

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 15 DECEMBER 2015**

**REPORT OF: MR MEL FEW, CABINET MEMBER FOR ADULT SOCIAL CARE,  
WELLBEING AND INDEPENDENCE**

**MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS  
SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: DAVID SARGEANT, STRATEGIC DIRECTOR ADULT SOCIAL  
CARE**

**SUBJECT: AWARD OF CONTRACT FOR THE INTEGRATED COMMUNITY  
EQUIPMENT SERVICE**



**SUMMARY OF ISSUE:**

This report seeks approval to award a contract to Millbrook Healthcare Ltd for a managed service for the provision of Integrated Community Equipment Service (ICES) to commence on 1 April 2016 as the current arrangements expire on 31 March 2016.

The procurement process has delivered an improved service which will support strategies in Health and Social care to enable Surrey residents to remain independent, facilitate hospital discharges, prevent re-admission and delay admittance into long term care.

This contract will be jointly funded on a 50-50 basis by the Council and Surrey's six Clinical Commissioning Groups (CCGs).

This report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process the financial details of the successful supplier have been circulated as a Part 2 report.

**RECOMMENDATIONS:**

It is recommended that:

1. The contract is awarded to Millbrook Healthcare Ltd.
2. The contract is awarded for an initial period of three years with an option to extend for up to two further years in one year increases.

## **REASON FOR RECOMMENDATIONS:**

Following an assessment of a number of options it was decided that a full competitive tender under the existing financial model was deemed the most appropriate route to market.

An open tender process compliant with the requirements of Public Contracts Regulations 2015 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement system, with the opportunity advertised within the Official Journal of the European Union, and on Contracts Finder. Following a thorough evaluation process the recommendation provides best value for money for this contract.

This procurement exercise has been carried out in collaboration with Surrey's six NHS Clinical Commissioning Groups (CCGs) to secure a single supplier to deliver the service for the seven parties through a contract between the Council and Millbrook Healthcare Ltd.

The demand pressures on the equipment service is increasing which drives up the cost however it is recognised that this is a key service in supporting Surrey residents to remain independent, facilitate hospital discharges, prevent re-admission and delay admittance into long term care.

In accordance with their constitution and procurement governance, each of the six CCGs has approved the process and award of contract at their governance boards.

## **DETAILS:**

### **Business Case**

1. This contract is for the statutory supply and installation of preventative health and social care equipment, which assists supporting Surrey residents to be safe and independent within their own home.
2. Examples of health and social care equipment purchased through this contract consist of:
  - a) Beds,
  - b) Mattresses,
  - c) Hoists,
  - d) Walking aids,
  - e) Bath lifts.
3. The total current budget value of this contract is £5.7m per annum on the supply and installation of equipment however current financial forecasting is estimating that the cost of this service will be £6.2m for 2015/16 as demand increases.
4. This contract is jointly funded between Surrey's six collective NHS CCGs and the Council, with each party contributing 50% of the overall budget.
5. The existing contract for the provision of ICES will expire on 31 March 2016. There is no existing or comparable contract for the provision of ICES and therefore a full tender process, compliant with the Public Contracts

Regulations 2015 and the Council's Procurement Standing Orders, has been carried out following the receipt of authority from Procurement Review Group (PRG) on 25 August 2015. This included advertising the contract opportunity in the Official Journal of the European Union (OJEU) on 3 September 2015.

6. This service has seen a rise in the cost since 2011/12 as Health and Social care face an increase in demand pressures to continue to support the needs of individuals. The demand on this service has increased in the following areas:
  - a) The number of individuals that this service supports has risen by 10%.
  - b) The number of equipment issued under this service has risen by 25%.
7. These two demand pressures are having a direct effect on driving the cost of this service.
8. The contract award will support the Council's statutory obligation to continue to provide social care equipment.
9. The ICES Commissioners Board, which is made up of commissioning, finance and procurement representatives from the Council and CCGs, agreed that the Council would lead the procurement process for the re-tender of this service.
10. The re-tendering involved engaging with key service teams and service user/carer groups who utilise the service to shape and advise the development of the specification and priorities for the tender.
11. The new service will offer improved benefits to meet the requirements of the Council and CCGs:
  - a) This service offers an increase in hours that activities can take place Monday to Friday and now includes a Saturday service as standard. This will deliver better value and support Health and Social Care in meeting the demands and pressures, especially more effective support of weekend hospital discharges and enabling people to return home in a more timely and appropriate way.
  - b) This service will promote the uptake of the retail opportunities in the sector to allow individuals within the community, who might benefit from equipment but not necessarily be eligible to receive it under this service, access to information and advice on purchasing equipment privately through this supplier.
  - c) The Millbrook Healthcare bid offers greater potential for improved, effective prescribing of equipment by deploying specific clinical support, more accessible training and improved access to information.
12. This bid supports the Council's move to providing apprenticeship opportunities and over the course of the contract Millbrook Healthcare Ltd have initially committed to employing 10 apprenticeships. It is the commissioner's intention to have continued conversations with the supplier to encourage the uptake of additional apprenticeships.

13. The dispensing of health and social care equipment to Surrey residents is key to delivering the following benefits:
- a) facilitation of timely and effective discharge from hospital
  - b) increasing capacity within home based care services
  - c) prevention of admission into hospital or long-term care
14. Recommendations from the most recent Surrey Internal Audit report were taken into account in the design of the specification to ensure the new contract addressed the areas for improvement identified within the current contract, which included:
- a) Substituting existing high cost equipment with suitable alternatives:
    - Bidders were asked to competitively price the top 14 equipment lines (based on spend and value) from the current contract and propose alternative items to meet the same level of specification but at a more cost effective price.
  - b) Reducing the number of failed deliveries:
    - The default delivery option under the new specification will be for “service user led” orders which will help reduce the number of failed deliveries as it will give service users an opportunity to directly influence the date and time they are scheduled to receive a delivery.
15. Market analysis and consultation with key suppliers was carried out and ensured the project team were well informed of the market structure and able to identify new emerging innovations. This information fed into the design of the specification.
16. This tender put emphasis on the suppliers presenting innovative ideas and recommending cost reduction solutions based on the information that was provided on the Surrey environment the recommendations made are dependent on the ICES Commissioning Board taking action (see part 2 section 17 for detail).
17. The tender exercise was conducted in collaboration with Surrey’s six CCGs to appoint a single supplier to deliver both the Councils’ and the CCG’s requirements. The collaboration on this contract forms part of the development of the wider partnership approach with Health.

### **Procurement Strategy**

18. A full competitive tender process, compliant with the Public Contracts Regulations 2015 and the Council’s Procurement Standing Orders, has been carried out using the Council e-Procurement system following the receipt of authority from Procurement Review Group (PRG) on 25 August 2015.

Several procurement options were considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity and

the decision was made to go out to tender under the existing service model via full Official Journal of the European Union (OJEU) tender.

### **Use of e-Tendering and market management activities**

19. In order to open the tender process to a wider range of suppliers than have previously been involved, the Council's electronic tendering platform Intend was used for the ICES procurement.
20. Through the market stimulation activities completed during the planning phase of the procurement process, a total number of 14 suppliers expressed an interest.

### **Key Implications**

21. By awarding a contract to the recommended supplier, for the provision of ICES to commence on 1 April 2016, the Council will be meeting its duties and ensuring that there is continued supply of health and social care equipment to Surrey residents.
22. There will be a 13 week transition period from January 2016 to April 2016 to ensure that all new systems, training, and marketing of the improved service elements are fully functional for the launch of the new contract from go live.
23. Performance will be monitored through ongoing review of the supplier in accordance with defined Key Performance Indicators. There will be monthly operational level reporting and quarterly strategic meetings to review performance and discuss improvements. There will also be joint strategic meetings with the six CCGs as part of the partnership working approach to this contract.
24. The management responsibility for the contract lies with Adult Social Care and will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation which also provides for review of performance and costs, efficiency savings, gain share savings from identified continuous improvements in performance.

### **Competitive Tendering Process**

25. The contract has been tendered following a competitive tendering exercise. It was decided that an open full tender competition was appropriate as despite the market interest generated, in reality there are a limited number of suppliers in this specialist market that can fulfil the Integrated Community Equipment Service requirements of a larger organisation such as the Council and the CCGs partnership.
26. The procurement activity required supplier's bids to be evaluated to ensure that they had the legal, financial, and technical capacity to undertake the contract for the Council. Suppliers were given 30 days to complete and submit their tender. The results of this process were that of the 14 suppliers who expressed an interest, 3 bid for the opportunity.
  - a) AJ Mobility Ltd
  - b) Medequip Ltd

c) Millbrook Healthcare Ltd

27. The tender was evaluated on the following split of price and non price based criteria

a) Non Price = Total of 60%

- Quality based questions – 58%
- IMT Compliance – 2%

b) Price = Total of 40%

- Cost of individual activities – 15%
- Cost of equipment lines – 15%
- Innovation to deliver savings – 2%
- Overall most economical bid – 8%

28. Based on the combined total scores received for both non price and price categories of the tender the winning bidder recommended for the award of the contract is Millbrook Healthcare Ltd.

29. Please refer to Part 2 report for further information related to the breakdown of scores at each stage of the tender.

#### **CONSULTATION:**

30. Key stakeholders within both the Council and CCGs have been consulted at stages of the commissioning and procurement process including:

- User/Carers
- Procurement
- Legal Services
- Adult Social Care Commissioners & Operational Staff
- CCGs Commissioners & Operational Staff
- Children's Commissioners & Operation Staff
- The Council & CCGs Finance
- Internal Audit
- IMT

#### **RISK MANAGEMENT AND IMPLICATIONS:**

31. The contract includes a 'Termination Clause' this will allow the Council to terminate the contract with twelve months notice should priorities change.

32. However, it should be noted that if the supplier was to breach the contract or be under performing then the Council has the right to terminate the contract sooner than the twelve months notice period.

33. All suppliers that submitted a tender for this service successfully completed financial satisfactory checks.

34. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Insufficient Funding: the cost of the service exceeding the funding available.	A number of cost reducing activities have been identified to help ease the financial pressures these include: <ul style="list-style-type: none"> <li>a) Increasing recycle rates</li> <li>b) Identifying cost effective alternatives to our existing catalogue of equipment</li> <li>c) Developing methodology to demonstrate value of the service to other care services e.g. Home Based Care.</li> </ul>
Financial / Reputational	Failure to agree funding with partner(s)	A section 75 agreement will be in place with protocol agreed on financial contributions and management of the overall joint contract.
Supply	Supply disruption during changeover of premises.	The successful supplier is the incumbent and as such presents the lowest operational risk in terms of transition to the new service and there is a thirteen (13) week implementation period to ensure the supplier is fully ready for the start of the new service on the 1 April 2016. In addition, as part of the tender process bidders were required to provide implementation plans that were scrutinised as part of the evaluation.

#### **Financial and Value for Money Implications**

35. Full details of the contract value and financial implications are set out in the Part 2 report.

36. The contract is charged on an on-demand basis and there is no minimum usage applied to the contract. The costs for the contract are made up of two elements:

- a) **Equipment Costs** – represent circa 65% of the contract value and the Commissioners purchase the equipment from the supplier at the cost by which the supplier sources the equipment.
- b) **Activity Charges** – a series of fixed rate charges that apply to the support activities undertaken by the supplier e.g. deliveries, collections, cleaning etc.

37. The activity charges are fixed for the duration of the contract and any proposed increase to the rates must be agreed by exception by the ICES Commissioning Board in advance.
38. The procurement activity has delivered a solution with identified savings opportunities to assist with supporting the pressure of increasing demand.
39. It should be noted that any rise in the activity volume and/or equipment costs may increase annual spend for the Council.

#### **Section 151 Officer Commentary**

40. The S151 officer supports the proposal to award a new contract to Millbrook Healthcare Ltd, providing the best value solution for the provision of this type of service along with opportunities for efficiencies leading to improved Value for Money for the contract, and for the Health and Social Carer system as a whole.

#### **Legal Implications – Monitoring Officer**

41. Legal Services are satisfied that this procurement is fully compliant with European Union Law. This is because the requirement for the provision of CES was advertised in the Official Journal of the European Union and tenders were received and evaluated in accordance with the law.
42. The Council has complied with its statutory duty under Section 82 of the National Health Service Act 2006 to secure and advance the health and welfare of the people of England by procuring the ICES. The Council has followed its own policy and procedures by obtaining approval from the Procurement Review Group to go to the market to select a supplier.
43. The risk of a legal challenge to the award of a contract to the preferred supplier is not considered high. This is because the Council has complied with EU Procurement Law as set out in the EU Directive 2014/24/EU and put into English Law as the Public Contracts Regulations 2015

#### **Equalities and Diversity**

44. The need for a new revised Equality Impact Assessment (EIA) was considered, however, as core elements of this long-standing service will not change, other than certain qualitative enhancements that will improve the overall service user experience, it was concluded that a revised EIA was not required. Despite this, the preferred supplier will of course be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Human Rights Commission.

#### **Safeguarding responsibilities for vulnerable children and adults implications**

45. As part of the delivery of this contract all workers that will be assigned to work with or have exposure to vulnerable adults or children will be subject to an enhanced DBS check. The supplier will have in place robust DBS procedures that are in keeping with the Council's policies and will be carried through to subcontractors.



**WHAT HAPPENS NEXT:**

46. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call in' period)	23 December 2015
'Alcatel' Standstill Period	24 December 2015 – 04 January 2016
Contract Signature	January 2016
Contract Commencement Date	April 2016

47. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

**Contact Officer:**

Tim Cowles, Assistant Category Specialist – Procurement and Commissioning, Orbis  
[timothy.cowles@surreycc.gov.uk](mailto:timothy.cowles@surreycc.gov.uk)  
0208 541 764

**Annexes:**

Part 2 report with financial details attached

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