

COMMUNITY CONNECTIONS

Business Case for the Introduction of a Dynamic Purchasing

System - *Evaluation of a Dynamic Purchasing System (DPS) for Adaptation Repair Maintenance and Improvement (ARMI)* - **Briefing**



PLYMOUTH
CITY COUNCIL

1.0 Overview

Plymouth City Council (PCC) has successfully been running a disabled adaptation bathroom framework for the past 3 years which has also been available to other local contracting authorities and stakeholders with varied take up.

PCC are now in the process of reviewing and re-tendering the bathroom framework which is due to finish in April 2018. Overall, the framework has delivered significant savings in terms of time and money for PCC and its stakeholders. Although there have been significant benefits, there have also been some drawbacks using the framework. Consequently, PCC is now exploring the use of a Dynamic Purchasing System (DPS) for the re-tendering of the framework.

In preparation for developing a robust contractor list to support the adaptations service, and to ensure compliance with regulations PCC carried out a soft market test in 2016 through Due North, to test the market and locate a Trust Mark Scheme Operator that could provide added value services such as:

- Access to list of adaptation specialist contractors for both grant work and private work.
- Ensure compliance with relevant regulations, for example Construction Design and Management Regulations 2015 and the Consumer Act 2015.
- Insurance backed Warranties to be offered to our customers.

PCC received one response only, which was from INCIC. Since this time PCC and INCIC have been working together engaging with all stakeholders concerned.

PCC have been developing a working relationship with Independence Brokerage Service CIC (INCIC) over the past 3 years. INCIC are a TrustMark scheme operator and a community interest company, they are specialist in Adaptation Repair Maintenance and Improvement (ARMI). They provide pre-qualification, vetting and inspections and ongoing monitoring of suppliers with access to an electronic software platform to aid in contractor monitoring and ordering of works. INCIC also provide guidance and support to Contractor/Suppliers as well as local authorities, charities and housing associations with regards ongoing compliance.

In regard to the re-tendering of the bathroom framework agreement (expires April 2018), PCC has not got sufficient resources independently to carry out this process and is now working with INCIC to help carry out the retendering exercises. Terry Brewer, former Head of Procurement at the London Borough of Harrow and Procurement lead for London Boroughs, is also assisting INCIC in the proposed provision to PCC of the evaluation and procurement process on its behalf. The Council propose to enter into an agreement with INCIC under which INCIC will set up and

administer the DPS at its cost on PCC's behalf and subject to its direction. This arrangement supports the on-going maintenance of any procurement exercise and ensures regular updates are provided to all organisations procuring adaptations works via the new system. This on-going arrangement would not be subject to any additional cost.

As stated earlier PCC procurement is considering the use of a DPS under these arrangements with INCIC. INCIC & PCC have conducted initial stake holder engagement in the use of a DPS and its costs, along with its additional flexibility and the cost savings that it could bring. This has been met with a positive outcome and a further willingness to engage and take this forward.

Part of the procurement process is to review the procurement systems and to evaluate traditional methods versus new alternative methods for procurement.

INCIC has carried out an evaluation and report on DPS and its advantages and disadvantages and has undertaken a comparison for a DPS vs a Framework agreement.

Please see attached Appendices which provides the following:

Appendix 1 - INCIC available services and benefits.

Appendix 2 - Report Framework V Dynamic Purchasing System (DPS)

Appendix 3 - Dynamic Purchasing System (DPS) Advantages and Disadvantages

Appendix 4 - Dynamic Purchasing System (DPS) time frames

Appendix 5 - Framework time frames

Appendix 6 - Potential costs

2.0 DPS as the Preferred Route

A DPS is the preferred option for PCC's Community Connections team as it provides an affordable yet flexible option to build upon and to continue to develop existing and additional services for our customer base and much wider in our communities.

PCC has extensive experience of running a bathroom adaptation framework, and whilst initial savings were found in terms of time and money, PCC has found the framework restrictive and challenging to ensure partner organisations are kept informed of changes and are utilising the framework to the best of its capabilities.

It has been found that a traditional framework locks out suppliers and local contractors that weren't able to demonstrate their capability or were unavailable at the time for the initial inclusion on the framework, thus restricting the use of new and innovative products or introducing new contractors. The use of a DPS allows greater flexibility to have an unrestricted compliant list and to include new entrants while allowing more time for entrants to comply, hence giving greater flexibility and support to suppliers/contractors and PCC. This in turn will benefit any other organisation wishing to utilise the DPS for their own customers (i.e. other Local Authorities). The DPS also provides additional cost effective benefits once set up for a wider use than a traditional framework, due to ordering and monitoring methods, potential adaptation design efficiencies and economies of scale.

3.0 DPS Duration and Terms

It is suggested that the DPS is set up for a 5 year period with an option to extend to 10 years. Once the initial DPS has been set up and is live there will be reviews annually from the live date with the ability for all parties to terminate the arrangement annually after the first year with one years' notice from termination date.

4.0 DPS Documentation, Criteria Customers and Suppliers

All documents, criteria, suppliers/contractors and customers to be used and approved in agreement with PCC prior to written agreements or publishing.

5.0 Potential costs, use and savings

Attached Appendix 6 includes projected/estimated costs for setting up the DPS and managing the DPS annually, along with projected income from those who have initially shown an interest. There is a broader interest in the use of the DPS by other customers (contracting authorities) to be explored.

Additional savings to PCC and potential income generation can be achieved by the broader use of the DPS by other customers, also through economies of scale and by the development and use of technologies allowing remote working.

Appendix I

Supplier standards and checks
Compliance to Procurement and Contracts Regulation 2015 (PCR 2015)
INCIC TrustMark
INHAS SSIP
Exertus Software
Web accessible software allows remote working
Application processes for suppliers to join scheme
Public search facility for traders including their skills
Mediated consumer feedback
Supplier monitoring portal
QESTRA Quotes, Estimates, Schedule of Rates, Tenders, Rotation, Audits
Workflow, collaboration and sharing
CDM Reports to help comply with Construction Design Management 2015 (CDM15)
Available supporting documentation
Standard compliant terms and conditions
Standard compliant contracts for contractor and consumer/residents
Standard three way contracts for design agent, contractor and consumer
Construction (Design & Management)* Under CDM2015 , every construction project needs a construction phase plan
Template policies and sign posting for micro business (Health & Safety, Equal opportunities etc.)
Support services
Information and advice and guidance on changes to regulations
Complaints handling
Technically competent inspectors to mediate on complaints
Access to compliant third party mediation service Alternative Dispute Resolution (ADR)
Support on Health and Safety issues
Supporting recent compliance to legislation changes and on going
Equality Act 2010 (Accessibility)
Support requirements to comply to new social care legislation The Care Act 2014 Implementation (1 st April 2015-2016)
Public Contracts Regulations (Feb 26 th 2015) (PCR15)
Construction (Design and Management) Regulations 2015 (CDM2015)
Changes to Consumer Rights Act October 1 st 2015
Alternative Dispute Resolution (ADR) 1 ST October 2015
Additional benefits generally across scheme

Ongoing development of software providing additional savings and benefits
Help to ensuring that contractors meet building regulations requirements
Ongoing and dynamic monitoring insurance and accreditations
Trading Standards background checks if required
Experian and Credit Safe checks and continuous monitoring
Integration of schemes
On-site initial technical inspections upon entry
On-site technical inspections and support for complaints
Out sourced supplier qualification and monitoring
Support of the migration of existing suppliers
Income generation and cost recovery
Flexible use of standards
Supplier engagement and price monitoring for schedule of rates
Provision of Lloyds of London Insurance Backed Warranty for suppliers
Access to additional financial products as they become available

Appendix 2

INCIC Report on the use of Framework V Dynamic Purchasing System (DPS)

Background

Independence Brokerage Services CIC (INCIC) is a Community Interest Company and have been working with Plymouth City Council (PCC) for the past 3 years. INCIC works with many different governing bodies such as TrustMark, Trading Standards, Safety Schemes in Procurement along with local authorities, housing associations including home improvement agencies throughout the UK.

Objective

This report is to help PCC to evaluate the benefits and draw backs of using a DPS V framework. We understand that the existing framework has delivered significant savings in terms of time and money for PCC and its stakeholders but has not been without its limitations. PCC is now considering the additional benefits, flexibility and challenges that a DPS may bring.

INCIC works throughout the UK with many local authorities and home improvement agencies and their stakeholders and has significant knowledge and understanding and views of how adaptations are procured and managed differently throughout the UK.

INCIC is working with PCC to look at the best option for retendering their Bathroom Adaptations contracts and is working with PCC on stakeholder and economic operator's (Contractor/Suppliers) engagement.

INCIC is aware of the Local Government Association "A guide to Dynamic Purchasing Systems within the public sector" and associated guide notes. INCIC has also had discussion with other organisations who have set up and operate DPS in similar sectors and have also consulted with PCC procurement who have set up a DPS for passenger transport services for home to school travel.

What is a Dynamic Purchasing System and how does it work?

A Dynamic Purchasing System (DPS) is a completely electronic system. The rules relating to the usage and creation of a DPS are set out in PCR 2015 Regulation 34. DPS are used by Contracting Authorities (CA) to purchase commonly used goods, works or services. Unlike a traditional framework, suppliers can apply to join at any time. This makes a DPS a more accessible and open solution designed to provide CAs with access to a pool of pre-qualified suppliers. DPS arrangements are best suited when expenditure is high, i.e. over a £1.m either, individually or as a collaborative arrangement. The lead CA may take on the role as a central purchasing body (CPB) and make the DPS available through a managed service arrangement to other authorities and may well take a percentage for management. There is no limit to the number of suppliers on a DPS.

DPS is a two stage process

Stage one - suppliers have to complete and pass a standard Pre-Qualification Questionnaire (PQQ) to be admitted to DPS and if rejected must be provided with feedback in order to enable them to re-apply at a later date if they so wish to.

Stage two - once suppliers are admitted to DPS (approved), contracting authorities (buyers) invite all approved suppliers in the relevant category to further bid for contracts, suppliers are not obliged to bid.

DPS is divided in to categories

A DPS can be divided into categories of works, services or goods (referred to as Lots), these may include the size of a contract or the geographical area of contract delivery. Suppliers can apply to single or multiple lots within a DPS.

In Summary

The concept and use of DPSs is not a new one and has, with the recent changes to the Public Contract Regulations (2015) become a more considered and used option in public sector procurement.

There are some serious considerations and challenges to take in to account when considering implementing and running a DPS system but there are also some undoubted benefits.

Appendix 3

DPS - Advantages and Disadvantages

Advantages

Flexibility.

The ability to add new suppliers at any stage (subject to them satisfying qualification criteria).

If suppliers do not match the selection criteria they can reapply and are not locked out in the future.

(Unlike a closed framework arrangement.)

Makes it easier to do business with the public sector.

Potential to increase access for harder to reach suppliers including small medium enterprises (SMEs).

Allows SME's to develop as suppliers.

Works well where there is a vibrant, competitive market.

Cost saving and increased competition.

Opportunity to stimulate markets.

Reduces the risk of the volatility of losing suppliers. (Unlike a closed framework arrangement.)

Can cover multiple projects and can allow for variations in areas/locations.

The ability to offer rate cards and volumes.

Acceptance around implementing DPSs, and where top spend areas have been progressed, there is the option to roll this out to other smaller areas of spend.

Increased competition throughout the life of the arrangement.

Construction features heavily in its use.

Once set up projects can be tendered simply and quickly.

No longer need to maintain a supplier list and no need to manually choose suppliers.

Brings many process benefits.

Provides better contract information.

Auditing is clearer.

Increased compliance.

Disadvantages

Stakeholders and suppliers lack of understanding of what a DPS is.

Demands of managing supplier and stakeholder engagement.

Continued engagement with suppliers along the journey, ensuring they are adequately supported.

Can be administration heavy at front end of process.

Under-estimating the potential challenge around cultural change.

Needs to be properly resourced – both through implementing and during the delivery process.

Large number of applicants.

Resource intensive, 10 days for suppliers to be evaluated from submission.

Management of list can be resource intensive.

Can have a long list of tenders.

Lack of understanding by suppliers of the 2 stage process.

The above have been identified in discussion with NHS London Procurement Partnership, who have introduced and operate a Minor Building Works Dynamic Purchasing System.

Appendix 4

Draft indicative - requirements and proposed time frames to be confirmed

Adaptation Repair Maintenance and Improvement (ARMI) DPS initially to be set up for bathroom adaptations for Plymouth City Council PCC with an option to expand in scope and use as required to other contracting authorities and social housing providers as per OJEU rules 37 (3)

DPS Time Table to implement

Activity	Target Date
Market and stakeholder engagement + documents	3 Months Prior to OJEU issue notice and supporting documents prepared
Issue of OJEU Notice and supporting documentation	31 st October 2017
Deadline for submission of DPS and PQQ questions	24 th November 2017
Closing date for submission of completed DPS applications	1 st December 2017
Evaluations of DPS applications and approval	11 th December 2017
Acceptance of successful applications onto DPS and signing of DPS agreements by INCIC	21 st December 2017
DPS go live	5 th January 2018
New applications to be admitted on to DPS	Ongoing throughout the proposed term of the DPS. New Applications to be evaluated by LPP within 10 Working Days of Receipt of completed PQQ.
Dispatch of bathroom adaptation ITT	TBA
Return of ITT	TBA
Evaluation of ITT	TBA
Selection of successful tenderers	TBA
Standstill period (ends)	N/A
Contract award	TBA
Contract mobilisation	1 st April 2018

Appendix 5

Draft indicative - requirements and proposed time frames to be confirmed

Framework to be set up for **Bathroom Adaptations** for Plymouth City Council PCC with potential users: contracting authorities and social housing providers to be identified when OJEU notice is published.

Framework Time Table to implement

Activity	Date
Market and shareholder engagement + documents	2 months Prior to OJEU issue notice and supporting documents prepared
OJEU Notice submitted for publication	18 th September 2017
OJEU Notice published	22 nd September 2017
Dispatch of ITT	8 th November 2017
Deadline for ITT clarifications	14 th December 2017
Deadline for responses to clarifications	19 th December 2017
Return of ITT	24 th December 2017
Evaluation of ITT	by 14 th January 2018
Post tender clarifications	by 14 th January 2018
Selection of successful tenderers	25 th January 2018
Standstill period (ends)	8 st February 2018
Contract award	15 th February 2018
Contract mobilisation	1 st April 2018

Appendix 6

Potential costs

Estimated budget cost to set up (DPS) INCIC	
Market engagement	£7,500.00
Business case (Plymouth)	£0.00
Allocation of procurement resource (Consultant)	£3,500.00
Document development	£6,750.00
OJEU/ Procurement process (Plymouth)	£0.00
Management of applicant Suppliers to (DPS)	£10,500.00
Invitation to tender (ITT)	£3,750.00
Tender evaluation	£4,500.00
Contract award process	£4,750.00
(Plymouth) Costs other	£0.00
Total cost to set up	£41,250.00
Estimated on going management cost (DPS) Pro rata additional value	
Admin cost to manage DPS	£19,500.00
Software to monitor, manage and host DPS 100 Contractors	£3,500.00
Disbursements	£1,000.00
Additional calls for competition	£0.00
Cost to run scheme per annum	£24,000.00

Estimated spend through DPS per annum	Value
Plymouth	£1,400,000.00
Cornwall	£3,500,000.00
Teignbridge	£738,000.00
Torridge	£414,000.00
South Hams	£429,000.00
Mid Devon	£392,000.00
Total	£6,873,000.00
Gross Value management 1% Per annum	£68,730.00