

Date: 23 March 2010

Project Ref: LCD03



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Consultancy Project
Procurement Review



March 2010



Executive Summary

Procurement Review - Objective

Broadband Service

Review current arrangements operated by [REDACTED] to determine the extent of [REDACTED] involvement with [REDACTED] and potential cost savings by moving to another supplier.

Telephone Systems

Review and re-source the provision, installation and maintenance of telephone systems within [REDACTED] properties and provide alternative costing.

Clinical Waste Collection Services

Review and re-source cost benefits of change of supplier for [REDACTED] Clinical Waste contract.

The key findings are as follows

EXPENDITURE 12 months Mar 2008 – Apr 2009

Service Area Supplier	Current Spend per annum	Projected Spend per annum	Saving per annum	% Saving
Broadband, IT and Support				
[REDACTED]	£522,999	£397,479	£125,520	24.00%
[REDACTED]	£258,198	£206,558	£51,640	20.00%
Telephone Systems				
[REDACTED]	£128,352	£83,429	£44,923	35.00%
Clinical Waste Collection				
[REDACTED]	£152,838	£128,384	£24,454	16.00%
Total Expenditure	£1,062,387	815,850	£246,537	23.20%

This is based on key data results and assumptions made in this report

Keynotes

Where possible key data has been analysed and due to the nature of information available and all the nuances within such contracts, market advice has been taken from our network of contacts in each relevant supply sector.

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Data collection

In order to undertake assessment of products and services provided, it has proven so far to be extremely difficult to obtain core information, as it would be necessary to undertake detailed surveys of [REDACTED] sites, which could not be undertaken in the time available.

We have had to work from invoices provided and such information as was available from suppliers

Enough key data has been assimilated in order to make recommendations and assumptions that justify the actions proposed in this report.

The Detail

Broadband Services

Current Position

[REDACTED] is contracted primarily to two suppliers providing the following services:

[REDACTED]

A high speed broadband platform plus back office IT support and monitoring for LCD for the following key areas:

- Managers working from Home
- Care at Home sites
- Residential sites
- Admin offices

Annual cost £522,999 (inclusive of VAT) (2008-2009)

[REDACTED]

Support contract for servers, desktop, printer and software related support

Annual cost £258,198 (inclusive of VAT)) (2008-2009)

After lengthy discussions and reviewing current arrangements, it is clear alternative options are available, however a detailed tender document needs to be put together

Proposed Solutions

[REDACTED] should consider a converged solution that not only gives [REDACTED] a compelling financial saving, but also allows the options to fundamentally improve the operation of the service.

There are Internet connections into every [REDACTED] office and site for access to their IT systems (email etc). To simply adapt this service to run voice over the same network is a logical progression.

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There is no need to change the entire network in one exercise; [REDACTED] would simply look to replace systems as and when required. This would allow a phased roll out at a pace to suit all concerned.

I am unsure how many telephone extensions [REDACTED] have in the entire estate in order to calculate a more precise total group saving; however, I have used two examples and compared them to the option of a hosted telephone system.

To summarise these case study's, Site A would save them £1,911.73 over 3 years and Site B would save them £2,012.78 over 3 years. (values inclusive of VAT)

Then, if we add the savings I am confident [REDACTED] can make on the Internet network/circuits. The opportunity for further savings will increase

As [REDACTED] currently have 4-principle type of sites and Internet access:

- Managers working from Home
- Care at Home sites
- Residential sites
- Admin offices

Realistic headline savings for their Internet network would be as follows:

0% Managers working from home
15% Care at Home sites
15% Residential sites
12% Admin offices

In summary, it will be worth setting up a project for this so real savings across the whole estate can be calculated and guaranteed savings can be forecast and committed.

I have shown the phone system savings and Internet savings below:

Cost Analysis for SITE A

[REDACTED] office system with 2 Landlines and 8 extensions

Current Option

[REDACTED]
2 x analogue lines
2 x 24 button phones
2 x 8 button phones
3 x Cordless phones
1 X Traditional phone
Cabling, Wiring and Installation

£ 2,885.00 One off price
£ 280.00 Annual Maintenance
£ 1,320.00 Annual Phone bill

Converged Option

Hosted Telephone System

2 x 24 button phones
3 x 8 button phones
3 x Cordless phones
Cabling wiring and installation

£ 1,450.00 One off price
£ 576.00 Annual Licence
£ 960.00 Annual Phone bill

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£7,685.00 Total cost over 3 years

£6,058.00 Total cost over 3 years

Inclusive of VAT =

£9,029.88 Total cost over 3 years

Inclusive of VAT =

£7,118.15 Total cost over 3 years

In real terms this gives the following savings

First Year Saving £ 1,761.33

Saving per annum £ 75.20

Total Saving over 3 years £ 1,911.73 (all values are inclusive of VAT)

In addition to this....remote programming is only £40 per change (a further 20% saving) and most changes are completed within 8 working hours.

In real terms, we would also expect the annual telephone bill to reduce further. The proposed reductions on the telephone bill are quite conservative.

The phone system and service would be continually updated to the latest software, so no future update costs need to be factored in.

Cost Analysis for SITE B

████████ office system with 2 Landlines and 6 extensions

Current Option

2 x analogue lines
5 x 8 button phones
1 x Cordless phones
Cabling, Wiring and Installation

£ 2,009.00 One off price
£ 200.00 Annual Maintenance
£ 1,560.00 Annual Phone bill

£7,289.00 Total cost over 3 years

Inclusive of VAT =

£8,564.58 Total cost over 3 years

Converged Option

Hosted Telephone System

5 x 8 button phones
1 x Cordless phones
Cabling wiring and installation

£ 980.00 One off price
£ 432.00 Annual Licence
£ 1,100.00 Annual Phone bill

£5,576.00 Total cost over 3 years

Inclusive of VAT =

£6,55.18 Total cost over 3 years

In real terms this gives the following Savings

First Year Saving £ 1,476.98

Saving per annum £ 267.90

Total Saving over 3 years £ 2,012.78 (all values are inclusive of VAT)

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In addition to this....remote programming is only £40 per change (a further 20% saving) and most changes are completed within 8 working hours.

In real terms, we would also expect the annual telephone bill to reduce further. Our proposed reductions on the telephone bill are quite conservative.

The phone system and service is continually updated to the latest software, so no future update costs need to be factored in.

Internet Savings

█ have approximately 400 sites currently connected via the Wanstor managed Internet service. We do not currently know how many of each type of office or Internet service they have.

I have used the financial information provided by Wanstor to give my comparison as follows to one of the alternative suppliers █:

Managers working from home

The Broadband for home workers comparison is as follows:

Product Detail	Home Workers	
	█	█
Max download speed	Up to 24Mb*	Up to 24Mb*
Max upload speed	Up to 448Kb	Up to 448Kb
Usage allowance	25GB	Unlimited
Monthly Fee (Ex. VAT)	£ 20.00	£ 20.00
Options		
Enhanced Care	n/a	£ 10.00
Special Faults investigation	£ 150.00	£ 125.00
Connection Cost	£ 50.00	£ 50.00
Migration Cost	£ 50.00	£ 50.00
Onsite Installation	£ 100.00	£ 85.00

Residential Offices

The Broadband for Residential office comparison is as follows:

Product Detail	Residential Offices	
	█	█
Special Faults investigation	£ 150.00	£ 125.00
Connection Cost	█	█
Migration Cost	£ 50.00	£ 50.00
Max download speed	Up to 24Mb*	Up to 24Mb*
Onsite Installation	£ 100.00	£ 85.00
Max upload speed	Up to 1280Kb	Up to 1024Kb
Usage allowance	Unlimited	Unlimited
Monthly Fee (Ex. VAT)	£ 35.00	£ 30.00
Options		
Enhanced Care	£ 15.00	£ 10.00

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Admin Offices

The Broadband for Admin office comparison is as follows:

Product Detail	Admin Offices	
	████████	████████
Max download speed	Up to 24Mb*	Up to 24Mb*
Max upload speed	Up to 1280Kb	Up to 448Kb
Usage allowance	Unlimited	Unlimited
Monthly Fee (Ex. VAT)	£ 45.00	£ 38.00
Options		
Special Faults investigation	£ 150.00	£ 125.00
Connection Cost	£ 50.00	£ 50.00
Migration Cost	£ 50.00	£ 50.00
Onsite Installation	£ 100.00	£ 85.00

Comment

Home workers could be given telephones that actually run on their PC's, so they will only need headsets and that's it for them to make calls and receive calls etc. Then consolidating expenses and home workers costs will increase productivity by removing unnecessary administration etc.

Home workers will have things like voicemail and there is even an option for them to have their own fax to email service, so no need for them to collect faxes and double handle anything.

The admin offices and residential homes can have things like IVR, e.g. Push 1 for this and push 2 for that. The nice thing here is that should ██████ ever want to centralise something....say...push 2 for accounts.....this can be linked into a central accounts area, so when a caller pushes 2 it is not actually connecting to an extension within the care home, but to a centralised admin office that manage the accounts for all care homes. This principle can be applied to any function that may be centralised.

Every person within the whole of the ██████ estate becomes a 4 digit extension number...so by having all calls internally there should be some better savings on call charges over and above any other savings already mentioned.

All staff will also have access to a company wide directory, so this should increase productivity.

The other benefit is that as and when new updates for the system become available, then all extensions will benefit from this. There will be no need to send engineers to site. In fact, the only time ██████ need to see an engineer will be when an additional extension is required etc. This can lead to even further key savings.

Key people within ██████ Head Office and Regional Offices will have access to full call reports in real time, this shows every single call made and received by any extensions at any location. They can even have full call recording to help improve training etc.

However without a full detailed specification these additional savings cannot be quantified at this stage

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Based on the information available I would suggest a saving in the region of 24% over current costs over current provisions made via [REDACTED] and 20% on current provisions provided by [REDACTED] which is conservative as the support element workload would be considerably reduced when fully implemented

Recommendations

Conversations take place with prospective suppliers for a Converged Solution as described above (listing of prospective suppliers are detailed in Appendix 1)

A full tender specification of services required for each [REDACTED] site is produced

Site visits to other organisations are arranged to see similar processes in operation

Tender reviews are undertaken with a cross-representational panel from IT, management, services, users etc prior to any contract award being made

Time-scale to complete – 6-9 months

CBG Buying Limited would be happy to co-ordinate this process if required and undertake the full tendering exercise.

Telephone Systems

[REDACTED]

This company predominantly provides telephone hardware systems and conventional maintenance and, whilst may provide an excellent service they are not competitive on price, their buying power is limited

Their pricing structure is on hardware, list price less 20%, 70% of systems are outright purchase, with the remaining 30% being on lease rental, during this exercise we have been unable to obtain lease contract details, however, the effect of using an alternative supplier would be more or less pro-rata on leasing terms

Maintenance costs are 10% of equipment value

We have obtained 'mirror' quotations from alternative suppliers including installation and training

The sample used was based on three actual installations and definitive savings are summarised below:

Full details of the systems compared and alternative system brochure are detailed in Appendix 2

[REDACTED]	Cost	Cost	Saving
Alder House	£2,885.00	£1,865.00	-£1,020.00
Seven Springs	£2,784.00	£1,485.00	-£1,299.00
Church Lane	£1,212.00	£1,100.00	-£112.00
Sample Total	£6881.00	£4,450.00	-£2,431.00

A saving of 35.3% would have been realised if purchased from [REDACTED]

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Maintenance costs may have been slightly reduced by 3%

Costs could substantially change if the broadband service alternative previously detailed was implemented.

Recommendations

A standard telephone system should be agreed by discussions with suppliers and users and an inventory collated of existing systems and a projected replacement/new systems programme, once determined a contract could be awarded on a call-off contract basis, further improving the savings identified herein

A listing of potential suppliers is detailed in Appendix 1

Clinical Waste Collection Services

██████████ This company provides waste collection services, but has also been supplying water dispensers on rental (why is the question) for reasons I assume of convenience, water dispensing is a highly competitive market with a large number of 'players' to provide considerably cheaper than using ██████████.

██████████ contracts for waste collection are notoriously difficult to cancel, usually as in their terms and conditions you have to give notice of termination three months in advance and by recorded delivery and the contract will not terminate until the anniversary date, should you not do this accurately, the contracts roll over, this practice should be reviewed. A copy of their terms and conditions of trade are attached as Appendix 3 and I strongly recommend before taking any action that these are reviewed by your Legal Services Department

The data collected from copy invoices relate to number and type of bags collected at various prices dependant on the type of waste collected. This may on the surface appear a simple way to reduce cost by reducing the cost per bag collected. In real terms this is a 'red herring'.

The size of bins and frequency of collection is the key to reducing cost. Some services will have weekly collections, from bins that are less than half full, others fortnightly or monthly

In other organisations they assess the amount of waste they will accumulate and change from weekly to either fortnightly/monthly and change the bin size for collection, this is the way to substantially reduce cost.

As no data is available on collection frequency, size of bins etc., it is difficult to assess the savings that potentially could be enjoyed, however my best estimate from discussions with suppliers is as follows:

Service Area Supplier	Current Spend per annum	Projected Spend per annum	Saving per annum	% Saving
Clinical Waste Collection ██████████	£152,838	£128,384	£24,454	16.00%

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Recommendations

█ should undertake a survey of all sites that produce clinical waste to identify:

- Type/class of waste collected
- Price per bag collected by type/class
- Collection charges and any other charges applied
- Average number of bags by type/class collected weekly/fortnightly/monthly/other
- Size and type of bins on site
- Collection times

From this data you will be able to produce a tender specification that requests suppliers to quote based on this data and their recommended collection frequency and bin sizes, this should improve the cycle of waste collection and reduce costs significantly.

A listing of prospective suppliers is detailed in Appendix 1

Conclusion

Clearly there are savings to be made, but fundamental changes in practice may need to be adopted over time,

Telecommunications is a changing market and currently █ needs to embrace the technology changes that are available, which will not only improve operational performance of the systems used but, will go away from buying products which date and conventional maintenance costs across the range of products and ancillary services that come with purchase or leasing of numerous pieces of equipment.

Clinical waste services can be considerably improved operationally as indicated, even if you do not change supplier and I believe if you only adopted changes in practice you will still reduce cost.

This exercise now concludes the agreed works undertaken as part of our agreement with █.

We are always available to provide further procurement exercises on request, whether it is a programme of work or 'one off' exercises and would be happy to take these events to tender stage and conclusion if so required.

It has been a pleasure working with █ and feel free to contact us anytime should you require any further exercises to be undertaken.

A handwritten signature in blue ink, appearing to read "Michael J Hodgetts".

Michael J Hodgetts
CEO
CBG Buying Limited