requirements. Areas of negotiation will be clearly defined, and evaluation criteria published for all elements of the tender.
- 3.17. The proposed timeline to procure these services is anticipated to be: publication of the tender in April 2022; if required, one set of negotiation meetings in June/July 2022; award in September 2022 aiming to complete the contract in October 2022. Exit, transition, and mobilisation will be managed between October 2022 and March 2023, with the service commencing on 1 April 2023.
- 3.18. The Health and Local Authority Partners are in the process of undertaking their own governance to confirm they will procure their requirements via the new contract. Confirmation that the Health and Local Authority Partners are able to join the new contract will be obtained prior to publishing the tender.
- 3.19. A new s75 partnership agreement will be required prior to completion of the new contract with the successful supplier. The pooled fund arrangements are anticipated to be the same as the current arrangements and will be adjusted if necessary for the new contract. By contract completion, integrated care systems may be in place which may have an impact on the Health and Local Authority Partners identified in this report. Discussions are ongoing with organisations who may wish to become partners to this contract and any change to the tender and contract value will be adjusted accordingly, should this progress.

3.20. There is a planned mobilisation period of 3-4 months to ensure an orderly transfer of assets, service users and any employees.

Additional Resource

3.21. To support the delivery of the new model for the service, additional resource is required. A sum of up to £360,000 is being sought from within the Adult's Transformation Reserve, but has not yet been confirmed. This is the subject of a separate decision. This funding would be used to provide the capacity for Council staff to support the tender process, for completion of mobilisation and for six months post new contract start.

4. Links to our Strategic Ambitions

4.1. This report links to the following aims in the Essex Vision:

- Enjoy life into old age
- Provide an equal foundation for every child
- Develop our County sustainably
- Connect us to each other and the world
- Share prosperity with everyone

4.2. Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030 by:

- Recycling – continue to increase year on year
- Environmental disposal – nothing to landfill
- Recycling of scrapped products as a revenue stream – using a partner / supplier gainshare
- Optimisation of route planning
- Increasing use of hybrid and other alternative vehicles – in service (forklift, delivery fleet) and staff commuting
- Water recycling
- Eco friendly cleaning products / methods
- More local bank stores and drop off points
- Reduction / elimination of single use plastic
- Renewable energy use
- Energy reduction through improved processes
- Trade desks for collection/delivery

4.3. This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive, and sustainable economy
- A high-quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow

5. Options

5.1. Option 1: Do nothing - let the ECL contract expire on 31 March 2023 (not recommended)

This is not recommended as the Council and its partners would be in breach of their statutory duties to ensure a community equipment service is provided which supports people to live independently in their own homes, prevents hospital admissions and supports timely discharges. The absence of this service would have an adverse impact on the health and independence of the citizens of Essex who use this service and put them at risk of harm.

5.2. Option 2: Exercise the option to extend the ECL contract for 2023 – 2025 and continue the current arrangements (not recommended)

Benchmarking and engagement with ECL and the wider market have demonstrated that a change to the current service is needed to ensure best value and deliver a simpler and more streamlined service for the benefit of service users. Continuing with the current service model, even with some improvements, will not deliver the best value for partners. Spend on this service is high when compared with other similar services nationally; extending does not offer best value or the level of transformation that would be offered by the wider market.

5.3. Option 3: Direct award a new contract to ECL (not recommended)

Engagement with ECL on redesigning the current service and cost model has not provided the level of transformation or savings which the partners require and a further contract with ECL is not recommended.

5.4. Option 4: Procure a new contract by joining an existing third-party framework or contract (not recommended)

The partners considered the PAN London consortium which could be used to procure the services. It works on a single supplier basis and, whilst it could deliver some of the changes and tailoring of the services which the partners require, it did not offer sufficient flexibility to fully deliver best value and the overall aims for the envisaged new service.

5.5. Option 5: Procure the services via a tender process in the open market (recommended)

This is a specialist logistics service provided by a niche market of three main suppliers. The Council has never tested best value of this service on the open market. Benchmarking and market engagement indicate that there is an opportunity to transform and improve the services from end to end and drive out efficiencies, resulting in better value to the partners and quality of end-user experience. The proposed commercial model for the new services set out in the Confidential Appendix is anticipated to deliver better value for money.

6. Issues for Consideration

6.1. Financial implications

- 6.1.1. The annual cost in 2021/22 of the elements of the ICES pooled fund in scope of this decision is currently forecast to be £15.5m: £10.6m for the Council and £4.9m for the partners. The actual value will vary depending on the volume and mix of equipment commissioned. As per paragraph 3.19, discussions are ongoing with other organisations that may wish to join this contract. If this is agreed forecasts will be adjusted accordingly.
- 6.1.2. The Council's Medium-Term Resource Strategy (MTRS) currently includes provision of £11m for the in-scope elements of the service for 2023/24, with a further £4.9m indicative cost for external partners. The indicative cost for 2023/24 reflects the assumptions of a different service model, change in partnership prescribing, and a combined sourcing and activity contract.
- 6.1.3. The table below sets out the costs of the pooled fund for the past three financial years and the current year forecast along with 2022/23 budget and MTRS period:

	2018/19 Actual excl PAC £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Forecast at P9 £m	2022/23 Draft Budget £m	2023/24 MTRS £m	2024/25 MTRS £m	2025/26 MTRS £m
ECC	8.6	8.9	8.6	10.6	10.9	11.0	11.2	11.4
Partners	3.6	4.2	4.4	4.9	4.9	5.0	5.1	5.2
Total equipment (in-scope)	12.2	13.1	13.0	15.5	15.8	16.0	16.3	16.6
ECC	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Partners	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pooled fund overheads (not in-scope)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
ECC	8.7	9.0	8.7	10.7	11.0	11.1	11.3	11.5
Partners	3.6	4.2	4.4	4.9	4.9	5.0	5.1	5.2
Total Pooled Fund Spend	12.3	13.2	13.1	15.6	15.9	16.1	16.4	16.7

It should be noted that the overheads associated with the Council managing the pooled fund have been shown separately from the costs of delivering equipment. Additionally, the actual spend for 2018/19 has been adjusted to remove the cost of Pressure Area Care (PAC) spend, as it is now not delivered as part of the pooled fund.

- 6.1.4. Expenditure on the community equipment service has increased materially during 2021/22, due to multiple factors linked to the Covid-19 pandemic and lockdowns. There are multiple drivers behind the increasing costs, including a backlog of reviews, more adults needing equipment, rising acuity of need, and deconditioning due to lockdown, faster delivery speeds against a context of rising prices for equipment due to national and global sourcing and supply chain issues.
- 6.1.5. Future years' budgets have not been formally agreed by partners yet and will need to be agreed prior to tender and formalised in the new partnership agreement prior to completion of the new contract. The services are and will continue to be commissioned by the Council as the lead authority that manages all invoicing with the supplier and therefore the Council's VAT

regime applies. The current arrangements for managing the pooled fund and contract are proposed to continue in the new contract.

- 6.1.6. The Council's share of the cost of the current contract is allowed for within the 2022/23 budget, to be funded in part by a draw-down from the Covid Equalisation Reserve. Adult Social Care has flagged a further risk of £1.2m, but at this stage any increase in expenditure will need to be contained within existing resources. Children's and Families would have to seek additional funding from the Covid Recovery Reserve, should a pressure arise.
- 6.1.7. In light of the pressures set out in paragraph 6.1.4, there is a significant risk around forecasting future demands and costs of the service. The on-going work to ensure that prescribing activity is proportionate and effective and activities are fully understood will be a key component of managing demand and costs.
- 6.1.8. Benchmarking has indicated that the current service is more expensive than other similar local authority procured services; although this suggests that there could be potential savings, it may afford the opportunity for cost avoidance rather than cashable savings, against the context of rising prices and demand. This will be considered as part of the evaluation stage and, if further savings are considered to be achievable, they can be included in the Council's MTRS at that point.
- 6.1.9. The partners' share of expenditure is currently funded through quarterly contributions to the pooled fund governed by the partnership agreement. Where the annual budget reconciliation reveals an over-spend by any partner, that party is required to fund the shortfall. It is proposed that this arrangement will continue in the new partnership agreement.
- 6.1.10. As referenced in the table at paragraph 6.1.3 of this report, the Council receives £110,000 per year to cover the costs of managing the pooled fund. Additionally, the pool pays £8,000 for the cost of an independent chair. Pooled fund costs are split by partners' share of contributions to the pooled fund calculated on a quarterly basis. These costs will be agreed for the new partnership agreement and may need to be amended from the current levels. Based on the current activity, the Council funds 68% of the pooled fund costs, which equates to about £80,000 for 2021/22.
- 6.1.11. As set out in paragraph 3.21, additional funding of up to £360,000 may need to be sought to support the delivery of the new model for the service. This is expected to be funded by the Adult's Transformation Reserve and will be subject to a separate decision.
- 6.1.12. Further financial implications are covered in Appendix B - Confidential Appendix to this report.

6.2. **Legal implications**

- 6.2.1. Pursuant to section 2 of the Care Act 2014 and the National Health Service Act 2006 (as applicable), the Council and its partners must take such steps as they consider appropriate to meet the care and support needs of adults in the local area. This duty is met by providing community equipment to support people with (i) an assessed need to live safely and/or independently in the community or (ii) an eligible clinical need (as applicable).
- 6.2.2. The Council is permitted to procure on behalf of the Health and Local Authority Partners and a new partnership agreement between the partners (entered into pursuant to section 75 of the National Health Service Act 2006 and section 101 of the Local Government Act 1972) will be entered into at the same time as the Council enter into the new ICES contract.
- 6.2.3. Procurement of the proposed Integrated Community Equipment Services is subject to the full regime of the Public Contracts Regulations 2015 (the Regulations). The proposed procurement conducted in accordance with the principles set out in section 3 would be compliant with the Regulations.
- 6.2.4. Any social value considerations should be relevant and proportionate to the contract and only relate to the metrics set out in the Public Services (Social Value) Act 2012. Contracts should be awarded on the basis of the most economically advantageous tender and qualitative, environmental and/or social aspects should be linked to the subject matter of the contract.
- 6.2.5. Formal confirmation from the Health and Local Authority Partners accepting the proposals in this report will need to be in place before publication of the tender.
- 6.2.6. Notice will need to be given to terminate the existing contracts referred to in this report. The relevant contractual process should be followed when serving such notices.

7. Equality and Diversity Considerations

- 7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
 - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. List of Appendices

- 8.1. Appendix A – Equality Impact Assessment
- 8.2. Appendix B – Confidential Appendix

9. List of Background Papers

None declared.