

AGENDA ITEM: 8 Pages 29 – 37

Meeting	Cabinet Resources Committee
Date	2 March 2011
Subject	Integrated Community Equipment contract extension
Report of	Cabinet Member for Adults
Summary	This report seeks authorisation for the extension of the Community Equipment Services contract with Mediquip Assistive Technology Ltd for a period of up to two years. It seeks authorisation for the annual extension of the Section 75 Agreement and pooled fund arrangement with Barnet NHS to act as joint Commissioners of this service.

Officer Contributors	Eryl Davies – Head of Strategic Commissioning (Adult Social Services) Alison Kemp – Associate Director (Partnerships and Planning)
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix 1 – Options Appraisal – Complex aids Appendix 2 – Savings
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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1. RECOMMENDATION

- 1.1 That a two year extension to the integrated Community Equipment Service contract with Mediquip Assistive Technology Ltd be approved from 1 April 2011.**
- 1.2 That the annual extension of the Section 75 Agreement and pooled fund arrangements led by the Council with NHS Barnet in order to continue joint commissioning of the Barnet Integrated Community Equipment Service (ICES) be approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 On 31 December 2007, the Cabinet Member for Community Services approved by delegated powers (DPR 448) for the following:
 - Award of the contract for the provision of Barnet's Integrated Community Equipment Services to Mediquip Assistive Technology Limited
 - Barnet Council re-entering into a partnership arrangement of up to 5 years duration for provision of Barnet's Integrated Community Equipment Service with Barnet Primary Care Trust under Section 75 of the National Health Service Act 2006 and for Barnet Council to act as the lead agency.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The contract extension supports the corporate priority of 'Better services with less money' in two main aspects; firstly through underpinning the continued investment into the delivery of complex equipment to people in independent living settings, whose assessed level of need would otherwise direct them to more costly residential/nursing care. The contract extension allows for the development of the retail model for simple equipment via the Department of Health London wide Transforming Community Equipment Services (TCES) programme which has resulted in significant cost savings across other London authorities.
- 3.2 The contract plan to extend the contract to allow for the phased introduction of a retail approach for equipment supports the corporate priority of 'Sharing opportunities and sharing responsibilities' as equipment users, supported by the state receive a prescription enabling them to obtain products free of charge then have the option to 'top up' should they prefer a product that better suits their lifestyle, within the same functional range, and pay the difference. In addition, by increasing the visibility of products in a wider marketplace, people who are not state supported are able to self help and self fund.

4. RISK MANAGEMENT ISSUES

- 4.1 NHS Barnet approved the Council's extension of its contract with Mediquip and the annual extension of the Section 75 agreement at their Board on 13 December 2010.
- 4.2 The service contract is currently between the Council and Mediquip and NHS Barnet is not a party to this contract. Under the contract, Mediquip is required to indemnify the Council against any liability, loss, claim or proceedings (as defined in the contract) that the Council may suffer during the performance of the contract. Under the partnership arrangements (Section 75 Agreement) NHS Barnet requested the same indemnity from the Council, as opposed to an agreement by the Council to enforce the indemnity in the service contract.

The consequence of NHS Barnet's request is that the Council may find itself in a position whereby it is not successful in a claim against Mediquip in the circumstances anticipated in the service contract between the Council and Mediquip, but may be found to be liable to NHS Barnet by the terms of the requested indemnity. As a result, the Section 75 Agreement, has not been signed, although, NHS Barnet is fulfilling its funding obligation in accordance with the terms of the unsigned Section 75 Agreement.

- 4.3 With respect to the proposed extension of the service contract, it is anticipated that NHS Barnet are now in agreement to be joint parties to the contract extension, so that NHS Barnet, have the same rights against Mediquip as the Council. If NHS Barnet is not party to the contract, the alternative to be agreed with NHS Barnet, is for any claim in respect of the indemnity in the service contract in favour of NHS Barnet, to be limited to an amount not more than that recovered or paid to the Council by Mediquip, less the recovery costs and any claim against the Council.
- 4.4 Equipment and minor adaptations support people with their activities of daily living so that they may live as independently as possible. Efficient delivery of equipment is critical to promoting the safety and independence of people with substantial and critical disabilities residing in their own homes and facilitating timely discharge from hospital. Measures are in place which addresses the ongoing value for money and quality aspects of the current contract including detailed monthly performance monitoring and ongoing relationship management. This regular monitoring and management of the contract has resulted in measurable improvement in the value and performance of the service over the life of the contract against a backdrop of increased demand as more complex needs are met in the community. Negotiations are being concluded on reduced product costs through effective supply chain management by the contractor which is expected to take effect within the first quarter of the extension term and reduce contract costs further.
- 4.5 Local authorities and their health partners face the challenge of providing current levels of service to increasing numbers of people with disability within a decreasing cash envelope. The projected increase in Barnet indicates a 42% rise in the number of people over the age of 65 by 2029. An extra 19,000 people could require equipment support and this would present a significant cost under the current model. The retail model will increase the quality, choice, and innovation of products in Barnet, giving people the desired equipment to be less dependent on the state and more empowered to self help and offer improved value for money.
- 4.6 The Department of Health has been working with several boroughs implementing the retail model and this is identified as low risk. A detailed project plan has been developed for Barnet identifying and mitigating any local risks. A dedicated business change manager drawn from the Barnet Occupational Therapy Service is working within a project framework in the design phase towards the final phase of implementation commencing May 2011. Until further work has been completed on the way forward for complex equipment, the risks are mainly associated with the procurement of the appropriate service. The extension of the current contract mitigates those risks by working with a known provider within a well established contract and performance framework.
- 4.7 According to advice from the Department of Health, it could take at least 15 months to fully implement the retail model and a new Complex Aids solution simultaneously. The extension of the current contract allows the Council and NHS Barnet to take the opportunity to move away from institutionalised equipment provision and into the retail market in a phased approach.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The contract states that the provider must comply with equalities legislation, and the Council's Equalities Policy. The Provider's own equalities policy was evaluated as part of the tender process under the Council's Procurement Equalities Policy.
- 5.2 The service contributes to the Council's responsibilities under equalities legislation in particular with regard to promoting equality of opportunity between disabled persons and other persons, promoting positive attitudes towards disabled people, and encouraging participation by disabled people in public life.
- 5.3 Service take up is monitored through the operational management aspects of the contract including the breakdown of demand by age, gender, ethnicity and post code.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The proposed extension is for two years from 1 April 2011 to 31 March 2013 and the proposed extension schedule to the contract is consistent with the phased implementation of TCES and alternative sources of Complex aids in the Borough as set out below:
- A period of 'ramp down' for the provision of Simple aids from May 2011 to January 2012 with no further requisitions at the end of this period to take account of the phased implementation of the retail model; and
 - Mediquip has agreed a notice provision of six months after a minimum one year, period, to terminate the contract, which would allow an alternative solution for Complex aids to be brought into play before the end of the term if required.
- 6.2 The global value of these contracts in term of annual spend has risen in each year of the contract attributable directly to an increase in demand. The trend indicates around 14% increase in each year. The projection of contract spends for the extension years assume that demand will continue to increase by around 10% in each year. The total projected value of the extension therefore is just over £4 million with the split between London Borough of Barnet and NHS spend set out below.
- 6.3 The simple aids purchasing has formed over 70% of the provision most of which is through the social care element of the contract and therefore the savings generated in the next two years will be proportionately higher for adult social care.
- 6.4 The table below shows the projected annual value of the contract with TCES savings included. The projected savings are set out in appendix 2.

Contract year	Total	Council	NHS Barnet
2008/09 year 1	£1,724,313	£1,059,339	£664,974
2009/10 year 2	£1,940,934	£1,207,697	£733,237
2010/11 year 3 (projection to yr end)	£2,135,027	£1,328,466	£806,560
Extension year 1 (Projection)	£2,062,607	£1,282,842	£779,765
Extension year 2 (Projection)	£1,942,392	£1,205,446	£736,945

- 6.5 The medium term financial plan for adult social care has total savings of 300k against equipment through the implementation of the retail model generating part year savings in years 1 and full year savings in year 2. This remainder of savings for year one will be generated through continuing application of controls and through controls on contract costs and demand.

- 6.6 For Complex Equipment: it is estimated that the benefits generated from a change in service delivery will not be realized until 2013. Although the retail model targets simple aids, it was agreed that an options appraisal would also review how the cost of complex items could also be handled more effectively. An appraisal was undertaken supported by the Department of Health to look at how best to manage both simple and complex equipment as part of the implementation of the retail model. This identified six alternatives which have been since reduced to three recommendations for further analysis and due diligence to be completed by October 2011 and then taken to project phase as set out in appendix 1.
- 6.7 The Council is not obligated by the contract, or any extension of the contract, to purchase any products or services from Mediquip. The contract and any extension allows the Council therefore to fulfil its legal obligation under Right to Control to allocate a cash element to an individual service user with eligible need for equipment as part of a personal budget simultaneously.
- 6.8 It is anticipated that the Barnet integrated Community Equipment Service (ICES) will use alternative suppliers, even before the end of the extension, certainly for the provision of Simple Aids and possibly for the provision of Complex Aids too.
- 6.9 The terms of the extension are sufficient to allow both Mediquip and the council to plan their business in a way to ensure the maintenance of value for money service delivery throughout the period of change and have been the subject of discussion and agreement with Mediquip.
- 6.10 The total Integrated Community Equipment costs will be contained within existing Budgets in the Adults Directorate budget.
- 6.11 There are no issues relating to Staffing, IT and Property directly relating to this contract extension.

7. LEGAL ISSUES

- 7.1 The Council has the power to enter into a contract for the provision of community equipment pursuant to, amongst other provisions, Section 2 of the Chronically Sick and Disabled Person's Act 1970; Section 45 of the National Assistance Act 1948; Section 17 Children's Act 1989; Section 47 NHS and Community Care Act 1990; Section 2 Carers and Disabled Children Act 2000; and Section 57 of the Education Act 1996, all in conjunction with Section 111 of the Local Government Act 1972.
- 7.2 Sections 26-31 of the Health Act 1999 require Local Authorities and NHS Trust bodies to work together to improve health and social care and to provide for flexible funding and working arrangements to be established by agreement to facilitate this. This would include, but is not limited to, a pooled budget arrangement.
- 7.3 The Barnet integrated Community Equipment Service (ICES) is jointly commissioned by the Council and Barnet NHS through a Section 75 Agreement and pooled fund arrangement. This Agreement gives an option for the commissioning partners to extend the Agreement annually for one year up to a maximum of 2 further years.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions of the Cabinet Resources Committee including agreeing exceptions to standing orders.

- 8.2 The Council's Contract Procedure Rules in Paragraph 5.6.1 states the acceptance parameters for Contract Extensions. It provides that: in the case of an extension to a contract:
- The initial contract was based on a competitive tender or quotations;
 - The initial contract has not been extended before; and
 - The value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation.
- 8.3 The Council's Contract Procedure Rules in Table 5-2 states the Acceptance thresholds for contract extensions and variations. It states that for contract extensions greater than £156,442 authority must be sought from Cabinet Committee.

9. BACKGROUND INFORMATION

- 9.1 Community equipment is the collective term used by health and social care staff for products that help disabled, vulnerable and older people live as independently as possible in their own homes. They are classified as 'Simple Aids to Daily Living' (typically £0 – £100 in value) or 'Complex Aids to Daily Living' (£100+). The Council and NHS Barnet currently loan community equipment to disabled and older people through an outsourced contract with Mediquip led by Adult Social Services via a section 75 agreement. One of the main costs of the contract besides the equipment itself is a substantial cost on the delivery and collection of low cost high volume items.
- 9.2 In August 2010 the Council signed an initial Partnership Agreement with the NHS Barnet and the Department of Health to join the Transforming Community Equipment Services (TCES) project following approval by the senior management team of an outline business case for the introduction of a new model for service delivery.
- 9.3 The aim of TCES is to implement the retail solution for simple aids to daily living (SADLs) across London within 2 years. Each of the 33 Boroughs of London has been placed in one of 5 waves of delivery. Barnet is in wave 3 being delivered alongside Enfield, Haringey, Hammersmith & Fulham and Waltham Forest London Boroughs.
- 9.4 TCES is an important element within health and social care policy as set out in the Putting People First agenda and subsequently in the Vision for Social Care (2010), which puts people at the heart of the decision making process and enables them to identify their needs and to make choices about their support. This vision includes early intervention and prevention whilst creating a growing accessible market place where individuals have the power to shape the services they need.
- 9.5 A TCES project manager worked on site in the Borough to support full project initiation and a local governance structure for the planning, design and implementation of the new model.
- 9.6 The new model means 'Simple Aids to Daily Living' will be provided through the retail marketplace reducing the delivery costs of items and returns. Users receive a prescription from an assessment enabling them to obtain products free of charge (or purchase) from an accredited retailer in the Borough. Users have the option to add to this prescription and 'top up' should they prefer a product that better suits their lifestyle, within the same functional range, and pay the difference. Mediquip will no longer be supplying simple aids to daily living with savings accruing from reductions in logistics costs associated with delivery and collection of simple aids.

It is planned that around 15-20 pharmacies, charities, mobility stores and 3rd sector voluntary organisations will become accredited to offer TCES products in store in the Borough. Local retailers have been approached with a very positive response and are now moving towards becoming accredited TCES outlets through the TCES local project.

- 9.7 The Council and Barnet NHS are in the design stages of TCES planning and the first prescription issued under the new retail model is planned for May 2011 which is several months after the expiry date of the current service contract with Mediquip. Given that the current contract with Mediquip Assistive Technology expires in March 2011, a contract extension for a period of two years with a 6 month break clause after one year, will suit the transition objectives for simple aids.
- 9.8 The TCES model offers no solution for the provision of Complex Aids, which are also supplied by Mediquip. The Department of Health advised Barnet Adult Social Services on several options for the provision of Complex Aids. These options include joining a London Consortium who are contracting with Mediquip or commissioning the service jointly with LB Enfield who manage and maintain Council run equipment store. It is anticipated that implementing a solution for the provision of Complex Aids across health and social care will take at least 15 months. The contract extension proposed will therefore allow for a longer period for due diligence in respect of the recommended options for Complex aids set out in the appendix 1 and is made in the context of advice from the Department of Health concerning TCES.
- 9.9 Developing the retail model for community equipment and procurement of a contract for complex items is being led by Adult Social Services and overseen by a Partnership Project Board which includes input from health and adult social care and children's services staff from an existing operational group and is a key partnership objective for joint commissioning for 2011/12.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal –
CFO –

Appendix 1 – Options Appraisal – Complex aids

Option 1 – Do Nothing:

- Extend/renew current contract for both simple and complex aids for daily living with Mediquip.

Option 2 – Retail Model for Simple Aids & Retain the Current Contract for Complex Equipment:

- Move to TCES retail model for simple aids and extend/renew Mediquip contract for complex aids.

Option 3 – Retail Model for Simple Aids & Tender for Complex Equipment:

- Move to TCES retail model for simple aids and go out to tender with other suppliers for complex aids.

Option 4 – Retail Model for Simple Aids & transfer to London Consortium for Complex Equipment:

- Move to TCES retail model for simple aids and join London Consortium for complex aids.

Option 5 – Retail Model for Simple Aids & transfer to London Consortium for Complex Equipment:

- Move to TCES retail model for simple aids and form consortium with other surrounding boroughs for complex aids.

Option 6 – Retail Model for Simple Aids & obtain Complex Equipment from a Neighboring Service:

- Move to TCES retail model for simple aids and create agreement with the surrounding boroughs with an in-house store for the supply of complex aids.

Table 1 outlines the cost benefits ranking of the options (Simple Aids to Daily Living (SADLS), Complex Aids to Daily Living (CADLS)).

Table 1 - Options Appraisal - Cost Benefits: Ranking of Options

Rank	Option	Saving		
		SADLS	CADLS	Total
1	Option 6 - Retail Model & Neighbouring Authority	-£409,015	-£241,899	-£650,914
2	Option 3 - Retail Model & Tender CADLS	-£409,015	-£223,013	-£632,028
3	Option 2 – Retail Model & Current Contract for CADLS	-£409,015	-£74,770	-£483,785
4	Option 4 - Retail Model & London Consortium	-£409,015	-£53,860	-£462,875
5	Option 5 -Retail Model and Alternative Consortium	£0	£0	£0
6	Option 1 - Do Nothing	£0	£0	£0

The following options have been short listed for further analysis and due diligence in order to take forward to the project phase:

- Option 3 – Retail Model and Tender;
- Option 4 – Retail Model and London Consortium; and
- Option 6 – Retail Model and Neighbouring Authority (Enfield).

Appendix 2 – Savings

- Background – Integrated Community Equipment service
- High level of transactions with 27,800 items delivered and 12,700 items collected each year.
- Services provided include delivery, collection, storage, cleaning, refurbishment and repair, retail, specials procurement, recycled specials storage, system provision and training, PAT and LOLER testing, telecare installation, and out of hours service.
- During extension further savings projected related to:
 - Product and contract savings of £163,000 per annum
 - Continued savings from increase in collections annual £90,000
 - Retail model – projected savings £326,000 over 2 years

Total projected savings over 2 year term will depend on level of implementation of the mix of retail and contract savings.