



**Executive**  
14<sup>th</sup> November 2005

**Report from the Director of  
Housing and Community Care**

For Action

Wards Affected:  
ALL

**Integrated Community Equipment Store Modernisation**

FP Ref: A&SC-04/05-31

**1.0 Summary**

- 1.1 This report sets out the requirements for a modern, responsive Brent integrated community equipment services (ICES) for people with disabilities. The service is jointly commissioned with the Brent Teaching Primary Care Trust (tPCT) and would continue to be so if the proposals in this report are implemented, providing for health and social care users who meet the eligibility criteria. There is currently a joint equipment store managed by Adults and Social Care under a partnership agreement with the Brent tPCT. This report details the options for procuring an improved service due to the limitations of the current equipment store.

**2.0 Recommendations**

- 2.1 That approval is given to draw up the tender specification as proposed in option (iv) in paragraph 3.15
- 2.2 That the Director of Adults and Social Care report back to Executive in due course to seek authority to invite expressions of interest and approval of pre-tender consideration in accordance with Standing Orders 88 and 89.

### **3.0 Detail**

#### **3.1 Strategy and Purpose of a Joint Integrated Equipment Service.**

Both Health and Social Services have been required to provide equipment to assist people with disabilities to remain independent in their home since the 1948 National Assistance Act. The recently published Brent Joint Commissioning Strategy for Older People highlights the importance of an effective joint equipment service to maintain people's independence and to facilitate hospital discharge and rehabilitation.

#### **3.2 Background to Brent Provision**

From 1998 the health and social care equipment has been provided from a joint equipment store managed by Brent Social Services at 113 Bryan Avenue Willesden NW10. Brent Health Authority (prior to Brent tPCT) had a contract with Social Services to order, store and deliver and install, then subsequently collect and recycle the equipment. The equipment ranges from small kitchen items to larger items such as beds, mattresses and mechanical bath chairs to order, store and deliver the equipment.

#### **3.3 DoH requirements since 2001**

DoH has required health and social care to provide an improved equipment service, and in particular to integrate its community equipment service with local health providers by April 2004. Additionally a requirement is to increase the number of people supported with equipment by 50%. The expectation was to utilise Section 31 of the Health Act 1999 flexibilities in terms of pooled budgets, have single management structure and joint commissioning arrangements. A key performance indicator is to provide equipment within 7days. This affects organisations star rating.

#### **3.4 Brent ICES**

In order to fulfil the above requirements a report was considered at the meeting of the Executive of 4<sup>th</sup> March 2004 and approval was given for the Council to enter into a partnership arrangement with the tPCT and to establish the current integrated community equipment service and pooled budget for the service. This partnership arrangements commenced on 25<sup>th</sup> March 2004 and the agreement is effective until 31 March 2007 and may be extended by up to a further two years. An ICES management board has been established under the partnership agreement to review and monitor progress.

Under the partnership agreement the community equipment service is to be provided by the Council until 31<sup>st</sup> March 2007, although the Council and tPCT can agree to a shorter period. The tPCT have agreed to the proposals in this report. In the event that the Council ceases to provide the service the Council and the tPCT are required to review the specification and to seek the provision of the service by a third party in compliance with the Council's standing orders.

Major issues that has emerged though the monitoring and review has been capacity to keep up with demand, provision of an effective service, and meeting PI's on delivery timescales.

### 3.5 Equipment service and store

The store operated by the Council was subject to a best value review in 2001 and improvements were made in the light of the review. Increased investment in I T under the partnership agreement has improved service response. However, there are clear constraints on expanding the service to meet demand due to the nature of the equipment store itself. A consultant was asked to consider ways of improving both the current service and options for future improvement. The consultants conclusions and recommendations are reflected in this report and the options put forward.

### 3.6 Service elements

The main elements of the Brent ICES are: equipment buying, storage, subsequent delivery and installation, tracking, collection, cleaning and refurbishment. Additionally equipment is maintained and repaired whilst on loan or as part of the recycling process.

Equipment ranges from a pre determined stock listing, this is where agreed equipment is readily available for supply following authorised requisition. Off the shelf goods vary from basic small items, such as raised toilet seats and bath boards, to the more complex and technical items such as electrically operated bath lifters, beds and mattresses. Additionally, the service will supply non stock equipment, invariably items not held available as stock, these items more often than not are bespoke to the client's need. ICES are also expected to provide "state of the art" demonstration facilities. The service is provided to service users/clients following receipt of an authorised referral from a clinician/therapist registered with the service who may be from Health or from the occupational adults and social care department.

### 3.7 Current issues

The following have been identified by the consultant and ICES management board as the current main operational issues affecting efficient service provision.

Property & Storage  
Maintenance  
Cleaning  
Performance  
Management Reporting  
Vehicles  
Staffing

### 3.8 Property and storage

The storage capacity of the current property (which is owned by the Council) has currently been exceeded resulting in congestion and health and safety problems. There will be a need for a significant increase to the existing storage capacity, in order to cope with the proposed objectives. The fundamental problem with the property is that whilst it appears to have sufficient roof height to allow additional storage in the roof space (in principle), the effectiveness will be limited by the existing roof structure (trusses). Hence additional storage capacity can only be 'effectively' achieved by construction of an extension (to the rear of the site) or by replacement of the existing roof, both at significant capital cost. In short, the current state of the store will not be fit for the requirements of the modern day ICES as per the DoH description.

### 3.9 Cleaning and maintenance

Most ICES are able to provide cleaning and recycling services. Due to the building limitations mentioned above, for the Brent ICES these have been contracted with external providers, as has maintenance of mechanical and electrical equipment. It would be more efficient to have one provider carrying out these functions. It would offer more control, product availability, response and cost effectiveness (reducing the purchase of new equipment).

### 3.10 Staffing

The management of the stores is provided by a team of 7 staff. 1 manager, 2 admin/clerical officers, 1 workshop/warehouse operative, driver, and technicians. The service is managed by the service unit manager for physical disabilities.

### 3.11 Delivery

Historically staff have used their own vehicles to deliver equipment some use is made of Brent Transport Service drivers and vans. This is not the best way to provide a highly trained and high quality service and it is considered that the service would be improved if only regular and dedicated staff are provided.

### 3.12 Performance data

There are concerns that because of the constraints outlined in this report the service will struggle to maintain performance. These are set out in the financial implications para 4.1.

### 3.13 Service costs

These are set out in the financial implications options.

### 3.14 Property/Capital

The site will be of a reasonably high residential value. Any plans to dispose of the property would need to be considered by the capital board and in accordance with the Council's Property Disposal Standards.

### 3.15 Options

It is essential to improve the overall service to meet DoH requirements and local joint commissioning expectations. Appendix 1 lists the budget and other details of these options.

(i) Do nothing.

This is not viable as it will adversely affect performance and not improve in line with DoH requirements. Equipment delivery times is a key threshold indicator. Delivery equipment is key to rapid hospital discharge and supporting people at home. The PCT also has performance indicators to meet.

(ii) Invest in current service.

Investment itself is not sufficient to improve the service adequately due to the limitations of the equipment store site and location, as detailed in the section relating to the property.

(iii) Secure another building and continue to provide service in-house.

This would require seeking another building, and significant capital/investment. It would not be a cost effective solution as an external provider is likely to provide a larger more comprehensive service to several authorities, thereby achieving efficiencies with higher volume.

(iv) Tender the community equipment service with new specification.

The objective would be to meet all the ICES requirements, and provide a more cost-effective and rapid service to users. Initial analysis of the market by the consultant shows that there are a significant number of providers able to provide for this. As part of this process to explore opportunity of a partner arrangement with a neighbouring borough/PCT to maximise efficiencies.

### Conclusion

3.16 The joint commissioning of this service should provide an excellent opportunity to improve on the service provided to health and social care users. This is fundamental to the overall strategic objectives of facilitating hospital discharge, promoting independence, and enabling people with disabilities to remain living in their own homes. In order to ensure delivery targets and service responsiveness are improved it is recommended that option 3.15 (iv) be approved to draw up the tender specification, and explore the possibility of a partner joint tender arrangement.

## 4.0 Financial Implications

4.1. The report refers to 4 main options for the stores. The table below summarises these options.

Option 1	Cost with existing capacity £	Cost with a 25% capacity increase £
Do nothing – existing budgets plus £15,000 for building maintenance, and with Health continuing its contribution of £299,000 pa towards costs.	830,105	N.A.
Option 2 Invest in the current service – 2 additional stores-people, £4,000 additional running costs, new shelving, extension costing £500,000 (paid for through prudential borrowing over 25 years), additional building maintenance of £15,000 pa. Savings from re-use of 5% of OT equipment but with some higher costs from cleaning it.	852,657	1,132,962
Option 3 Replace the current building – 2 additional stores-people, additional running costs, new building (paid for by prudential borrowing of £2.5m repaid over 25 years), and re-use of 5% of OT equipment	984,449	1,269,153
Option 4 Out-source – same level of re-use of OT equipment as above, assume contractor will achieve savings of 5% from larger-volume purchasing, £12,000 additional cost for pensions for TUPE-ed employees, 25% gross profit by the contractor and assumed saving from the sale of the existing building and site translated into a net present value saving of £23,600 pa.	694,617	945,922

4.2 The costs from “Do nothing” are existing budgets. The 3 other options are costed based on assumptions about future operations, and past experience of costs. Decisions on these three options have not been taken and amounts should be treated with caution as indicative. The out-sourcing option requires more assumptions to be made. Here it is assumed that the contractor will be purchasing on a larger scale than Brent can achieve and will obtain prices that are 5% lower. This is a prudent figure – many large suppliers will have bigger volume discounts. The gross profit margin is estimated at 25%.

The prices that contractors tender at will depend on whether they are able to share overhead costs across contracts and in particular whether they can service the Brent contract from a building in or near the borough and use support services (managers, vans, IT systems, etc.) that are in-use on existing contracts. The out-sourcing option has not included any additional cost for a contract monitoring function. Should additional contract monitoring capacity be needed it is estimated that this would add £20,000 (for 0.5 of a PO2 officer) to the cost of this option. It is expected however this will be shared jointly with the PCT through the joint commissioning arrangements.

The 25% increase in capacity would provide a 25% increase in the number of pieces of equipment delivered. The equipment would be of the same range and type as currently delivered. In order to increase capacity by this amount it is assumed that two additional store people / drivers would be required. The cost of equipment purchasing would rise by 25%.

£15,000 has been included for building maintenance in recognition that maintenance of the stores building in the past has been inadequate.

The cost of pensions (£12,000) for TUPE-ed employees is an estimate. The actual cost will depend on how many permanent employees transfer and on what terms.

In order to provide cost comparisons capital costs have been converted to annual increases or decreases in spending using net present value calculations.

4.3 For existing volumes of equipment supply out-sourcing is the cheapest option offering savings of 16% compared with the current stores, and savings of 41% compared with building new stores. Based on a 25% increase in the volume of equipment supplied out-sourcing is the cheapest option by 19% compared with increasing the capacity of the existing stores.

#### 4.4 Capital

Building an extension to the existing building or replacing the existing building both produce an increase in the cost of the existing service although they would provide capacity for volume growth. Building an extension presents a number of technical and planning issues. It would only be cost-effective if a successful out-sourcing tender was based on a profit margin of more than 40%. Building an extension may be possible while the existing service is provided from the current building. Buying a larger building is likely to create a period when the old store is still running while start-up costs are being incurred. With no detailed plan it has not been possible to estimate these costs.

4.5 Corporate Property estimate the value of the site at £350,000 (with the building having no value, allowing for clearing the site and payment of professional fees) and it is assumed that if it was sold it would produce a saving in interest to the council of £29,000 pa using a average interest rate of 4.5%.

- 4.6 The costs rise where there is a 25% increase in the volume of equipment provided by Adult and Social Care. The additional costs are: equipment purchase (up by 25%), 2 additional store people (£57,778 with on-costs), additional running costs (£4,000 mainly for transport) and the cost of additional shelving with a life estimated at 8 years. In option 4 (out-source) only the costs of equipment purchasing are increased by 25%, but this higher turnover would boost the contractor's gross profit margin by £50,000.
- 4.7 In order to compare these options it is assumed that the volume and type of equipment supplied to health clients remains the same and hence the contribution from health remains steady at £299,000 pa. Were the volume of equipment supplied to health clients to increase it would be possible to increase the charge to them and reduce the charge to the council. Health are not committed to increasing their spending on equipment and an increase in health's contribution has not been assumed here.
- 4.8 Systems at the stores do not reconcile to the Adult and Social Care department's accounting systems. Based on activity to date the stores would overspend by £280,000 by the end of the financial year, half of which would be rechargeable to health under the current agreement leaving Brent Council with an overspend of £140,000 on the stores. It is planned to investigate systems at the stores during early November to produce more reliable data. Appropriate management action is planned to reduce spending to the available budget. This is likely to have an impact on waiting times for equipment and the department's performance. Health are currently projecting a substantial overspend on their total operational budget by their year end and they do not wish to overspend on their equipment budget. Management action on their side is likely to focus on equipment needed to get patients discharged from hospital.

Out-sourcing the stores will have financial implications for Brent Transport Services, who supply drivers and vehicles. The basic contract provides income of £29,150 with additional drivers / van being bought in at £116 per day. Options 2 and 3 are likely to increase income to BTS. It is assumed that given the lead times and the full-time use of one driver and one van in the basic contract that BTS would be able to fully adjust its cost base so that any reduction would be neutral to BTS.

## **5.0 Legal Implications**

- 5.1 The Council has obligations in respect of the provision of community equipment under the following legislation:
- Section 2 Chronically Sick and Disabled Person's Act 1970
  - Section 45 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
  - Section 57 of the Education Act 1996

The PCT also has powers to provide community equipment.



- 5.2 Sections 26-31 of the Health Act 1999 require local authorities and NHS bodies to work together to improve health and health care and provides for flexible funding and working arrangements to be established by agreement to facilitate this. This would include joint commissioning of services, a pooled budget arrangement and integrated service provision.
- 5.3 Regulations have been made in relation to the establishment of pooled budgets and other uses of the new flexibilities. The NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 specify which local authority and NHS functions can be subject to such an arrangement and specify requirements that must be complied with in respect of such arrangements. These were complied with in the setting up of the existing partnership arrangements:
- 5.4 Guidance has been issued in respect of section 31 partnerships and specifically in issued in respect of integrating community equipment services in Local Authority Circular (2001) 13. This was taken into account in establishing the existing arrangements and regard will need to be had to the guidance in making changes to the arrangements.
- 5.5 The provisions of the existing partnership agreement will need to be reviewed to ensure that any changes necessary to reflect the change to third party provision of the service are identified.
- 5.6 Under the Partnership Agreement the contract for the provision of the Community Equipment Service will be let by the Council and in accordance with the Council's Standing Orders. A report will be required to be brought to the Executive in due course to authorise officers to seek expressions of interest and to approve the pre-tender considerations as required by Standing Orders 88 and 89.
- 5.7 It is likely that the value of the contract will exceed the threshold for the application of the European Procurement Regulations and the relevant rules will need to be addressed in the future report to the Executive concerning the tender process.

## **6.0 Diversity Implications**

- 6.1 The overall purpose of the improvements is to improve services to all health and social care users who are older or with disabilities.
- 6.2 This will have a positive impact on increasing the responsiveness and flexibility of the service to people with disabilities.

## **7.0 Staffing/Accommodation Implications (if appropriate)**

- 7.1 Currently there are 7 direct employees of the Council who work in the Community Equipment Service. If the recommendations of this report are agreed, consultation with them and unions will commence on the implications for their employment status. It is currently envisaged that the transfer of Undertakings Regulations (TUPE) will apply and that some or all affected staff

will transfer to the new provider. More detailed work will be required concerning this and also on pension implications.

## **Background Papers**

Brent Joint Commissioning Strategy for Older People 2005-2009  
ICES Partnership Agreement 31 March 2005

## **Contact Officers**

Christabel Shawcross, Assistant Director Community Care, Mahatma Gandhi House, 34 Wembley Hill Road, Wembley Middlesex HA9 8AD Tel: 020 8937 4230. email: [christabel.shawcross@brent.gov.uk](mailto:christabel.shawcross@brent.gov.uk)

Gordon Fryer, Assistant Director of Finance and Resources, Mahatma Gandhi House, 34 Wembley Hill Road, Wembley Middlesex HA9 8AD Tel: 020 8937 3274. email: [gordon.fryer@brent.gov.uk](mailto:gordon.fryer@brent.gov.uk)

Daniel Kwashie, Head of Technical Services, Property & Asset Management, Town Hall, Forty Lane, Wembley Middlesex HA9 9HD tel: 020 89371533 email: [Daniel.kwashie@brent.gov.uk](mailto:Daniel.kwashie@brent.gov.uk)

Martin Cheeseman Interim Director Adults and Social Care, Mahatma Gandhi House, 34 Wembley Hill Road, Wembley Ha9 8AD tel: 020 8937 2341 email: [martin.cheeseman@brent.gov.uk](mailto:martin.cheeseman@brent.gov.uk)

## Options for Bryant Avenue Stores

	£	Health Contribution £	Net Cost £	£	Health Contribution £	£
1. Do Nothing						
Building maintenance	15,000					
Transport	30,000					
Equipment	874,105					
Staff costs	210,000					
	<u>1,129,105</u>	-299,000	830,105	<b>25% increase in capacity</b>		
2. Invest in the current service - 25% increase in capacity						
2 additional storepeople			57,778			
Existing running costs	1,129,105		1,347,631			
Saving from re-use of equipment - 3%	-26,223		-26,223			
Shelves	9,662		9,662			
Extension	39,113		39,113			
Running costs			4,000			
TOTAL	<u>1,151,657</u>	-299,000	852,657	<u>1,431,962</u>	-299,000	1,132,962
3. Replace the building - 25% increase in capacity						
New building	195,567		195,567			
Transport	30,000		30,000			
Equipment purchase	874,105		1,092,631			
Saving from re-use of equipment - 3%	-26,223		-26,223			
Staff costs	210,000		210,000			
2 additional storepeople			57,778			
Shelves			4,400			
Running costs			4,000			
TOTAL	<u>1,283,449</u>	-299,000	984,449	<u>1,568,153</u>	-299,000	1,269,153
4. Out-source						
Existing spending on equipment	874,105		1,092,631			
Less volume discounts achieved - 5%	-43,705		-54,632			
Less increase in re-used equipment - 3%	-26,223		-32,779			
Sub-total	804,177		1,005,221			
Capital receipt from disposal of site	-23,604		-23,604			
Pensions for TUPE'd employees	12,000		12,000			
Plus 25% for gross profit	201,044		251,305			
TOTAL	<u>993,617</u>	-299,000	694,617	<u>1,244,922</u>	-299,000	945,922