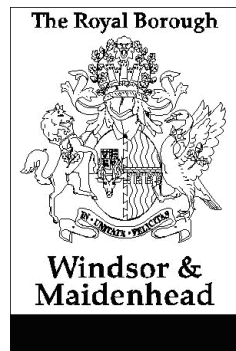


Report for: ACTION



<b>Contains Confidential or Exempt Information</b>	NO - Part I
<b>Title</b>	Dynamic Purchasing System – Business Case
<b>Responsible Officer(s)</b>	Russell O’Keefe, Strategic Director of Corporate and Community Services 01628 796521
<b>Contact officer, job title and phone number</b>	Andrew Brooker, Head of Financial Services, 01628 796341
<b>Member reporting</b>	Cllr Dudley (Finance, including Property and Deputy Leader of the Council), Cllr Bathurst (Principal Member for Policy)
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	31 March 2016
<b>Implementation Date if Not Called In</b>	May 2016
<b>Affected Wards</b>	All

#### REPORT SUMMARY

1. This report will consider whether dynamic purchasing is a route the Council wishes to proceed down to procure its services and the options available in the market.
2. A Dynamic Purchasing System (DPS) is a combination of the use of an eProcurement tendering tool and the use of approved/accredited supplier lists. Providers register with the system, the Council would then review their suitability and quality systems and if deemed acceptable they are accredited. Unlike the traditional framework contracts providers can join and leave at any time during the DPS timeframe. Tenders are issued to only accredited providers of the DPS, ensuring a level of quality, however, they are not obliged to submit a quotation.
3. This concept has been discussed at the Policy Committee and the outcomes of the dynamic purchasing task and finish group were established on the 10<sup>th</sup> September 2015. The group recommended that this report is submitted to Cabinet.
4. These recommendations are being made as the group has concluded there is sufficient evidence to suggest a dynamic purchasing system could improve service quality for residents and potentially lower the Council’s expenditure.

5. The recommendation is to commence a pilot on the usage of a DPS for the recommissioning of the home to school transport contracts and explore the suitability for residential care contracts with the market.
6. It is proposed that there will be a report back to Cabinet on pilot findings and recommendations on any further DPS roll out in October 2016.

**If recommendations are adopted, how will residents benefit?**

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Encouraging providers to register could allow more choice to residents for services	September 2016
2. Accreditation process will improve quality of service to the residents	September 2016

**1. DETAILS OF RECOMMENDATIONS**

**RECOMMENDATION: That Cabinet:**

- i. **Approve the pilot of the Bravo Solutions Dynamic Purchasing System.**
- ii. **Approve the development cost of £4000 for the pilot scheme.**
- iii. **Agrees that there will be a report back to Cabinet on the finding of the pilot and recommendations on next steps in October 2016.**

**2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

2.1 A Dynamic Purchasing System (DPS) is a combination of an eProcurement tool and the use of approved/accredited provider lists. Providers register with the system, the Council then reviews their suitability and quality systems and if deemed acceptable they are accredited. Unlike the traditional framework contracts providers can join and leave at any time during the specified timeframe. eTenders are then issued only to accredited providers of the DPS, they are not obliged to submit quotes for the tenders.

2.2 To ensure the success of any DPS, resource is required for the following tasks:

- I. Agreeing the suitability of the DPS procurement strategy for that spend area and mandating the scope of the DPS.
- II. Setting up the DPS rules including building the accreditation process of each spend area, tender templates and responsibilities for the system.
- III. Market warming events to launch the DPS system which will include developing awareness, system training and understanding of the accreditation process.
- IV. Encouraging provider participation in the tenders posted on the DPS.
- V. Continuous maintenance of the accreditation of new providers and renewals.
- VI. Support to the providers to help them to achieve accreditation quality standard.
- VII. Running all mini tenders through the DPS system in accordance with the contract rules on approval to tender and award.
- VIII. All requirements must be clearly documented in a specification in a language the providers understand for each DPS tender.

- 2.3 It is essential that the market is fully engaged in the DPS and providers have the capability not only to become accredited but also the willingness to respond to tenders via email notifications.
- 2.4 Two types of DPS System have been evaluated as part of this review.

### **DPS system**

- 2.5 Under the Public Contract Regulations 2015 all tenders are required to be electronically available. The Council uses an etendering system with Bravo Solutions to meet this obligation. The etendering licence that we hold includes a DPS system which is not currently being used. The procurement and accreditation process would be managed internally, this web based system includes the purchase of licences to the IT DPS solution and systems support for buyers and providers. The system and support is free to all providers, purchasers pay a licence fee and implementation fee.
- 2.6 Using Bravo Solutions will allow a quick implementation process, no system integration, procurement staff within the Council are already experienced in using the etendering module which the DPS will use when running tenders.

### **Managed DPS**

- 2.7 A managed DPS includes the etendering tool and the outsourcing of the payment processes. Adam (was Matrix) is one of the providers in the market that can offer this solution. Their solution provides market warming support, system support for buyers and providers and manages the payment process to providers. Adam like the above solution does not provide support on the accreditation process with providers.
- 2.8 The Adam payment system requires the Council to be responsible for inputting all variations to the contract price manually and closing down of contracts in the Adam payment system.
- 2.9 Providers will be required to go onto the Adam system and create a service receipt rather than raise an invoice which will be an additional process for working with the Council. The Council would pay Adam against one consolidated invoice and then Adam would pay the contracted providers. The consolidated invoice data can integrate directly into Agresso.
- 2.10 This is a cloud solution which will require further vigour on data security, integration with Agresso, mapping and analysis of current processes, understanding current level of effort and return on investment. Integration with the Council's systems could be a barrier to implementation by being costly and/or time consuming.
- 2.11 A DPS Managed System will take time to investigate the feasibility, process mapping of current processes, review of integration into Agresso and return on investment.

## Costs of DPS

2.12 The first year costs for the implementation of one DPS and the licence costs for one year for the above described solution are as follows:

Solution	Annual Licence Fee	Implementation Fee per DPS	Total Annual Cost per DPS
Bravo Solution DPS	2 full user licences £3,000 + 1 read only licence £200 per DPS	£800	£4,000
Adam DPS	£60,000	£25,000	£85,000
Adam Managed DPS	£60,000 + Currently unknown invoicing processing fee	£25,000	£85,000

## Key Benefits of a DPS

2.13 The key benefits of implementing any DPS over and above the Councils current procurement processes:

- i. **Potential cost savings** - Dynamic purchasing can create a level playing field where even the smallest local providers can submit bids. This high level of competition has the potential to drive down prices and reduce Council spend. Savings are not expected on the trial but there is a potential to make savings at full roll out stage.
- ii. **Quality control and improvement**– Providers must first be ‘accredited’ against a set of quality criterion through the accreditation process by the Council before being granted entry to the DPS. This can ensure that only high quality providers are permitted to submit bids. A basic accreditation could include Care Quality Commission registration, operator licences, insurances, Disclosure and Barring Service process. A comprehensive accreditation process could review previous contract performance, agreeing terms, internal systems and processes such as health and safety, employment vetting and training. The level will need to be decided during the design phase for each spend area. The aim of the focus on quality of service will provide better outcomes for residents.
- iii. **Transparency** - The Council would have complete visibility over the end-to-end process of procuring its services, a full transparent audit trail. The open, transparent nature of a DPS can also build trust and certainty for providers.
- iv. **Tender paperwork consolidation** - The electronic, automated nature of a DPS means that providers can tender without having to invest hours of time completing forms repetitively making it cheaper to bid.
- v. **No time limit for Providers** - A DPS remains open to new providers during the DPS time period. This will allow new entrants into the market to join the DPS to provide the capacity that is required to meet service demands.
- vi. **Opportunities for expansion** - A wide variety of goods and services can be procured through a DPS. These could include any off the shelf purchases, care

packages, facilities management, education support, staff training, transport, taxi services, temporary accommodation and IT applications.

## **Drawbacks to DPS**

2.14 There are however, drawbacks and possible risks to the running of any DPS:

- i. **Market disengagement** - For the DPS to work effectively providers must be engaged to participate. If not many opt to join or meet the quality criteria set in the system, its ability to improve quality standards and achieve savings is diminished. A critical mass of accredited providers that bid on the tenders is essential. All commissions/purchases must be mandated to be advertised on the system and bids only accepted from the system. Market warming on the use of DPS and system training is essential to mitigate this risk.
- ii. **No savings guarantee** - A fall in spend is not a certainty through the DPS. The market may not respond to the DPS as forecasted. In the current market with rising staffing costs it may mitigate market pressures through encouraging competition.
- iii. **Service Description** - If the service description issued to the market is not clear, rates may be inaccurate and not meet the requirement, providers may increase rates because of uncertainty of service provision. Delays may also occur if providers need to ask questions to enable them to provide an accurate rate. To mitigate this risk training, guides and service description templates would need to be created and tested in provider forums.
- iv. **Entirely electronic** - The DPS is entirely electronic and commissioners may therefore need to undertake extensive development work with their providers to ensure they are able to respond.
- v. **Cultural change** - The transition away from a traditional Framework or one large contract to a DPS may deter some larger providers from bidding.
- vi. **Just a system** - The DPS will not revolutionise the local market and guarantee improvement. It would simply be a new, electronic way for accredited providers to approach the Council for work. E-tendering is already used on all procurements over the OJEU thresholds.

## **Application of DPS in Home to School Transport Market**

- 2.15 The current contracts are restricted to 21 providers, with 180 contracts in place. Competition is restrictive due to the tendering process that was undertaken. There are daily changes to planned routes, reconciliation is a key process in managing this spend with the providers as incorrect invoicing is common.
- 2.16 The current spend in this area is approximately £2.5m, with overspend against the budget. There are pressures on market rates through the increased pay passenger assistants due to National Living Wage legislation, however reductions in petrol prices may alleviate some of the increase to the Council.
- 2.17 DPS systems have been widely used by other Councils in transport and home to school transport contracts. These are Buckinghamshire, West Berkshire, and

Waltham Forest. They use very similar systems to Bravo. There may be an opportunity for Berkshire wide collaboration on DPS in the future.

- 2.18 Advantages of the DPS in this specific spend area are compliance, opening up the market and the ability to bring in new providers anytime during DPS timeframe.
- 2.19 The current homes to school contracts are expiring in July 2016 therefore the recommendation is to use the extension option in the current contracts for an additional academic year to allow tenders via DPS in the future. The intention is to then use the DPS pilot to tender any existing contracts which need significant amendment for September 2016 e.g. for better value, smaller or larger vehicles, combining existing contracts. And to also use DPS tendering for any completely new contracts for the academic year September 2016 – July 2017.
- 2.20 This will then give time to bed in a DPS accreditation process and on-boarding of providers prior to tenders being conducted.
- 2.21 Market warming, training and support on accreditation process are essential for this set of providers. Mandating the DPS so all tenders go through the system is required.

### **Application of DPS in the Residential Care Market**

- 2.22 Residential care market prices are substantially increasing, current spend in residential care is £9.3M. Since 2012 many RBWM providers have not received any inflationary increases, unlike other Councils that have automatically increased rates by an agreed percentage year on year.
- 2.23 There are legislation pressures such as the introduction of the National Living Wage, Minimum wage increases, increase on pension auto-enrolment employer contributions, increase in cost of CQC regulations, nursing staff shortages and reliance on agency staff. The Council has received a significant number of rate increase requests commencing from 1st April 2016, these requests range between 5-7%.
- 2.24 The forecast increase in population and demand for the older people residential care service will increase market costs. Growth in 85-89 and 90+ age cohorts in the Council are faster than the national average. Between 2014 and 2015 4% and 7% respectively compared with 3% and 4% nationally. The growth to 2020 is also ahead of the national figures, 20% for 85-89 compared with 18% nationally, and 31% compared with 28% for 90+.
- 2.25 There are collaboration opportunities with this spend area with other local Councils and CCG's to co-ordinate needs and aggregate demand which may yield benefits to the Council's position in the market. Implementation of a joint DPS will provide a better footing in the market.
- 2.26 Adult Services currently run a basic process to check provider quality which comprises a CQC check and feedback from commissioners and reviewing officers. In the past RBWM have had a more comprehensive accreditation process that has analysed more detail on provider's quality and viability. Given the authorities duty under the Care Act 2014 to safeguard against and manage

provider failure in a borough where there are 46 care homes (the highest volume in any CCG area) resourcing a more comprehensive accreditation and monitoring process would be recommended to set the bar for providers to meet.

## Recommendations

2.27 It is proposed that a phased approach is undertaken:

- Phase 1 - A pilot DPS for Home to School Transport providers using Bravo Solutions. Assess the functionality, market response to DPS accreditation and possible additional routes via tender. Further work to be carried on the application of the DPS in Residential Care. A report will be due back to Cabinet on the pilot and suitability of DPS in current Residential care market. Success of the pilot will be measured as follows:
  - (i) Market engagement on the DPS will be measured through the number of accredited providers in the DPS
  - (ii) Market responsiveness through the DPS will be measured through the volume of response to tenders posted
  - (iii) Market competitiveness through the DPS will be measured through cost savings achieved. Major factors in achieving this will be the above market responsiveness and engagement success
  - (iv) Improvements to the quality of service to Residents will be measured through customer survey
  
- Phase 2 - If the tool proves successful the next step will be tendering for a longer term DPS solution, and exploring any DPS collaboration opportunities with other Councils. Assess and evaluate the outsourcing of the payments process as part of the DPS tool. Reviewing and implementing DPS with other categories of spend that are suitable and could benefit from a DPS solution.

2.28 Additional temporary resource is required for the implementation of the system and pilot. Assessments on resourcing for the running of the accreditation process is dependant on the depth of the accreditation process agreed for each spend area.

## Options Summary

Option	Comments
DPS Pilot on Home to School Transport and explore suitability of DPS for Residential Care with Bravo Solutions <b>Recommended</b>	Low cost, quick implementation option to assess local provider appetite and assess benefits.
Implement Adam system Not Recommended	Indicative costs only provided so costs may increase further. Increase in resource is required and system training.
Implement Managed DPS System Not Recommended	Indicative costs only provided so costs may increase further. Return on investment unknown, analysis of current process required, integration into Agresso has not been assessed.

Option	Comments
Do nothing Not Recommended	Loss of opportunity on compliance, quality assurance and market competition.

### 3 KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
DPS System set up by	After 30th May	30th May	30th April	Before 30th April	31st May 2016
Level of satisfaction of parents of the home to school transport service	< 80%	80%	> 80%	>85%	30 September 2016
% reduction in cost of the home to school transport service	< 5%	5%	> 5%	>10%	30 September 2016

### 4. FINANCIAL DETAILS

#### Financial impact on the budget

- 4.1 The financial impact will be dependant on the approval to implement a DPS and what type of DPS is chosen. New funds will be required to fund the DPS and a decision on how the funding will be spilt by department will depend on the spend categories that use this system. The financial impact for both DPS options are detailed in the below tables.

#### ***Bravo DPS – Recommended Option***

	2015/16	2016/17	2017/18
	Revenue £'000	Revenue £'000	Revenue £'000
Addition	£0	£4	£4
Reduction	£0	£0	£0

	2015/16	2016/17	2017/18
	Capital £'000	Capital £'000	Capital £'000
Addition	£0	£0	£0
Reduction	£0	£0	£0

#### ***Adam DPS***

	2015/16	2016/17	2017/18
	Revenue £'000	Revenue £'000	Revenue £'000
Addition	£0	£85	£60



	2015/16	2016/17	2017/18
Reduction	£0	£0	£0

	2015/16	2016/17	2017/18
	Capital £'000	Capital £'000	Capital £'000
Addition	£0	£0	£0
Reduction	£0	£0	£0

## 5. LEGAL IMPLICATIONS

5.1 The implementation of a DPS would be under the following legislation:

- Regulation 22 of the Public Contracts Regulations 2015 (“PCR 2015”) sets out the general principles relating to the use of electronic and non-electronic means of communication.
- Regulation 59(7) of the PCR 2015 obliges contracting authorities to accept the European Standard Procurement Document (“ESPD”) exclusively in electronic format; however this regulation does not come into force until 18th April 2017.
- Regulation 61 of the PCR 2015 mandates the use of the European online certificates repository; however this regulation does not come into force until 18th October 2018.

## 6. VALUE FOR MONEY

6.1 A DPS will allow the Council to prequalify providers to a minimum qualification level or further. Encouraging competition through market engagement may mitigate budgetary pressures. Allowing providers to register their interest in working with the Council at any time may increase the number of providers and new entrants to the market as there is no time constrained tender period. Typically the packages that go out to tender via a DPS are smaller which will encourage local and smaller providers to register an interest via accreditation.

## 7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

## 8. RISK MANAGEMENT

8.1

Risks	Uncontrolled Risk	Controls	Controlled Risk
Not enough providers join the DPS	DPS would fail due to lack of competition.	Early engagement with providers, training and support. Continuous promotion of the DPS. Mandated usage for all tenders.	Medium

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
Insufficient resourcing to be able to accredit providers onto the DPS and manage the tenders	DPS would fail if not managed. Market would lose faith the tool. Missed opportunity because not accredited in time.	Sufficient resource to manage the volume.	High
The quality of providers in the market does not meet the accreditation process and are therefore excluded from the DPS.	This would prevent DPS going ahead due to lack of competition.	Early engagement with providers, be clear and upfront on RBWM expectations. Supporting providers in improvements to meet accreditation requirements. Accreditation design needs to consider market conditions.	Medium
Expectations of cost savings are over estimated due to DPS being implemented.	Financial forecasting is exceeded because of expectations to significantly save money.	Financial monitoring and controls need to be in place to undertake continuous monitoring and manage expectations.	Medium

## **9. LINKS TO STRATEGIC OBJECTIVES**

9.1 None

## **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 There are no equalities implications

## **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

## **12. PROPERTY AND ASSETS**

12.1 None

## **13. ANY OTHER IMPLICATIONS**

13.1 None

#### 14. CONSULTATION

14.1 This concept has been discussed at the Policy Committee and the outcomes of the dynamic purchasing task and finish group was established on 10<sup>th</sup> September 2015. The group recommended that this report is submitted to Cabinet.

14.2 These recommendations are being made as the group has concluded there is sufficient evidence to suggest a dynamic purchasing system could improve service quality for residents and potentially lower the Council's expenditure.

#### 15. TIMETABLE FOR IMPLEMENTATION

15.1 Key stages and deadlines for implementing the recommendation

Date	Details
31 <sup>st</sup> May 2016	DPS System set up
30 <sup>th</sup> June 2016	DPS set up for home to school including accreditation process
31 <sup>st</sup> July 2016	Engage market with providers for accredited process with market warming event
October 2016	Pilot evaluation report to Cabinet

#### 16. APPENDICES

16.1 None

#### 17. BACKGROUND INFORMATION

17.1 The DPS concept has been discussed and procurement strategy developed through the December Policy Committee Meeting Minutes and the Dynamic Purchasing Task and Finish Group.

#### 18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
<b>Internal</b>				
Hilary Hall	Head of Commissioning Adult, Children and Health - Adult, Children and Health Directorate	17/2/16		No Comment
Nick Davies	Service Lead – Adult commissioning Adult, Children	17/2/16		No Comment

<b>Name of consultee</b>	<b>Post held and Department</b>	<b>Date sent</b>	<b>Date received</b>	<b>See comments in paragraph:</b>
	and Health Directorate			
Lynne Penn	Transport & Access Team Leader - Operations	17/2/16	23/2/16	No Comment
Simon Fletcher	Strategic Director of Operations – Operations	17/2/16		No Comment
Elaine Browne	Legal Services	22/2/16	22/2/16	
Andrew Brooker	Head of Finance	22/2/16		No Comment
Russell O’Keefe	Strategic Director Corporate & Community Services - Corporate & Community Services	17/2/16	25/02/16	Comments included throughout
Cllr Dudley	Cabinet Member for Finance and Deputy	26/2/16	27/02/16	
Cllr Bathurst	Principal Member for Policy	26/2/16	03/03/16	Comments incorporated
Chris Targowski	Cabinet Policy Manager	23/2/16	24/2/16	Throughout
External				

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>
Non-key decision	No

Full name of report author	Job title	Full contact no:
Elizabeth Hinchy	Procurement Partner Adult and Children Services	01628 796253