



CABINET

Subject Heading:

Integrated Service Community Equipment

Cabinet Member:

Councillor Wendy Brice-Thompson, Cabinet Member for Adult Services and Health

SLT Lead:

Barbara Nicholls, Director of Adults Services and Health

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Policy context:

Supports priorities in the Joint Health & Wellbeing Strategy:

Greater integration between social care, education and health in the provision of support for adults and children most at risk

Financial summary:

An Integrated Community Equipment Service across BHR partners will release an annual saving of £0.055m on current LBH Community Equipment spend of £0.516m (based on 2016/17 Outturn).

Is this a Key Decision?

Expenditure or saving (including anticipated income) of £500,000 or more

When should this matter be reviewed?

6 months following sign off

Reviewing OSC:

Individuals

The subject matter of this report deals with the following Council Objectives

Communities making Havering

[x]

Places making Havering

[]

Opportunities making Havering

[]

Connections making Havering

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Place an X in the [] as appropriate

SUMMARY

Community Equipment is provided by the Council ("LBH") to allow the frail, elderly and physically disabled adults and children to live independently within their own homes or community and school environments and to facilitate discharge from hospital. This equipment ranges from simple daily living aids to more complex equipment such as beds, lifts, hoists.

LBH currently commissions the service through the London Borough of Redbridge (LBR) "Framework Contract for the Community Equipment Service" ("the Framework") originally established in 2011. The Framework was most recently retendered in 2015 and Millbrook Healthcare Limited was appointed as sole provider for a term of 4 years, from 1st December 2015 to 30th November 2019.

As part of the system wide partnership and governance arrangements it was recognised that community equipment services were fragmented across Barking Havering and Redbridge (BHR) and a piece of work was commissioned by the Discharge Improvement Working Group (DIWG) to explore potential benefits of establishing an integrated community equipment service. The DIWG is a group established as part of system wide governance to explore opportunities to improve the discharge process. The review evaluated the current and alternative integrated service options in terms of service delivery, quality and value for money.

The recommendation was to establish a single Integrated Community Equipment Service hosted and led by LBR through a section 75 agreement with all named BHR partners across health and social care.

This recommendation was approved by DIWG on 4th September 2017 and went on to be approved by the Joint Commissioning Board (JCB) on 6th September 2017 which is a sub group of the Integrated Care Partnership Board (ICPB). This approval was subject to formal approval by each partner through their internal governance arrangements.

RECOMMENDATIONS

It is recommended that the Cabinet:

- **Approves** the Council joining an Integrated Community Equipment Service (ICES) with BHR health and social care partners, hosted by London Borough of Redbridge.
- **Authorises** the Director of Adult Services to sign the Section 101(LGA 1972) / Section 75 (NHS Act 2006) agreement and all further documentation necessary to facilitate the participation of the Council in the Integrated Community Equipment Service.

REPORT DETAIL

1. Background

- 1.1. Community Equipment is provided by the Council to allow the frail, elderly and physically disabled adults and children to live independently within their own homes or community and school environments and to facilitate discharge from hospital. This equipment ranges from simple daily living aids to more complex equipment such as beds, lifts, hoists.
- 1.2. LBH currently commissions the service through the LBR “Framework Contract for the Community Equipment Service” (“the Framework”) originally established in 2011. The Framework was most recently retendered in 2015 and Millbrook Healthcare Limited was appointed as sole provider for a term of 4 years, from 1st December 2015 to 30th November 2019. The current participating authorities on the Framework include:
 - LBR (which commissions under joint Section 75 agreement on behalf of both itself and RCGG);
 - London Borough of Havering (“LBH”);
 - North East London NHS Foundation Trust (“NELFT”), (which provides intermediate care services to Barking and Dagenham CCG (“B&DCCG”) and Havering CCG (“HCCG”);
 - London Borough of Kingston;
 - City of London; and
 - London Borough of Newham.
- 1.3. The Framework provides that any public body who constitutes one of the London Borough Councils and all NHS bodies associated with London Borough Councils (including but not limited to Clinical Commissioning Groups (“CCGs”)) may become a participating authority to the Framework at any time during its term.
- 1.4. The other health bodies in Barking, Havering and Redbridge area (“BHR”) commission equipment by a variety of alternative routes including:
 - B&DCCG and HCCG procure in excess of £620K by ‘spot purchase’ direct from a variety of supplier’s;
 - Barking, Havering and Redbridge University Hospital NHS Foundation Trust (“BHRUT”) employ a mix of arrangements including purchasing direct or assessing and requisitioning through LBH, LBB&D or the CCGs.

London Borough of Barking & Dagenham (LBB&D) opted to commission the service by arrangements through the “London Borough of Kensington & Chelsea” (“LBK&C”) Framework.

- 1.5. In 2016/17 the social care, education and health services within BHR spent in excess of £4.4m on community equipment and the supporting logistics services to stock, deliver and fit, undertake minor adaptation installations, provide regular inspection and servicing, respond to emergency repair call outs, collect equipment back when no longer required and refurbish and credit items which are economically viable to reuse. BHR's services, excluding the activity for NELFT and BHRUT, delivered 19,323 orders containing in excess of 26,000 items of equipment to 13,709 service users / patients.
- 1.6. Of the total BHR activity, LBH spent in excess of £0.516m, delivering 5,180 orders containing in excess of 5,760 items of equipment to 4,692 service users / patients.

2. Review

- 2.1. The eight social care, education and health bodies in BHR ("Partners") agreed to commission an independent review of the Community Equipment Service to evaluate the cost benefits of alternative options to establish a single integrated service across BHR. The remit for the review commissioned by the Partners through the DIWG (5th June 2017) included soft market testing (an approach by which indicative market values can be obtained from providers without going through formal procurement discussions) of contractor and supply chain providers and benchmarking against commissioning best practice in the UK.
- 2.2. The review highlights that a number of the Partners are delivering a fragmented service of lesser quality and at a greater cost due to:
 - a) Delay in delivering equipment to service users and patients due to a combination of the plethora of alternative and complex administrative arrangements, an over reliance on manual practices and lengthy screening processes to authorise orders;
 - b) Fragmented services relying on multiple 'local back office' support arrangements which are inefficient and costly;
 - c) The practice of procuring equipment directly from suppliers is not only more expensive to purchase but also suffers hidden cost and risk due to:
 - The additional cost of new equipment as the items are not collected, recycled and reused; and
 - Risk of injury or fatality and cost as there are neither arrangements to ensure that the equipment is inspected, serviced and maintained nor service to undertake emergency repairs;
 - d) Diseconomy of scale and consequential loss in 'buying power' when going out to tender.

- 2.3. The recommendation approved by DIWG on 6th September 2017 was to establish an “Integrated Community Equipment Service” (ICES) hosted and led by LBR through a Section 75 / 101 agreement with each of the health and social care partners across BHR.
- 2.4. Initially the service will be provided via the current LBR Community Equipment Framework Agreement. The parties participating in the Section 75/101 agreement will form a partnership which shall then enter into an Access Agreement with LBR to become a single Participating Authority eligible to receive the services under the framework.
- 2.5. Subject to each partner obtaining the requisite approval to enter into the Agreement, the intention is for the Agreement to come into force as soon as possible. All those party to the Agreement will notionally form a single entity that will then access the existing LBR Community Equipment Framework as a “New Participant”. For those partners who, prior to the Agreement, were not receiving the Service as an individual participant in the Framework there will be a period of transition during which they will move entirely to the new arrangement. The ICES will then be delivered under the Framework until the expiration of the Framework on 30th November 2019 before which partners will have to tender for a new service.
- 2.6. The integrated service went live for LBR, BHRUT and the three CCG’s on 5th February 2018. LBH joined in shadow form with aligned operational processes. LBH officers have continued to examine financial detail and assurance around benefits for Havering, and following this due diligence, are now seeking Cabinet approval to join the S75/101 agreement to realise the full benefits of the partnership arrangement

3. Savings

- 3.1. The financial case sets out the cost benefit analysis of the options broken down by each Partner and detailed the key financial benefits and projected savings. In summary it found that an LBR hosted ICES leveraging the current Framework is the most cost-effective option specifically:
 - Lower product costs – on average 14% below the best alternative on Product Costs of £2.900m; and
 - Equipment collection and re-use rates averaging 64% compared to the next best alternative averaging 34%.
- 3.2. The financial case goes on to confirm that the Partners could potentially release savings of c£0.952m per annum. Of this total it is estimated that the total LBH saving is projected to be £0.077m per annum. Savings are addressed in further detail in the financial section below.
- 3.3. The savings are generated through a combination of the following;
 - a) Switching to alternative better value products
 - b) Reducing the No. of orders issued from 1.1 to 1 per user pa
 - c) Increase collection and re-use of equipment

Table 1, Appendix 1 provides a breakdown of the savings

4. Benefits

- 4.1. By extending the LBR framework to include health and social care partners across BHR, the partners will order equipment through a single BHR ICES service and common set of operating procedures.
- 4.2. Online requisitioning, authorisation and tracking will be managed through a single online hosted Warehouse Management and Ordering system across all partners replacing the current fragmented mix of manual and paperwork processes and removing the bottlenecks and delays.
- 4.3. There is an agreed criterion to differentiate between Health and Social Care need which will speed up ordering and authorisation process by automating and streamlining in real time reducing necessary delays.
- 4.4. The new arrangement will ensure delivery of priority equipment (4 hours – 5 days) in support of the Home First and Admission Avoidance agendas.
- 4.5. Practitioners across the BHR system will be enabled to follow one process and use one system reducing the time taken when ordering equipment.
- 4.6. This integration will provide a platform for a greater economy of scale and buying power to take to the market to obtain better value at the next re-tender in 2019.

5. Recommendation

- 5.1. It is proposed that LBH together with the BHR Partners support LBR to set up a joint ICES by entering into agreement under the provisions of Section 101 of the Local Government Act 1972 and Section 75 of the National Health Service Act 2006. The BHR Partnership will include:
 - Host, London Borough of Redbridge;
 - London Borough of Havering;
 - Redbridge Clinical Commissioning Group;
 - Barking & Dagenham Clinical Commissioning Group;
 - Havering Clinical Commissioning Group;
 - Barking, Havering and Redbridge University Hospitals NHS Trust; and
 - North East London Foundation Trust.

REASONS AND OPTIONS

6. Reasons for the decision:

- 6.1. The findings from the review concluded that an integrated service hosted by LBR will provide better quality, better value and generate the release of significant savings.
- 6.2. The proposed integrated arrangement will remove some of the factors contributing to a lower quality service including:
 - a) Delays in ordering equipment for service users due to the range of alternative and complex administrative arrangements.
 - b) Fragmented services relying on multiple 'local back office' support arrangements which are inefficient and costly
 - c) Diseconomy of scale and consequential loss of 'buying power' when going out to tender
 - d) The practice of procuring equipment directly from suppliers which is more expensive to purchase but also suffers hidden cost and risk due to the additional cost of new equipment as the items are not collected, recycled and reused.

7. Other options considered:

- 7.1. The options evaluated included:
 - Option 1. 'As Is' – continue with current arrangements. This option was discounted as it is inefficient, fragmented and costly for the partnership, particularly the NHS;
 - Option 2. All Partners in BHR go out to tender to establish an ICES. This option is not possible at this stage as a number of the Partners are legally committed to existing contracts for the next 1 to 2 years;
 - Option 3. LBR host an ICES. This is the recommended option providing better quality and better value. The LBR Framework already provides a Community Equipment service to 4 of the 8 Partners in BHR;
 - Option 4. London Borough of Barking and Dagenham ("LBB&D") host an ICES. The Options Appraisal found that both in terms of quality and cost this option falls significantly below the Option 3, LBR host an ICES;
 - Option 5. Health – CCGs go out to tender separately. This option was discounted in the Options Appraisal as RCGG is already committed through the LBR Framework and both LBR and LBK&C only recently tested the market with a greater volume and economy of scale.

IMPLICATIONS AND RISKS

8. Financial implications and risks:

- 8.1. The projected savings for LBH based on 16/17 activity are £0.077m per annum which will be generated through a combination of:
 - a) Switching to alternative better value products – gross saving £0.053m
 - b) Reducing the number of orders issued from 1.1 to 1 per user per annum – gross saving £0.010m
 - c) Increasing the collection and re-use of equipment – gross saving £0.014m
- 8.2. The gross saving is shown before the cost of LBR's Management Fee of £0.022m for hosting and managing the new ICES arrangement. LBR have agreed that this fee will be charged at 50%, £0.011m until the point where there is clear evidence that LBH are projecting a saving at or above the target £0.077m detailed above. At that point the fee will increase to £0.022m. While the Management Fee represents a new additional cost to LBH it is a relatively small value and will be off-set by the projected savings of £0.077m per annum before the Management Fee cost.
- 8.3. In respect of the financial management and control, LBR will set up and manage a pooled budget to monitor and track the costs and partner contributions to fund the service. Individual partner costs centres will be set up within the pooled budget to ring fence, track and control each partner's budget. The provider's monthly Invoice will be split by each Partner and supported by a detailed schedule of the Orders and transaction costs again split by Partner. The charges will be posted against the cost centre for each of the partners who will receive individual copies of their Invoice Statement and supporting Orders and transaction costs. LBR will provide a monthly financial report to the operations board detailing the budget and actual spend to date highlighting under or over spends by partner together with any underlying trends. The partners will maintain their own financial monitoring and control arrangements as they do now and will have the mechanism through the monthly financial report to the operations board to check and reconcile their costs against the pooled budget. A year-end reconciliation process will be in place to identify any under or overspend and arrange for the reimbursement or recharge of any balance based on each partner's contribution compared to their actual spend.
- 8.4. The pooled budget for the next financial year will be set and agreed by the partner's through the Joint Commissioning Board as part of the annual review and renewal meeting in January / February each year.
- 8.5. A potential financial risk of the new arrangements adversely impacting LBH funding specific items of equipment using the Disabled Facilities Grant (DFG) has been identified. A combination of the switch from Millbrook invoicing LBH directly to LBR recharging through Partner contributions to the Pooled Fund together with the additional LBR management fee could open up the potential to challenge the funding as the direct audit trail is removed, and the additional cost of the management fee charged by LBR represents an additional pressure which is currently deemed to be

revenue, rather than being treated as capital and thus qualify to be funded from the grant.

- 8.6. A number of steps have been identified to mitigate if not eliminate the risk of challenge including:
- a) Millbrook will provide an invoice statement to LBH identical in format and structure to the current Invoice. This will provide the direct audit trail to support the DFG funding
 - b) Explore the option with Millbrook to include an on-cost function on the Invoice Statement to recover the additional management fee costs as an integral component of the rationale and basis for providing the equipment which will be compliant with the required basis to support DFG funding.

9. Legal implications and risks:

- 9.1. The Care Act 2014 provides that Local Authorities have a statutory duty in respect of adults over the age of 18 who are assessed as requiring either community equipment or minor adaptations.
- 9.2. Furthermore, duties to children with disabilities (up to age 18), are set out in the Chronically Sick and Disabled Persons Act 1970, the Children's Acts of 1989 and 2004 together with the Education Health & Care Plan (EHC) requirements for Children with special educational needs and disabilities (based on the Children & Families Act).
- 9.3. Under Section 101 of the Local Government Act 1972 and Section 75 of the National Health Service Act 2006, certain local authorities and NHS bodies are enabled to enter into integrated partnership arrangements in relation to the exercise of certain functions of local authorities and the NHS. Section 75 agreements aim to provide a more streamlined service and to pool resources, if such arrangements are likely to lead to an improvement in the way their functions are exercised. It is pursuant to these powers that the Section 75/101 Agreement detailed in this Report is proposed.
- 9.4. A section 75 agreement for the provision of services to a local authority by a health authority and vice versa are excluded from the Public Contracts Regulations by virtue of Regulation 11 as such an agreement is made on the basis of an exclusive right pursuant to a law, regulation or published administrative provision which is compatible with the Treaty on the Functioning of the European Union. The same principle applies to a section 101 agreement between local authorities. As such, the London Borough of Redbridge are not under an obligation to conduct a competitive process before awarding the section 75/101 agreement.

10. Human Resources implications and risks:

- 10.1. There are no direct HR implications or risks, to the council or its workforce that can be identified from the recommendations made in this report.

11. Equalities implications and risks:

- 11.1. An Equalities Assessment is not required for the ICES agreement as there are not anticipated to be any negative impacts arising from this proposal to current and future users of this service. The current contract for service delivery will remain in place, the Section 75 just allows for the integration across partners to reduce the fragmentation and delays in the system.

BACKGROUND PAPERS

None