Lancashire Procurement Service

Procurement Strategy

Lancashire Telecare Service

V2.1  24 June 2014

www.lancashire.gov.uk
1. Current Contracts

Contracts are in place with the following 4 providers:

- Together Housing – Pendle, Burnley, Hyndburn, Rossendale, Ribble Valley
- Progress Housing – Preston, Chorley, South Ribble, Fylde, Wyre
- West Lancashire District Council – West Lancashire
- Lancaster City Council – Lancaster.

2. Proposed New Contract Start Date & Duration

The contract start date is expected to be 1st April 2015 and be for a duration of up to 7 years (initially 3 years with possible extensions of 2 x 2 years).

3. Internal Stakeholder Engagement

- Craig Frost  LCC Locality Commissioning Manager
- Tony Pounder  LCC Head of Commissioning
- Neil Kissock  LCC Head of Finance
- Juanita Heilling  LCC Operations Manager Reablement & Telecare

4. Service Elements

There are various service aspects to the delivery of a Telecare service and it is proposed that not all are included within this procurement:

<table>
<thead>
<tr>
<th>Service Element</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of which Telecare equipment is required to meet service user need</td>
<td>Included</td>
</tr>
<tr>
<td>Installation of Telecare equipment/sensors</td>
<td>Included</td>
</tr>
<tr>
<td>Equipment removal/recycling</td>
<td>Included</td>
</tr>
<tr>
<td>Maintenance of equipment - repair or replacement</td>
<td>Included</td>
</tr>
<tr>
<td>Workforce Development / Awareness</td>
<td>Included</td>
</tr>
<tr>
<td>Marketing and Promotion</td>
<td>Included</td>
</tr>
<tr>
<td>Call Monitoring – call centre staff to respond to Telecare equipment/sensor alerts</td>
<td>Included</td>
</tr>
<tr>
<td>Supply of Telecare equipment</td>
<td>Included but see below</td>
</tr>
<tr>
<td>Response Service – carer home response to assess service user need / why Telecare alert was triggered</td>
<td>Excluded</td>
</tr>
<tr>
<td>Peace of Mind for Carers Response Service - this is a separate service but is proposed that this be added to the requirements for the home response service</td>
<td>Additional</td>
</tr>
</tbody>
</table>


Equipment – It is recommended that the choice of equipment supplier and range of equipment offered will be arranged by the successful bidder. It is envisaged that a single supplier will be used for the majority of equipment but no exclusive arrangements will be made with sole suppliers of Telecare equipment and the most appropriate equipment will be supplied according to individual service user need. Therefore, it is expected that the successful provider will be able to procure equipment from multiple suppliers, when required, and that the range of equipment can be updated as technology advances.

Response Service - it is proposed that the Council contracts directly with Homecare provider(s) for this aspect of the service. Options are also being explored for the Telecare response service to be integrated into other current contracts such as Crisis Response services. Commissioning with home care providers is 'core' business for the Council and can therefore achieve significant cost savings rather than delegating this to the Telecare provider. Additional benefits are that all response visits would be carried out by Care Quality Commission registered organisations and staff can attend to personal care needs if required (not all response visits are currently carried out by CQC registered organisations).

These new arrangements will allow for the home response service to be used in a targeted way, aimed at social care emergencies where it may avoid the use of other more expensive social and health care services.

5. Savings

Current spend is around £557K per year based on 1,100 service users.

It is extremely difficult to estimate actual cashable savings for this procurement as it is not proposed that the Council procures a 'like for like' service. In fact spend on Telecare will increase substantially if the strategy is successful but this is with the intention that that is offset by reduced spend on other services such as Home Care or Residential Care.
However there is undoubtedly scope for much improved value for money from this procurement. For example:

**Equipment** - Current practice is that equipment is ordered by the four local Telecare providers but invoiced to the Council. It is proposed to include this within the tender pricing model and the provider(s) will order and purchase equipment. This will therefore reduce transaction costs for the Council.

**Home Response** - It is proposed that this is contracted for under the new home care framework or integrated into existing crisis contracts. The proportion of the overall weekly costs that is currently attributable to home response is unknown but it is likely that this will vary, dependent on whether the provider subcontracts this element or provides this in-house.

**Scale** – Service levels have been around 1,100 service users countywide for the past few years with very little growth. However, the ambition is to grow the service to up to 7,000 service users by the end of 2017/18. This should result in savings from improved economies of scale, particularly with regard to call monitoring.

However, as this service was originally established via the Preventative Technology Grant in 2006 and therefore never competitively procured, it is almost certain that current arrangements do not represent best value.

By procuring this service via a formal procurement process, this will create an environment which should result in competitive bids in terms of both quality and price.

**Transparency** - it will be vital that any pricing model agreed offers full transparency on costs and profits right through the supply chain.

6. **Supplier Engagement**
Meetings with eight Telecare providers were held in April and May 2014 to assist with the development of the Council's approach for a new Telecare service for Lancashire. This included the participation of all four existing local Lancashire based providers and our two current suppliers of equipment.

This proved to be extremely informative in developing the Commissioning Strategy, procurement route and service model.

7. Supply Market Overview

This is a complex market to analyse with a mix of local service providers offering customer focussed monitoring and response services and regional / national / international companies which provide the technology platforms and equipment. Many of these suppliers cross over into other markets such as community alarms or Telehealth.

The extent and variation within the Telecare supplier market is probably not fully understood. This is a fast changing supplier market. The abortive procurement process in 2010 attracted 12 submissions but this cannot be viewed as a reliable guide as to all providers in the market. This is also dependent on the service model e.g. a complete end to end service from one provider would potentially restrict the available market to only 2 – 3 providers nationally.

Overall the technology market is growing, but with fierce competition and partnering / mergers / acquisitions common. Some of these technology companies are trying to vertically integrate with monitoring / response services presumably to defend or grow their market share of equipment supply. Sometimes this is by developing their own capability and other times by establishing local partnerships with existing suppliers of installation and monitoring services.

Monitoring / installation / response market is consolidating with fewer players over time. This will enable achievement of lower unit prices by greater economies of scale.
Currently most providers of these elements are looking to expand geographically to defend their commercial interests and viability.

8. **Procurement Route Options**

<table>
<thead>
<tr>
<th>Process</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open Tender</strong> - Using an Open procedure means that the Invitation to Tender must be sent to all suppliers that express an interest in response to the Contract Notice. This procedure is most appropriate when there are a small number of suppliers expected to request an ITT.</td>
<td>Speed – can be quicker than a restricted process. Fair in terms of any qualified organisation can bid.</td>
<td>Potential for too many bids to be received placing demands on evaluation within the timescales.</td>
</tr>
<tr>
<td><strong>Restricted Tender</strong> - The Restricted Procedure is a two-stage process which allows the Council to draw up a short-list of interested parties by undertaking a pre-qualification stage, prior to the issue of invitation to tender documents. This is most appropriate when many suppliers exist within a market and it is not feasible to issue an Invitation to Tender to each.</td>
<td>Reduces the number of bids so the evaluation process becomes more manageable. Clear separation of experience and capability.</td>
<td>Time consuming – typically takes longer than an Open process. Can receive ‘speculative’ bids at PQQ stage.</td>
</tr>
<tr>
<td><strong>Existing Framework</strong> – There are a number of established frameworks that the Council can use which have the benefit of an EU compliant route to market with standardised terms and conditions.</td>
<td>Can be quicker than both the open and restricted routes. Standardised specifications and prices.</td>
<td>Restricted market – can favour national organisations. Less emphasis on social value. Can exclude newer and possibly more innovative organisations.</td>
</tr>
<tr>
<td><strong>Competitive Dialogue</strong> - Allows scope for dialogue with suppliers within the procurement process. Used for more complex services when the final outcome is not clearly defined</td>
<td>Allows for discussion of tenders with bidders before the final closing date. Scope for revision of service specification during the process.</td>
<td>Can take longer than any of the other options and need more input in terms of LCC staff time.</td>
</tr>
</tbody>
</table>
Proposed Route: Competitive Dialogue, Restricted or Open Tender

At this stage, only one option has been expressly ruled out and that is the use of existing Frameworks. There is more than one such Framework, but typically local or newer companies do not have places on any of these. On balance it is judged that any advantages in terms of speed and adoption of standardised approaches are outweighed by the lack of influence over the specification, additional social benefits, and the potential involvement of local organisations in the supply chain.

Two of the remaining three options - 'Restrictive' and 'Open' Tenders - are commonly used by the County Council and are currently under final consideration for use for procuring this service. The third option, 'Competitive Dialogue' has been used on a few occasions by the County Council, but not recently for procurement of social care services. In principle this is probably the approach which best fits with this particular procurement, since the provision of Telecare does involve a more extended and potentially fluid supply chain. So the opportunity to have dialogue with bidders on the detailed configuration of the service would be beneficial.

The final decision on the procurement route will be taken by the Executive Director for Adult Services, Health and Well Being with advice from senior management in commissioning, procurement, legal and finance.

9. Service Delivery Model Options Appraisal

As a result of meetings with Telecare providers and other research carried out such as speaking with other Local Authorities, five different service models were identified as potential options for the Telecare service:

**Option A** – Development Partner – This places the emphasis on a potential system wide leadership role of a supplier which ensures the delivery of the service in partnership with the Council. The Development Partner leads and manage subcontractors to deliver the service.

**Option B** - Consortium with a Lead Contractor – a consortium of organisations each delivering a specified aspect of the service, e.g. assessment, installation, monitoring. There would be a Lead Contractor who would be the signatory to the contract.
Option C - Single supplier – one supplier delivering an 'end to end' service on a countywide basis.

Option D - Multiple contracts (ie a single end to end service in each locality) – this would be similar to the current situation of different providers delivering end to end service in different parts of the county.

Option E - Multiple contracts (ie several separate component services) – this would involve a range of providers delivering different components of the service in various localities or across Lancashire. The County Council would have to knit these arrangements together in each area.

These options were then assessed against the desired outcomes of:

- Equity and consistency of high quality services
- Ease and speed of implementation
- Rapid growth and delivering at scale
- Simple for the council to manage
- Value for money
- Ability to deliver savings

The five options were considered and formally evaluated by a Panel that rated the options using a scoring matrix to determine the appropriate score for each desired outcome:

<table>
<thead>
<tr>
<th>Score</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Complete confidence in the outcome being achieved</td>
</tr>
<tr>
<td>4</td>
<td>Considerable confidence in the outcome being achieved</td>
</tr>
<tr>
<td>3</td>
<td>Some confidence that the outcome is achievable</td>
</tr>
<tr>
<td>2</td>
<td>Little confidence that this outcome would be achieved</td>
</tr>
<tr>
<td>1</td>
<td>No confidence that the outcome will be achieved</td>
</tr>
</tbody>
</table>
Using this methodology allowed for a ranking of options with clear differences in scores between the various models, as set out in the table below:

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
<th>Option D</th>
<th>Option E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Development Partner</td>
<td>Consortium with a Lead Contractor</td>
<td>Single supplier</td>
<td>Multiple contracts (end to end service in localities)</td>
<td>Multiple contracts (separate services)</td>
</tr>
<tr>
<td>Equity and consistency of high quality services</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Ease and speed of implementation</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Rapid growth and delivering at scale</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Simple for the council to manage</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Flexibility to quickly adapt to change (future proofing)</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Value for money</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Ability to deliver savings</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total Score</td>
<td><strong>26</strong></td>
<td><strong>21</strong></td>
<td><strong>23</strong></td>
<td><strong>16</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

**Proposed Model:**

**Option A** - ‘Development Partner’ is the preferred service model with the Partner establishing subcontracting arrangements with organisations that specialise in specific
components of the Telecare service. The Development Partner 'glues' the whole system together and drives the changes required. This is in partnership with the Council.

Primarily, the role of the Development Partner would be to ensure the effective operation of a countywide Telecare service ensuring the various service elements operate seamlessly. Alongside this is the crucial element of working in partnership with the Council to implement the transformational changes which are required in order to mainstream Telecare. The development partner is seen as having the technical expertise to make the necessary changes happen.

Without a Development Partner, significant staffing resource internally within the Council would be required, both in terms of time, knowledge and skills. This would be challenging to secure given the imminent restructuring and downsizing of the Council and the competing demands on both capacity and capability in the organisation.

Therefore the Development Partner will be instrumental in:

- Strategic development of the service – achieving the growth, performance and ambitions for the service
- Change management – going from our present arrangement to the new ones
- Culture change – the way that staff, families and communities see Telecare needs to change. It needs to become central to people's thinking
- Workforce development – training for those staff in social care, housing and health who are most likely to make referrals to the service
- Establishing single point of referral – ensuring an individual's route to the service is simple and easy to find
- Benefits realisation programme – making sure that we do secure the outcomes, savings and other benefits for individuals and the Lancashire health and social care economy
- Developing partnerships – working with organisations in the statutory, private and voluntary sectors to ensure that the service is successfully promoted.
10. Proposed pricing model

The current pricing model of an all-inclusive weekly charge to service users is one which has been in operation since 2006 and there does not seem to be any compelling reason to change this. However, it is proposed that at the procurement stage, equipment costs could be included within the successful provider(s) pricing model instead of being invoiced for separately. This will then present a fully integrated weekly charge which would be easily calculable in terms of:

\[ \text{Weekly charge} \times \text{number of service users} = \text{Amount payable to provider} \]

However, it is recognised that there may be other pricing models known to providers but not necessarily to the Council and therefore the procurement needs to be flexible to alternative approaches.

In the longer term, changes in technology – and associated prices - and increased economies of scale as Lancashire's Telecare Service grows – means it is essential that there are regular price reviews, and consideration of financial risk shares. The Development Partner will therefore be expected to operate an open book approach in its dealings with its supply chain and in pricing its offer to the County Council and the public so that there is full transparency on costs and profits right..

11. Procurement – Summary of Recommendations

- **Procurement route** - Routes of Competitive Dialogue, Restricted an Open process are being considered. All have advantages and disadvantages but are considered much more appropriate options than using an existing framework. The final decision on the procurement route will be taken by the Executive Director for Adult Services, Health and Well Being with advice from senior management in commissioning, procurement, legal and finance.

- **Service Delivery model** - 'Development Partner' is the preferred service model with the Partner establishing subcontracting arrangements with organisations that
specialise in specific aspects of the service. The Development Partner 'glues' the whole system together and drives the changes required.

- **Pricing Model** – this will be an all-inclusive weekly price, which will include all the equipment costs too.

12. **Risks relating to the Procurement recommendations**

- No shared vision – the views of the Development Partner significantly diverge from the Council's view
- Working arrangements not clearly defined for collaborative working
- Does not secure good bids which offers the Council the desired outcomes and value for money
- The Development Partner fails to ensure delivery against key performance indicators.
- The Development Partner does not deliver effective leadership to its sub-contractors
- The Development Partner fails to ensure effective stakeholder involvement
- Relationships between the Development Partner and sub-contractors breaks down
- Relationships between the Development Partner and the Council breaks down.
- Development partner costs are too high.

These risks would be mitigated by ensuring the tender documentation and bid responses are comprehensive and address the working arrangements. Additionally, the Competitive Dialogue procurement route would offer opportunities for dialogue with bidders around these risks. The contract and service specification will form the legal framework for this to operate within and there will also be Council approval for each sub-contractor that the Development Partner selects to deliver each aspect of the service.

Regular contract reviews will ensure that clarity of outcomes are maintained and that the development partner is meeting agreed milestones and performance indicators.
13. Timescales

The procurement timetable, including dates of various stages will be determined by the procurement route ie if the Open, Restricted or Competitive Dialogue process is chosen.