


<b>Cabinet</b>  26 September 2018	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Denise Radley, Corporate Director for Health, Adults & Community	<b>Classification:</b> Exempt [Changed to Unrestricted]
<b>Future Management of the Integrated Community Equipment Service</b>	

<b>Lead Member</b>	<b>Councillor Denise Jones, Cabinet Member for Adults, Health &amp; Wellbeing</b>
<b>Originating Officer(s)</b>	David Jones, Interim Divisional Director Adult Social Care
<b>Wards affected</b>	All
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	1 August 2018
<b>Reason for Key Decision</b>	Financial Impact
<b>Strategic Plan Priority / Outcome</b>	<b>People are aspirational, independent and have equal access to opportunities;</b>

~~By virtue of section 100A of the Local Government Act 1972 and paragraph 3 of Schedule 12A of the Local Government Act 1972, this report is Exempt as it contains information relating to the financial or business affairs of any particular person (including the authority handling the information). The Report is exempt to the extent that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the report as it could have an adverse impact on future negotiations with potential contractors.~~

### **Executive Summary**

This report considers the options for the future management of the Council's integrated Community Equipment Service (CES). The service loans a variety of disability related equipment to children, adults and older people within Tower Hamlets. The equipment helps service users to maintain and maximise their independence, enables them and their carers to be safely supported and improves their quality of life.

The service has been subject to various reviews over the past few years. The latest due diligence work is detailed in this report. The due diligence examined a number of different options, but once the selection criteria were applied, (Appendix B), the vast majority of these were excluded. This has concluded there are only two viable options: the outsourcing to the Hammersmith & Fulham / Medequip Framework – as recommended – and retaining an in-house service which is high risk, as implementation and achievement of a high quality service and savings within the

required timescale would be highly unlikely.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Support awarding a contract to Medequip for the Community Equipment Service via a call-off from the framework agreement procured by Hammersmith & Fulham, for four years, from 1st April 2019 to 31st March 2023. The contract will have an option to extend for a further two years which will give the Council and the CCG further service stability. The estimated value is circa £6.1 million over the 4 year contract period and circa £9.3 million over 6 years (if the extension was utilised).
2. Delegate award of the outsourcing contract and further extension to the Corporate Director, Health, Adults & Community.
3. Note the recommendation will enable delivery of the savings target for CES of £308,000 for 2019/20 as agreed by the Cabinet in the MTFS plan.
4. Note the early surrender of the lease on the Yeo St premises (12 years unexpired) would result in the landlord paying the Council an estimated £900,000 as a surrender premium. This would be a one-off payment back to the Council, and in part be utilised to cover the one-off moving and setup costs.
5. Authorise the surrender of the lease on the Yeo St premises and delegate authority to the Corporate Director, Place to agree the terms.

### **1. REASONS FOR THE DECISIONS**

- 1.1. The report considers the options for the future management of the Council's integrated Community Equipment Service. The service loans a variety of disability related equipment to children, adults and older people within Tower Hamlets. The equipment helps service users to maintain and maximise their independence, enables them and their carers to be safely supported and improves their quality of life.
- 1.2. Service standards have improved over the past year and there has been a recent positive health and safety report. Recycling rates for equipment have also improved. However, there continue to be real difficulties in recruiting and retaining staff and the service requires a disproportionate amount of management time to ensure essential requirements are met.
- 1.3. Demographic pressures and the expectation that government is unlikely to provide the required increased funding, means more equipment must be bought with a similar budget to today's to enable more people to retain their independence and avoid an unsustainable increase in care package costs.

## **2. ALTERNATIVE OPTIONS**

- 2.1.** The report summarises the due diligence work which examined all the available options.
- 2.2.** It concluded there are only two viable options: the outsourcing via the Hammersmith and Fulham / Medequip Framework – as recommended – and retaining an in-house service.

## **3. BACKGROUND**

- 3.1.** The Community Equipment Service (CES) loans a variety of disability related equipment for children, adults and older people within Tower Hamlets to use, generally at home. The equipment helps service users to maintain and maximise their independence, enables them and their carers to be safely supported and improves their quality of life. Furthermore, the service offer supports individuals in their homes, avoids hospital admissions and reduces care package costs.
- 3.2.** Key 2017/2018 facts and figures for CES are:
  - Deliveries: 9,526 items
  - Collections: 2,267 items
  - Repairs: 1,119 items
  - Items issued: 11,500 items
  - Recycled: 4,700 items
  - Electrical testing: 400 items
  - Active prescribers: 150 (at year end)
  - Service users served: 8,212
- 3.3.** This provider service which orders, supplies, delivers, installs, maintains repairs, collects, cleans and refurbishes equipment is jointly funded by Tower Hamlets Council and Health through Tower Hamlets CCG.
- 3.4.** The total cost in the 2017/18 financial year was £2.01m, including the wheelchair service (£104k) and pharmacy prescriptions (£146k). The spend on equipment and delivery included £65k for children. Health contributes £791k to the pooled budget.
- 3.5.** The aim of any change must be to provide the best possible services to local residents that are responsive, cost effective and able to meet increasing needs assuming additional government funding is very unlikely. Through a better offer, it will be possible for more people to remain independent for longer, which will improve their health and wellbeing. This in turn should reduce some of the increasing pressure to fund costly traditional packages of care.
- 3.6.** The review of the service stretches back several years. In May 2016, the Institute of Public Care (IPC) published its review of the community equipment

services in Tower Hamlets. The key message from the review was to improve the quality, efficiency and effectiveness of the service. An options appraisal of CES was undertaken in order to establish quality and cost effectiveness of managing the service in-house or externally.

- 3.7. Last autumn it was decided that the options appraisal needed more work so a specialist consultant was engaged to undertake the required due diligence.
- 3.8. Service standards have improved over the past year and there has been a recent positive health and safety report. Recycling rates for equipment have also improved. However, there continue to be real difficulties in recruiting and retaining staff and the service requires a disproportionate amount of management time to ensure essential requirements are met.
- 3.9. Therefore, senior management is not confident it will be possible to take the service to the level of the best in London and beyond. Added to this is the requirement to achieve the £308,000 2019/20 savings target for CES as agreed by the Cabinet in the MTF5 plan.
- 3.10. This report focuses on recent due diligence work and the need to make a decision no later than this autumn.

### **The Strategic Direction**

- 3.11. In the future it is proposed that the CES is part of a comprehensive offer to local residents to support independence in the community through a broad range of cost effective services including:
  - Improved information and advice to increase use of equipment and assistive technology – an essential in-house service. This would be provided at the ‘front door’ with some simple equipment being regarded as a ‘universal service’ not being subject to an unnecessary and costly assessment process.
  - Increased access to mobility and other low-cost equipment through the ‘retail model’ (where prescriptions for equipment are issued to residents and can then be redeemed at local pharmacies)
  - Local display plus an online catalogue to see some equipment and signpost to Health and voluntary and retail outlets so residents can make informed choices and triage for assessment
  - Continuation of small local stores at the Royal London Hospital and possibly at Day Centres, from which simple equipment items can be issued directly to service users (for example when they are discharged from hospital)
  - Continuation and further development of an in-house occupational therapy service within our Initial Assessment and Locality Teams to assess and support people with mobility needs

- A Community Equipment Service – subject to approval of the recommendations – which, unlike all the services listed above, is provided by an external organisation investing in the latest technology, efficient ordering processes, high health and safety standards, and which will maximise equipment recycling/reuse. This will enable the provision of more equipment at lower unit costs to meet increasing demand, so that more residents can retain their independence. This will increasingly be an alternative to traditional packages of care for some people, and will reduce the cost pressures on Adult Social Care.

#### **4. EXAMINATION OF THE OPTIONS**

- 4.1** The options appraisal initially considered undertaking a full OJEU tendering exercise. However, as it would require a dedicated procurement project manager for 12-18 months at an estimated £60k per annum plus the cost of the procurement process and be unlikely to yield economies of scale when negotiating with the providers, this option was rejected. Also, other London Boroughs have already established and demonstrated the cost effectiveness of a contract framework approach. Tower Hamlets can simply join a contract framework saving on lengthy specification drafting, procurement time, expertise and cost.
- 4.2** It should be noted that most local authorities no longer consider that they are able, by themselves, to provide and invest in the technology for complex warehouse logistics and distribution nor meet the high industry standards required for a modern cost-effective equipment service.
- 4.3** Therefore, all of the London boroughs, besides Tower Hamlets, have externalised their equipment services. 29 boroughs have either outsourced or participate in a shared service type model, whilst the others have spun their services out into a separate “non-shared service” company.
- 4.4** Nevertheless, retaining an in-house service has been seriously considered as part of the due diligence work.
- 4.5** The first part of the work was to establish which of the 11 initially identified options (besides running a tender) were viable.
- 4.6** It was found that for legal reasons the Redbridge / Millbrook community equipment framework could not be accessed by Tower Hamlets, and Inspire Community Trust (Bexley) could not be used without a full tender.
- 4.7** The other major community equipment service provider, NRS, had not been awarded any full community equipment service frameworks that Tower Hamlets could access.
- 4.8** The Barnet / Millbrook framework only had a short time remaining (the framework is due to expire on 30 June 2020) and the Independence and

Wellbeing Enfield and Croydon “IPH” depots were too far from Tower Hamlets, so all of these options were discarded.

**4.9** The due diligence, therefore, concentrated on three options:

- Enabled Living Healthcare Ltd, a social enterprise set up by the London Borough of Newham
- The Hammersmith & Fulham / Medequip framework
- An improved in-house service (in a new depot)

**4.10** They were assessed according to the criteria below (the appendices include the detailed analysis).

- Impact on savings target i.e. estimated savings or additional costs
- Quality assurance implications
- Logistics - access to stores / speed of delivery
- TUPE – implications for staff
- Joining - conditions; costs; timescale
- Risks – assessment of likelihood of achievement, including savings
- Duration – how long we could use the option
- Track record

**4.11** Enabled Living Newham offered some advantages although there were some concerns about the potential to achieve the required savings and some risks in delivering this option. However, at the beginning of May 2018, Newham Council withdrew their interest. (The assessment to this point is still included to illustrate that this option was seriously considered).

**4.12** The remaining part of the report, therefore, covers the only two viable options.

**4.13** 18 London councils (Kensington and Chelsea, Westminster, Hammersmith and Fulham, Hillingdon, Ealing, Camden, Islington, Bromley, Greenwich, Lambeth, Southwark, Lewisham, Richmond, Hounslow, Barking and Dagenham, Haringey, Wandsworth and Harrow) utilise the Hammersmith & Fulham / Medequip framework. Confirmation has been received that the London Community Equipment Consortium (which consists of all the councils which have called off the framework) would be willing for Tower Hamlets Council to access the framework. The benefits of utilising the framework are that the core requirements have already been specified and performance is monitored through the Consortium. Tower Hamlets would then specify its own additional local requirements.

**4.14** Medequip would offer comparable delivery “speeds” covering similar hours to our current service. A range of additional “speeds” would also be available from the company, which Tower Hamlets would have the option to use.

- 4.15** Medequip has a well-established track record for delivering quality services since being awarded the contract for the London Borough of Hillingdon in 1993. It now runs 38 contracts operating out of 20 specially adapted depots across the country, covering a population of over 18.5m people. The company provides the ability to order equipment online through well developed logistics.
- 4.16** There would be a joining fee of no more than £12,000 (which is a contribution to the original framework procurement and implementation costs). Medequip has also agreed to Tower Hamlets Council accessing the framework with a 4 plus 2 year call off contract to take effect from early 2019.
- 4.17** Their nearest stores in South Woodford and Woolwich are both only about 8 miles from Tower Hamlets and would have sufficient capacity for our additional stock.
- 4.18** Medequip has confirmed and due diligence has demonstrated that the MTFS 2019/20 savings target of £308k would be achieved through this framework option (see Appendix A - Financial Modelling).
- 4.19** Medequip has considerable experience of employing transferred staff via TUPE. The company is a London Living Wage employer and has confirmed it would take the CES staff (see appendix B part 4); subject to negotiating the scope of the transferred service, the number would be in the range of 8.5 – 12.6 FTEs.
- 4.20** Under TUPE regulations, where a service transfers to a new provider, employees will automatically transfer to the incoming employer. Their terms and conditions of employment, such as pay, holidays, job titles, sick pay provisions etc. and continuity of service transfer with them. The policies and procedures from the previous employer will also transfer with the employees. Although occupational pensions do not automatically transfer, the incoming employer must be able to offer a comparable pension to the Local Government Pension Scheme for those staff who transfer. TUPE legislation offers protection to staff in relation to dismissal or redundancy where that relates to the TUPE transfer, and any changes would need to be for an economic, organisational or technical reason which will require staff consultation.
- 4.21** With their proven track record of customer satisfaction, speedy delivery, quality service and adherence to industry and health and safety best practice standards, LBTH would not need to manage complex warehouse logistics and distribution and be able to focus on contract monitoring (costings included in the calculations) to ensure there is an improved quality and cost-effective service.
- 4.22** This would enable the early surrender of the lease on the Yeo Street premises (12 years unexpired) and would result in the landlord paying the Council an estimated £900,000 as a surrender premium. This would be a one-off payment back to the Council, and in part be utilised to cover the one-off

moving and setup costs.

- 4.23** In addition to the challenge of providing a high quality service through the in-house option, there would be a high risk of failing to deliver the savings target for CES as agreed by the Cabinet in the MTFs plan. Moreover, there is currently a review of the rent taking place of the Yeo Street premises. It is estimated that the rent will increase to £160k from £125k. This increase of £35k would therefore be an additional pressure on the CES current budget.
- 4.24** Consideration has been given to moving to a smaller site in order to reduce the rent and other utilities charges as well as enabling the Council to take up the offer from the landlord of an estimated £900k for earlier surrender of the lease. A smaller warehouse with a higher ceiling for stacking equipment would meet the service requirements.
- 4.25** An investigation into identifying an alternative store in or near Tower Hamlets suggests this is very unlikely to be achieved within an early timescale and could be expensive as well as incurring the associated cost of moving stock and the required technology.
- 4.26** Whilst there would be advantages in moving to Council premises because of savings that could be made on the rent rates, the Council's Asset Management review has concluded that it is unlikely suitable premises will be available in the next 12-18 months.
- 4.27** In order to find external premises, the Council will need to commission the work to an approved agent. This cost plus agent fee would be approximately £20k. Once a suitable premise is found, the cost to move and set up of the new depot would be approximately £341k.
- 4.28** It is important to recognise that with both options the Wheelchair and Pharmacy Prescribing Services will continue as at present, and therefore be outside of any changes.
- 4.29** The proposal only relates to the CES which is a provider service. Adult Social Care, Children's Services and Health via the CCG will continue to have access to a wide range of equipment and a delivery and installation service.
- 4.30** Regardless of the option, it will be essential to develop a risk sharing pooled budget arrangement as part of the Better Care Fund Section 75 Partnership Agreement. This will need to recognise that the CCG income has remained constant over the past couple of years but greater transparency should ensure all partners make appropriate contributions to an improved service offer. The work will also review the processes for accessing services.
- 4.31** Given the time spent in reviewing the options over recent years, it is imperative that uncertainties are removed through an early decision which is implemented by early 2019.
- 4.32** Partners have been involved in the work and the Joint Commissioning



Executive has expressed support for the recommendations.

**4.33** In summary, the thorough due diligence work undertaken over recent months was narrowed down to two viable options: outsourcing via the Hammersmith & Fulham / Medequip Framework or retaining an in-house service. The service and financial assessment strongly supported the recommendation of outsourcing the service, particularly as: -

- All other London Boroughs have some form of external provision and the Hammersmith & Fulham / Medequip option is tried and tested through long standing arrangements with 18 Local Authorities. It is well recognised as providing quality services and benefits from economies of scale so should enable increasing demand to be met in a cost effective way.
- It is the lower risk option which ensures savings are delivered, achieves a one-off payment of an estimated £900,000 through the surrender of the lease on the store, and does not risk having to potentially pay a higher rent as the risks would be transferred to an external provider through using their own store and providing their own vehicles.
- It would also avoid the risk and associated cost of having to find a new store which would be a requirement of retaining an in-house service.

**4.34** If the recommendations are supported, the priorities for the next 6 months will be:

- The delivery of an implementation plan by early 2019.
- Putting in place robust contract monitoring arrangements.
- Focusing on developing in-house services such as improved assessment, information/advice, assistive technology, and the other strategic priorities detailed in the report.

## **5. ONE TOWER HAMLETS CONSIDERATIONS**

**5.1** The equality impact analysis conducted for the CES outsourcing proposal found that if the service is moved from in-house to an outsourced provider, it will not adversely affect service users. There will be no major changes to the service received by vulnerable adults or children social care users. Any changes are likely to be positive for the users, in that there will be fewer delays from assessment recommendation to delivery of equipment.

**5.2** The preferred option would factor in how staff will be affected by the change from in-house to outsource, how that change will be managed in terms of staff consultation, redundancy, transfers/TUPE, competitive tendering and special considerations relating to staff, such as those on maternity leave. This process would include consideration of staff who are suitable for alternative employment in line with normal recruitment processes, other than the opportunities being ring-fenced to the staff affected.

- 5.3** There were 12.6 FTEs employed by the CES as at April 2018. Currently it is too early to finalise the number of staff members who would be TUPE/transferred to a new provider. This is due to a number of factors including the possibility of CES staff members starting and/or leaving before the transfer date, the need for detailed job matching and legal/HR advice, and the outcomes of staff consultations.
- 5.4** Any redundancy benefits are governed by the Local Government Pension regulation. Where application for voluntary redundancies/severance are being considered, the business case for each application would be evaluated to identify the options for the Council taking account of costs and other relevant factors.
- 5.5** In the event of an employee being redeployed to a lower grade as a result of change, pay protection would apply for a period in line with the HR policy.

## **6. BEST VALUE (BV) IMPLICATIONS**

- 6.1** The options appraisal considered retaining the service in-house, outsourcing via a suitable contract framework and full OJEU tendering. Undertaking a full tendering exercise is not recommended as it is unlikely to yield economies of scale. It will also require a dedicated procurement project manager for 12-18 months at an estimated £60k per annum plus the cost of the procurement process.
- 6.2** The best value option is to join an existing contract framework, as full OJEU procurement procedures and process have already been followed. The key reasons for opting for a contract framework over retaining the service in-house is due to:
- Lower fixed Council management, premises and support costs. The contract framework option only requires a contract manager and clinical lead input.
  - More efficient ordering and delivery processes – providers are experts in managing professional distribution and logistics operations of a complex nature.
  - Cashable recycling credits – councils receive cash credits for items made ready for re-use after collection costs.
  - One-off savings in 2018/19 of £1.0m would be expected, compared with £0.5m for the in-house (new depot) option, primarily due to avoiding depot re-location costs (as these would be covered by Medequip) and due to Medequip purchasing much of Tower Hamlet's depot stock at the start of the contract.
  - Ongoing MTFS savings of £308k would be achieved.

- 6.3 There is also an opportunity to receive an estimated £900,000 from the landlord of the current CES building, if the Council surrenders the lease before September 2020.

## **7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 7.1 Medequip operates modern Euro 6 jumbo vans, which balance fuel efficiency with greater carrying capacity. This will help to lower CO2 emissions and improve air quality in the borough compared with running the older vans that the CES has been operating. Medequip also takes action to reduce pollution through greener driving training and supervision, the installation of tracking and on-board cameras to promote fuel economy, and through planning manifests using traffic analytics to optimise journeys.
- 7.2 Improvements in equipment recycling/re-use should lead to approximately £100,000 of additional equipment being re-used per annum, compared with current performance. This will conserve resources and reduce plastics usage, as well as reducing manufacturing, transportation and disposal related pollution.
- 7.3 Operating out of a shared depot, where more than one borough is being served, will help to reduce energy usage, for example for heating and lighting.

## **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1 The following risks have been identified, if the proposed recommendation is not authorised by the Cabinet:
- Unable to realise the required service efficiency to provide better outcomes for service users
  - Loss of opportunity to provide high quality equipment provision to the service users
  - Loss of opportunity to receive an estimated £900,000 from the landlord of the current CES building, if the Council cannot surrender the lease early
  - Not meeting the proposed MTFs savings target of £308k approved by Council for CES
  - Unable to meet the service demand in the current management arrangement as it is forecasted to rise by 3% per annum due to demographic ageing and population increases

## **9. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 9.1 There are no crime and disorder implications arising from this proposal.

## **10. SAFEGUARDING IMPLICATIONS**

- 10.1** There are potential benefits of implementing the CES outsourcing proposal as there would be more efficient ordering and delivery processes – providers are experts in managing professional distribution and logistics of a complex nature. There would be improvement in the current level of service. The equality analysis has no negative impact on the protected groups.
- 10.2** The framework contract includes a section that covers safeguarding vulnerable adults.

## **11. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 11.1** As part of the medium term financial plan for 2017-18 to 2019-20, the Council agreed savings targets for community equipment of £179k in 2017-18 and £308k in 2019-20. The savings to date are being achieved through efficiencies such as reviewing the catalogue to reduce high cost special orders, however the successful achievement of the 2019-20 further savings will require a fundamental redesign of the way the service is provided.
- 11.2** This report recommends the transfer of future service provision to an external provider through the Hammersmith & Fulham / Medequip Framework to achieve the 2019-20 required savings. The directorate would still need to monitor activity and spend closely to ensure that demand and inflationary cost pressures are controlled and mitigated.
- 11.3** There would also be a one-off financial benefit in 2018-19 from the lease surrender receipt estimated at £0.9m.

## **12. COMMENTS OF LEGAL SERVICES**

- 12.1** A review of the advert and the circumstances surrounding the Hammersmith and Fulham framework shows that the use of the framework by this Council satisfies the Council's obligation to competitively tender this service for the purposes of European Law.
- 12.2** The duration of the Council's contract extends beyond the initial framework term. However, the framework term has been extended to 6 years in total. This is allowable under European Procurement Law since the value of the extension will by definition be not more than half of the original contract value.
- 12.3** Also, frameworks may extend beyond a period of four years where the subject matter of the contract is of a variety that allows this. Typically this is where the contract requires significant up front expenditure by the contractor which would be uneconomic to recoup over only a four year period. The investment required by the Contractor in order to provide this service to the Council and to the other authorities is of this nature and therefore, it is permissible for the contract period to be greater than 4 years.

- 12.4** The procurement exercise carried out by Hammersmith and Fulham also demonstrates that this Council will be abiding by its Best Value obligations in using this framework. Also the Contract structure allows for appropriate monitoring mechanisms to ensure that the Council can achieve the stated quality of service.
- 12.5** The equality assessment demonstrates that the Council has given appropriate consideration to the Equalities Impact of this decision whilst the decision is at a formative stage. The nature of the result of the assessment also demonstrates that there is not a need to perform further consultation to gain an appropriate understanding of the Equalities need as the final contract will not lead to a major change in the actual service delivery.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None

### **Appendices**

- Appendix A – Financial Modelling
- Appendix B – Three Main Options Comparison

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

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## Appendices

### Appendix A – Financial Modelling

#### **Estimated recurrent costs for 2019-20 onwards**

Financial modelling of the proposed in-house model demonstrates an estimated recurrent annual overspend of £337k from 2019-20. This assumes that the fleet vehicles cost remains at £67k for 2019-20 however there is a risk that the renewal of vehicles (to be compliant with lower emission regulations) may incur a higher annual cost which would increase the overspend pressure.

Financial modelling of the proposed framework model demonstrates an estimated recurrent annual underspend of £3k from 2019-20, showing that the 2019-20 MTFS savings of £308k would be achieved through this option. This assumes a TUPE cost of £141k in 2019-20. The TUPE cost will reduce over future years increasing the underspend in the equipment service and/or helping to compensate for demographic activity increases and inflationary cost increases.

Table A1(a): Estimated recurrent costs from 2019-20 onwards

	Proposed In-house Model (£000's)	Proposed Framework Model (£000's)	Notes
Employee costs	678	141	<i>Refer note 1</i>
Equipment and delivery	931	1,326	<i>Refer note 2</i>
Other (including premises costs and contract management costs)	258	60	
<b>Total estimated cost</b>	<b>1,867</b>	<b>1,527</b>	
2019-20 Budget	1,530	1,530	
<b>Over/(under) spend</b>	<b>337</b>	<b>(3)</b>	

Notes: 1. The proposed framework model employee cost of £141k relates to the TUPE cost, which will reduce in future years.

2. The proposed framework model equipment and delivery cost of £1,326k includes the staffing costs for warehouse and deliveries, which are included in the equipment and delivery charges under the framework.

#### **Estimated one-off net benefit in 2018-19**

Financial modelling of the proposed in-house model demonstrates an estimated one-off underspend of £524k in 2018-19. This is primarily due to the lease surrender receipt estimated at £900k, reduced by the estimated cost of moving to and setting up a new depot location (£341k).

Financial modelling of the move to a proposed framework model from 1/1/19 demonstrates an estimated one-off underspend of £1,148k in 2018-19. This is mainly due to the lease surrender receipt estimated at £900k and the sale of existing equipment stock to the framework provider estimated at £200k.

Table A1(b): Estimated one-off net benefit in 2018-19

	Proposed In-house Model (£000's)	If Proposed Framework Model started from 1/1/2019 (£000's)
2018-19 Operational costs	1,813	1,731
Lease surrender receipt	(900)	(900)
Depot stock purchase credits	-	(200)
Moving and setup costs	341	-
Other one-off costs	60	59
<b>Total estimated net cost</b>	<b>1,314</b>	<b>690</b>
2018-19 Budget	1,838	1,838
<b>Over/(under) spend</b>	<b>(524)</b>	<b>(1,148)</b>

Notes:

1. All budget and expenditure figures exclude the wheelchair service and pharmacy prescriptions service which are not in scope of the proposed changes.

## Appendix B – Three Main Options Comparison

Option	H & F / Medequip Framework	Enabled Living (Newham)	In-House Service (New Depot)
<b>1. Impact on savings target i.e. estimated saving or additional costs</b>	See Appendix A		
<b>2. Quality assurance implications</b>	<p>Online ordering and online catalogues result in more reliable ordering processes, and are likely to save prescriber time. There may also be some benefit to prescribers only needing to use one system for retail prescription and loan service equipment orders (TH CES already uses TCES Connections for retail prescriptions).</p> <p>Electronic authorisation is likely help to control spend, and/or save prescriber time compared with the manual authorisation processes currently used.</p> <p>Largely paperless, electronic processes should result in improved data accuracy, data</p>	<p>Enabled Living is Community Equipment Code of Practice Scheme (CECOPS) accredited. Further information not available.</p>	<p>IT investment and staff training would be needed to improve data accuracy and record keeping, and implement online ordering, an online catalogue, electronic authorisation, and scanners.</p>



	<p>security and record keeping.</p> <p>Tracking of virtually all individual items via barcode scanning.</p> <p>Business intelligence tools should allow improved service performance monitoring, with ability to monitor a greater range of indicators.</p> <p>Medequip provides service users with 4 hr timeslots (via SMS) at the start of the day when they run their routing algorithms. SMS reminders are also sent to service users.</p> <p>“Choose &amp; book” is a system that allows prescribers to select a delivery slot, which can be an exact time, 1 hour, 2 hours, 4 hours or a specific day. This is currently being piloted so there is uncertainty about when it would be available to TH.</p> <p>Refurbished specials are stored outside of London (in Ely), although there is a daily service to deliver specials to London. Specials are photographed and catalogued, reducing the need for prescribers</p>		<p>TH CES provides service users with a 9AM to 5PM time slot.</p> <p>Refurbished specials are stored in the Yeo Street depot.</p> <p>TH CES has a reasonable amount of control over its equipment catalogue, within the constraints of the IPH equipment</p>
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	<p>to need to physically inspect them.</p> <p>TH would have the ability to select which products to enable on the TH catalogue from the LC/MQ “global” catalogue. TH would have control, jointly with the other 18 LC members, over the LC/MQ “global” catalogue range.</p> <p>Medequip will provide training room facilities at the depot, however the depot is likely to be less convenient for service users, carers and prescribers to access.</p> <p>Euro 6 vehicles and use of electronic route optimisation tools should result in reduced emissions versus current vehicles and manual routing in use by TH CES.</p> <p>PAT and LOLER testing of equipment in the community may be more reliable, provided that TH works effectively with Medequip, for example to cleanse and manage the data and deal with “no replies”.</p> <p>Medequip operates a BS EN ISO 9001:2015 - Quality Management</p>		<p>range. Greater engagement with the IPH is needed to get the best from the relationship with the IPH, and ensure TH CES is using an optimal range of equipment.</p> <p>TH CES has a large training room set up with two beds (including the low floor beds, gantry hoists and other hoists), which is used for a variety of training, demos and equipment trials.</p> <p>New vehicles would need to be leased to achieve emissions reductions.</p> <p>There have been some issues with PAT and LOLER testing of equipment in the community, although these are being urgently addressed by the CES.</p> <p><b>KPI performance:</b> Service performance data was last updated December 2017. A more limited number of</p>
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	<p>System and both of the depots that the TH contract could be run from are CECOPS accredited.</p> <p>Medequip's systems are NHS level 3 accredited, with GDPR compliance.</p> <p><b>KPI performance:</b> Performance is measured against a range of KPIs set out in the framework agreement, and LBTH would have access to inspect KPI performance using the Business Information portal.</p>		<p>performance indicators are monitored, e.g.: on time completion, equipment reuse/recycling, clients issued with equipment.</p> <p>It may be that in-house staff are more flexible to deal with the unexpected and/or emergencies than an external provider would be. The CES manager has stated her staff are flexible and adaptable.</p>
<p><b>3. Logistics – Access to stores / Speed of delivery</b></p>	<p>Medequip has offered to host TH CES in either of their East London depots:</p> <p>Woodford Green: 8.6 miles, circa 24 mins drive Unit 2, The Orbital Centre, Southend Road, Woodford Green, Essex, IG8 8HH</p> <p>Woolwich: 8.2 miles, circa 34 mins drive The Io Centre, Unit 3, Cornwallis Road, Woolwich, SE18 6SR</p>	<p>The existing Enabled Living depot is thought to be close enough to Tower Hamlets to facilitate an efficient service (5.5 miles and about 20 mins drive from the centre of Tower Hamlets borough). It may have been possible for EL to accommodate the Tower Hamlets CES within their existing depot, after some modifications and possibly stock reductions.</p>	<p>The existing depot is at Yeo Street, E3 3QP. The fastest activity speed currently provided by the CES is “within 24 hours” although there is flexibility and prioritisation, with most of these being completed the same day.</p> <p>It is undoubtedly of some benefit to service users, carers and prescribers to have the CES provided from a depot in or very near to the Tower Hamlets borough. It is possible that TH could find a suitable depot which</p>

	<p>Woodford Green appears to be the more accessible. There will be significant capacity in excess of that required by LBTH from this summer.</p> <p>Existing CES staff members' commutes to Woodford Green appear easier than Woolwich (based on home postcodes).</p> <p>Medequip would provide the service using 5 vans.</p> <p>The current range of LC/MQ activity speeds would be available, with the fastest being within 4 hours of order receipt. This is not necessarily any faster than the existing CES.</p> <p>The depots are accessible by service users/carers and prescribers when necessary (e.g. for equipment collection and delivery).</p>		<p>is closer to Tower Hamlets than either of the Medequip depots that have been offered. However, there seem to be relatively few service users and carer visits to the depot (probably not more than 1 or 2 a day on average) and the need for prescribers to visit the depot could be reduced by an improved online refurbished specials catalogue.</p> <p>The depot is accessible by service users/carers and prescribers when necessary (e.g. for equipment collection and delivery).</p>
<p><b>4. TUPE – Implications for staff</b></p>	<p>There are 12 permanent staff members at the TH CES, of which at least 7 would be likely to TUPE transfer, as follows:</p> <ul style="list-style-type: none"> <li>a) 1 cleaner (likely to TUPE transfer)</li> </ul>	<p>Information not available</p>	<p>There would be no TUPE transfers.</p> <p>In the short term, it's likely there would be no reductions in staff numbers and/or hours. There are</p>

	<ul style="list-style-type: none"> <li>b) 7 staff: 6 driver/techs + 1 senior driver/tech (at least 5 likely to transfer, into driver tech (x3) or driver/tech/service engineer (x2) roles)</li> <li>c) 2 business support officers (at least 1 likely to transfer to customer services)</li> <li>d) 1 admin system manager (may transfer to ops supervisor)</li> <li>e) 1 senior specialist OT (may transfer)</li> </ul> <p>The remaining 5 permanent TH CES staff members could be transferred to Medequip, as Medequip has indicated it is likely roles could be found for them. Some of these individuals may not be employed on the TH contract, so the transfers would not be a TUPE legal requirement and TH would need to decide if the benefits of transferring these staff members to Medequip outweighed the additional TUPE supplement costs.</p> <p>Medequip's proposal indicates that they expect to be able to run the TH CES contract with 8.5 FTEs,</p>		<p>currently some unfilled vacancies which are likely to require recruitment. A change of depot location would have an impact on staff commutes which could result in some staff leaving, potentially necessitating further recruitment.</p> <p>In the longer term, it is possible that IT improvements and more efficient ways of working may allow some reduction in head count and/or hours.</p>
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	<p>whereas TH CES currently uses 12.6 FTEs (plus one agency worker).</p> <p>An alternative approach for some staff members (e.g. the Senior Specialist OT) could be for them to transfer to another TH in-house role.</p> <p>At the moment no requirements for competitive assimilation processes have been identified for any TH staff moving to Medequip, although a competitive process cannot be ruled out for some staff members.</p> <p>In addition TH CES has the following two temporary staff members. It is assumed these individuals would not transfer:</p> <ul style="list-style-type: none"><li>• 1 driver / tech (agency or temporary assignment – assumed would leave)</li><li>• 1 CES manager (temporary assignment – assumed would return to substantive role)</li></ul> <p>TH policies may require a staff consultation.</p>		
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	<p>Medequip has substantial experience with transferring staff from in-house CESs.</p> <p>This information should be treated as indicative only for a number of reasons including:</p> <ul style="list-style-type: none"> <li>• The staff members working at the CES frequently change (data on TH CES staff were correct as at 4<sup>th</sup> April 2018).</li> <li>• “Approximate” job matching has only been carried out based on job title. More detailed matching based on JDs, skills/qualifications and/or duties actually carried out would need to be done before transfer plans can be finalised.</li> <li>• Legal advice has been requested but not yet provided, e.g. on job matching.</li> </ul>		
<p><b>5. Joining – Conditions; Costs; Timescale</b></p>	<p>On 4<sup>th</sup> May we were notified that the London Consortium (LC) has “agreed in principle that if Tower Hamlets were to make a request to join the Consortium the request would be accepted”. No conditions were stipulated.</p> <p>The remaining process would be</p>	<p>In order to award a CES contract to Enabled Living without carrying out a tender, Tower Hamlets would need to have a share in the control of Enabled Living, by having board representation, and by being a part owner of the organisation or a member by guarantee. Further information not provided.</p>	<p>Not applicable</p>

	<p>as follows:</p> <ol style="list-style-type: none"><li>1. TH can confirm with LC in June if we are recommending joining and re-commencing engagement with LC, including potentially sending delegates to some meetings if TH wishes.</li><li>2. After TH obtains cabinet approval and the TH's call-in period finishes TH should send formal notification to the LC that they wish to join. There will be an "almost immediate response from the Consortium agreeing to [TH's] request". There will be no need to go through another LC Board meeting to ratify the decision.</li><li>3. The implementation period can start &amp; a project board will be convened including representation from Medequip, the LC (the CLO and at least two other Consortium Committee Members), and at least one representative from Tower Hamlets. The project will adhere to PRINCE2 methodology.</li><li>4. Tower Hamlets will execute a call-off agreement with Medequip (ASAP after implementation starts)</li><li>5. Tower Hamlets will execute an inter-authority agreement with the LC's lead borough (prior to go-live)</li></ol>		
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	<p>6. Tower Hamlets goes live (probably end 2018 or early 2019) – at which point the LC will invoice for the lump sum joining fee and regular subscriptions begin to be payable.</p> <p>The LC joining fee will be no more than £12,000.00 (it could be less – the final decision on exact fee still to be taken by the LC). The joining fee is a contribution to the costs of running the commissioning and procurement project for the current framework, and implementation costs.</p> <p>The annual subscription is £9450 per year (for the current financial year) and the first year’s payment would be proportionally calculated based upon an agreed go-live date. The annual subscriptions mainly fund staff members who work exclusively for the LC members, including working to manage the global catalogue, negotiate and implement improvements to the service and IT, and resolve any issues affecting multiple LC member boroughs.</p> <p>Medequip’s “normal”</p>		
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	<p>implementation period is 13 weeks. Medequip has stated they can reduce this to circa 8 weeks from award in the case of Tower Hamlets.</p>		
<p><b>6. Risks- Assessment of likelihood of achievement, including savings</b></p>	<p>Risks include:</p> <ul style="list-style-type: none"> <li>• Prices may increase, especially during the extension periods.</li> <li>• Current KPI performance with the LC may be skewed by the use of “reason codes” by Medequip, resulting in actual performance for TH not being as good as expected after go-live.</li> <li>• There may be a need or desire for TH to reduce stock holdings prior to go-live, which could result in service performance issues whilst this is being done.</li> <li>• Although MQ stated that they can provide an extended hours service as per the specification document they were sent (see their response document “MQ response to TH specification doc 080518v1”), there is a risk that it is expensive for MQ to provide this, or that performance is not satisfactory.</li> </ul>	<p>Information not available</p>	<p>TH would have to find suitable and sufficient project staff resources to move to and set up the new depot and make a range of service improvements including IT upgrades, whilst mitigating risks and ensuring business continuity. There is a risk of failing to secure the additional project staff required. It is likely the project could be successfully completed and nearly all other risks mitigated provided that the right project staff resources are secured.</p> <p>Other risks include:</p> <ul style="list-style-type: none"> <li>• Failing to find a suitable and cost effective depot in a suitable location</li> <li>• Problems implementing and using the IT upgrades (likelihood would be reduced by ensuring the project team has IT expertise and by working with the software</li> </ul>

	<p>TH may wish to negotiate a local variation with Medequip to extend the normal hours of operation from the standard framework hours of 08:00 – 17:00 Mon-Fri to match or be close to TH CES’s current “extended hours”. Although the framework agreement allows adjustment of normal working hours, legal advice may need to be sought on this.</p> <ul style="list-style-type: none"> <li>• Issues relating to data transfer from ELMS to TCES Connections</li> <li>• Issues with construction of a PIN matrix to ensure control and authorisation of prescriber ordering</li> <li>• Staff TUPE – there is a risk that TUPE assumptions have been incorrect when detailed matching and JD analysis are carried out and when legal advice is provided.</li> <li>• Change in product range being used causing problems for prescribers and carers</li> <li>• The financial models were based on a range of assumptions and were constructed using existing TH</li> </ul>		<p>provider (Ethitec).</p> <ul style="list-style-type: none"> <li>• Ongoing difficulties with recruiting staff into the in-house CES persisting (although this should be mitigated if permanent contracts can be offered after the review is completed)</li> <li>• There may be a need to reduce stock holdings, or store it more efficiently, which could result in service performance issues whilst this is being done.</li> <li>• The financial models were based on a range of assumptions and were constructed using existing TH CES metrics from 2017-18. There is a risk that one or more of these assumptions turns out to be inaccurate, which could mean there would be a material difference between the forecast income and expenditure and actual income and expenditure in one or more financial years.</li> </ul>
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	<p>CES metrics from 2017-18. There is a risk that one or more of these assumptions turns out to be inaccurate, which could mean there would be a material difference between the forecast income and expenditure and actual income and expenditure in one or more financial years.</p>		
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