

# A guide to Dynamic Purchasing Systems within the public sector

Is it right for you and your suppliers?

# Foreword



Councils have been working together to improve their procurement practices and collaborative opportunities to improve value for money for many years now, commonly aggregating spend through framework agreements.

A framework agreement is an 'umbrella agreement' that sets out the terms (particularly relating to price, quality and quantity) under which individual contracts (call-offs) can be made throughout the period of the agreement (normally a maximum of four years).

Unfortunately, once the umbrella agreement has been awarded there is no opportunity for new suppliers to join until the next agreement is awarded. Dynamic (or electronic) purchasing systems (DPSs) is one way of overcoming this barrier but until recently were only suitable for commonly used goods and services and were time limited and inflexible.

The Public Contract Regulations, updated in 2015, put forward some new, clearer rules which do away with time limits and are flexible enough for suppliers meeting the tender criteria to be added to the list at any time. It was hoped that this would allow for greater competition, however the use of DPSs is still relatively low.

The Local Government Association (LGA) has been working with councils through its National Advisory Group for Local Government Procurement to try and understand the reasons for limited uptake of DPSs and this document sets out the findings of that work, providing a number of case study examples and a checklist of where a DPS might be best used.

I would encourage all councils to take the opportunity to review their procurement systems in line with the information set out in this guide to assess if using DPS arrangements provides greater opportunity beyond traditional approaches to public sector procurement for both you and your suppliers.

A handwritten signature in black ink that reads "Ron Woodley". The signature is written in a cursive, flowing style.

**Councillor Ron Woodley**

Deputy Chair, LGA Improvement and Innovation Board

# Contents

Executive summary	4
Introduction	6
Background	7
Key findings	8
Case studies	15
Cardiff Council: DPS for provision of passenger transport services	16
Devon County Council: DPS for passenger transport	18
Hampshire County Council: DPS for community transport	20
Nottinghamshire County Council: DPS for younger adult placements, homebased adult social care, community learning, looked after children and training	22
Strathclyde Partnership for Transport: Communication is key	22
Appendices	27
References and other resources	28
Acknowledgements	29

# Executive summary

This guidance aims to set out practical advice on what to consider when deciding on whether to use a Dynamic Purchasing System (DPS) and what to consider when implementing and running such a system. The findings are a culmination of a range of work from a variety of public sector organisations with either experience of, or an interest in, utilising DPS arrangements.

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.

In considering whether or not to implement a DPS arrangement there are some key considerations which should be considered, namely:

- Is the scale of the requirements sufficient to warrant the investment of time and resources, in particular spend being significantly large (either individually or as a collaborative arrangement)?
  - Are there large numbers of transactions which cannot easily be reduced through other means such as consolidation of invoices, or large number of 'independent' suppliers?
  - Would the spend benefit from continued consideration of competition?
  - Is there sufficient volatility in the markets or sectors of spend?
  - Would the category of spend benefit in enabling and allowing access to new suppliers to compete? It should be noted that certain markets or sectors are better suited to the potential benefits of DPS arrangements than others.
- In making any decision to implement a DPS key stakeholders (both internally and externally such as suppliers) should be engaged in the journey and considerations.

The findings also highlight the importance of considering the implementation of a DPS arrangement as a change project and as such it should be appropriately managed and resourced.

A survey of public sector organisations highlighting the top four anticipated benefits of a DPS arrangement were as follows:

- flexibility for suppliers to be added to the DPS arrangement at any stage of its lifetime, in other words open/ongoing access
- cost savings through increased competition
- opportunity to stimulate markets
- potential to increase access for harder to reach suppliers including small medium enterprises.

The main barriers when considering DPSs as a solution is the impact of administrating a DPS arrangement as well as the demands of managing supplier and stakeholder engagement.

The guidance sets out a number of recommended tips to aid both the decision making on whether or not to implement a DPS, but also around implementation, these are:

- speak to others who have set up or operate a DPS
- engage with key stakeholders
- don't underestimate the potential challenge around cultural change

- a robust business case formally signed off is considered a must
- consider running a pilot – trial it before rolling out a DPS across a range of categories
- properly resource it – both implementing and also during delivery
- don't forget to engage with the suppliers along the journey, ensuring they are adequately supported during both implementation and delivery.

# Introduction

The Local Government Association (LGA) has been working with a group of councils and other interested public sector partners to research the uptake and use of a DPS and the benefits and opportunities derived from those who have implemented such arrangements. This research has also helped identify some of the pitfalls and limitations.

Within public sector procurement the concept and use of Dynamic Purchasing System (DPS) is not a new one with the origins of DPSs being an integral part of the original Public Contract Regulations of 2006.

What has changed over time is how DPS arrangements can be implemented with an aim to make the options to use a DPS more flexible than was allowed in the original regulations, in line with the Public Contract Regulations 2015 (PCR2015).

PCR2015 now provides clearer detail on when and how DPS arrangements can be used, coupled with greater flexibility, however, many public sector organisations have still struggled to fully get to grips with implementing DPS arrangements.

The intention of this guide is to firstly provide practical advice to councils on how to give appropriate consideration to a DPS as a procurement tool for particular services, and if deciding to progress with a DPS, what considerations to bear in mind in order to make it a success.

It should be noted that the aim of this guidance is not to act as an authority on applying and implementing a DPS from a legal or regulatory perspective.

Likewise, this guidance does not offer views around suitability of systems or approach, only to act as a reminder that as part of the overall decision making and supporting business case consideration a view does need to be taken on whether to utilise existing system technology, procure new, or deliver via a managed solution provided by a third party.

# Background

During 2016 representatives from different councils and other public sector organisations in England have engaged in discussions on their experiences of either considering the use of a DPS or implementing DPS arrangements within their respective organisations. Following these discussions it became clear that there would be a benefit from sharing learning and experiences from both for those who had gone through such a process and those who had yet to do so.

It was also clear that practical guidance and/or case study exemplars to help authorities decide whether a DPS was a suitable procurement option or how to implement a DPS, was also lacking or difficult to get hold of in one place.

Accordingly, a virtual group from across those public sector organisations was established with the aim to share learning but also consider how this shared learning could become a wider resource for others to benefit from.

The work carried out by this group to help inform this guidance included:

- undertaking consultation via a survey with public sector organisations to obtain views on their experiences of DPS arrangements (see appendix 1)
- undertaking consultation via a survey with suppliers who supply services under DPS arrangements to obtain views on their experiences of using DPS arrangements (see appendix 2)
- carrying out follow up detailed discussions with councils to develop informed case studies
- collaborating across the virtual group to share individual experiences and knowledge exchange
- analysis of published contract notices on SIMAP.TED<sup>1</sup>
- wider research and sharing of other reference sources around DPS arrangements.

---

<sup>1</sup> SIMAP.TED – <http://simap.ted.europa.eu>  
The information system for public procurement (with the French Acronym of 'système d'information pour les marchés publics').

# Key findings – to implement a DPS or not?

Decisions on whether to use a DPS as a delivery option is certainly one that needs to be clearly thought out prior to making any formal commitment to do so. The intended benefits can be clear to list but what can be more challenging is actually quantifying these, and selling the benefits to a wider audience.

In simple terms DPS arrangements are best suited or targeted in areas of spend where certain elements come together, in particular a large volume of suppliers (with no recognised single or natural marketplace or connection between those suppliers) coupled with a large volume of transactions.

## TIP

Whilst there is no single metric on what would constitute 'large volumes of suppliers' or indeed 'large volumes of transactions' it is reasonable to expect that if the services required are to benefit from multiple suppliers then 'large' would be expected to be in excess of 20 suppliers. Below that number other options might provide more suitable alternatives, for example the option of setting up multiple supplier frameworks. Transaction volumes would certainly be in the hundreds and beyond per annum, with no option to consolidate the service provided and/or limit the resulting individual transactions.

For example, in the case of Cornwall Council the provision of taxi services is via a DPS arrangement involving an initial enrolment of in excess of 130 independent taxi operators with more than 1,500 independent transactions per annum.

From the other case studies it would appear these figures are broadly typical across organisations.

The total anticipated spend is also a key ingredient here in order to ensure that the effort involved returns the expected benefits from a DPS arrangement. Whilst there is not a defined figure in 'what constitutes large volumes of suppliers/transactions' equally there is no minimum spend per annum criteria. However, it is worth noting that in the case of smaller spend the effort required to implement a DPS may not payback against the intended benefits.

Analytical research from the capture of data from SIMARTED has indicated that for the sample period there were 242 live DPS arrangements published through the site. Average spend for top categories by number were:

- social care £72 million
- passenger transport (including home to school transport) £93 million
- training £38 million
- construction £79 million.

In addition, as part of the background research from the survey to public sector organisations, the annual spend figures for the DPS arrangements that are set up are typically in the millions, ranging from the lowest disclosed figure of £900,000 (and the only figure below £1 million disclosed) to annual spend figures in excess of £100 million.

The inference from this is therefore that bigger spend is a major consideration to focus on whether or not to implement a DPS, and would certainly be advisable where the implementation is the first one within an organisation.

Whilst overall spend is a major consideration to be had, there are other factors that need to be explored.

For example, where an individual organisation does not have the accumulative spend themselves, whether there is the option of collaborating with others.

In an organisation that has a cultural 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.

In addition to large volumes (suppliers/ transactions) being a key driver towards considering a DPS as a suitable delivery solution, other key characteristics are set out in Figure 1.

**FIGURE 1 Key characteristics of what might make consideration of a setting up a DPS a suitable delivery option – courtesy of Essex County Council ‘Making the Case to Implement a Dynamic Purchasing System’, December 2016.**



As indicated in Figure 1, and also by the use of the word 'dynamic' within DPS itself, there are several 'dynamic' characteristics which the implementation of a DPS is intended to help offset, in particular:

- enabling new entrants into the market and ultimately inclusion onto any DPS arrangement (subject to satisfying qualification criteria) which also can offset volatility of losing suppliers
- enabling suppliers to get up-to-speed to be able to compete and deliver under a DPS, by allowing them to apply at any time once the DPS is 'live' or enabled, plus if they don't match the selection criteria first time around the ability to re-apply if unsuccessful (unlike a closed framework arrangement)
- enabling competition through suppliers bidding for opportunities, which can see the public sector organisation benefiting from capacity within and across those eligible suppliers on the DPS.

The analysis of the work from SIMAP.TED further indicates a broad number of category areas where a DPS is now being used across the public sector, 30 in total, although some areas, such as the previously highlighted categories social care, passenger transport (including home to school transport), training, and construction feature heavily.

With such a broad spread of categories where DPS arrangements have been implemented it should not be assumed that each implementation will have the same outcomes or approach applied.

One of the responders to the public sector survey highlighted this point, noting that a "DPS seems to work well where there is a vibrant, competitive market... However in social care the issues are often around creating a market, for example social care in remote areas is an issue, foster care is scarce".

## TIPS to aid decision making

**Speak to others who have set up or operate a DPS** – find out the objective views from both those who lead the project to implementing it, and those who have the responsibility to run the arrangements. In addition, find out what their suppliers think of the arrangements – however, be wary of hidden agendas or biased points of view.

**Engage with key stakeholders** – it is important to gain support from key internal stakeholders as it can be a struggle to 'sell the benefits'. As part of implementing a DPS Essex County Council gave presentations to senior managers.

**Don't underestimate the potential challenge around cultural change** – as indicated with the need to engage stakeholders the introduction of a DPS into an organisation, or indeed a particular service, should be viewed as a major change project. With this in mind look to manage the change effectively, including consideration of a project team to support this change.

**Build a robust business case** – to get formal sign off and authorisation to progress. The business case should include setting out of the intended benefits, risks and means of mitigation and an understanding of the qualitative and quantitative costs. (Note, the appendices to this guidance include public reports outlining the case for implementing DPS arrangements for Birmingham City Council and Windsor and Maidenhead Council).

It should also not be overlooked that in order to comply with the regulatory requirements of using a DPS arrangement, there needs to be a fully enabled electronic tendering system or solution available to the public sector organisation. As highlighted in the supporting research undertaken as part of this guidance there are two main systems to be used; electronic tendering systems with functionality to deliver DPS arrangements, or the use of suppliers who provide the DPS as a managed service (with a service charge element to the

costs). The business case should consider the relative merits or drawbacks of both.

Other factors that may influence decisions on what technology or approach is applied would be in relation to the minimum spend value to put through a DPS, as managed service arrangements may well take a percentage cost of the value placed through the DPS, and where existing technology exists within the public sector organisation whether the licencing arrangements allow for such usage.

## So what about the benefits or the obstacles?

One of the main reasons for the initial group coming together to explore and share experiences around implementing DPS arrangements was to help establish the benefits of implementing DPSs for both public sector organisations and the supply market itself.

As part of the research on this project a survey of public sector organisations that had either implemented DPSs, or considered doing so, was carried out and included specific consideration as to the anticipated benefits from implementing a DPS arrangement. From the responses, the top four anticipated benefits were:

- flexibility for suppliers to be added at any stage of its lifetime – in other words open/ongoing access
- cost savings through increased competition
- the opportunity to stimulate markets
- the potential to increase access to hard-to-reach suppliers, including small to medium enterprises.

Encouragingly of those organisations who had undertaken a benefits review or realisation work all reported that the expected benefits were either met or exceeded.

The above emphasises the need to balance internal drivers and the reasons for considering implementing DPS arrangements (eg cost savings), with external factors, such as stimulating the market and ease of doing

business from a supplier perspective.

As highlighted earlier in the report the typical annual spend figures disclosed by those public sector organisations using DPS arrangements are high (typically in excess of £1 million per annum). Equally the financial benefit in terms of cost savings are also high, ranging from a low of £25,000 to more typically hundreds of thousands of pounds even into the millions. Of those who have expressed savings as a percentage this was typically between two and ten per cent.

## So what of the downsides to bear in mind with DPS arrangements?

The main barriers identified as to whether or not to implement a DPS indicate a lack of understanding of what a DPS is (which hopefully is further evidence of the need for guidance such as this), coupled with resistance to the proposed change (internally and externally).

As part of the research undertaken, particular areas to be considered include:

- the impact on administration, especially at the set-up stages and the initial vetting stage of adding new suppliers/entrants onto the DPS, plus publishing contract award notices, with one responder to the survey noting that “it can be an admin heavy process initially and also having to evaluate [new entrants] throughout the process”
- the demands of managing supplier and stakeholder engagement, with one noting “[pre-market] stakeholder/supplier engagement is a must as changing to a DPS is a considerable change” with further advice offered that “we spent around three to four months engaging with the current suppliers and advertising to other suppliers explaining the DPS... and holding a number of open days to talk about this”.

The supplier survey indicated that whilst some of the suppliers do think there are benefits to them from supplying through a DPS arrangement, namely:

- increased work opportunities
- making it easier to do business with the public sector
- the ability to reapply for registration if initially unsuccessful.

There were also a significant proportion who felt there was no benefit to them at all. The next section provides some more thoughts on how these concerns can be in some way mitigated.

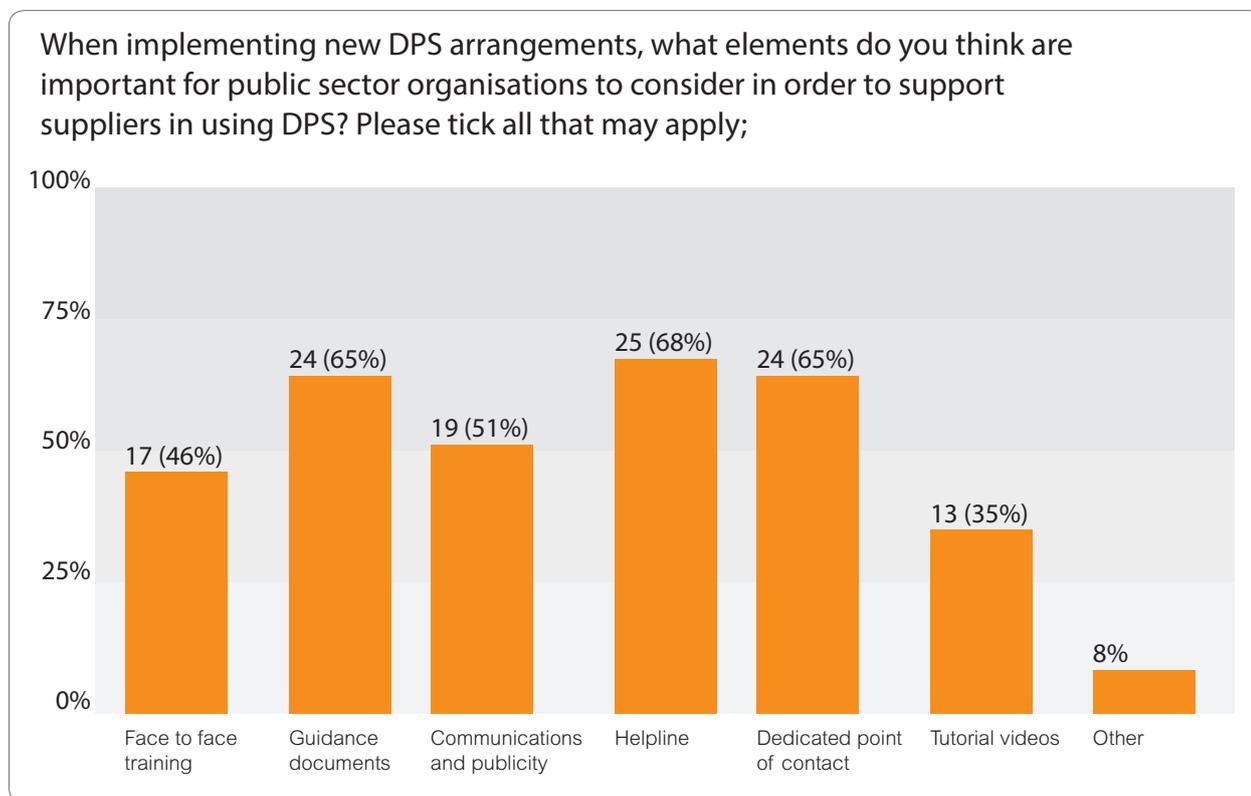
## Decision made, now time to implement

Making the decision to implement a DPS arrangement to deliver services is not to be underestimated, especially where this is new and unfamiliar territory for a public sector organisation. Equally, neither should the work and effort required to implement changes.

However by following a structured and engaged approach to decision making that includes the buy in from senior stakeholders, obtaining research from others, and ensuring formal authorisation of a business case, should help lay firm foundations for the implementation to progress in an efficient and effective manner. Where a DPS has previously been implemented in a service area any further business case may be able to make reference this earlier work and be briefer in detail.

A survey of suppliers who are (or have been) part of supplying services through a DPS arrangement has provided valuable insight about how to get the best results. The findings from the survey show that providing a complimentary range of support through training (face-to-face, tutorials and guidance), plus ready access to support, eg a helpline and dedicated point of contact, can positively affect implementation.

**FIGURE 2 - Extract from Supplier Survey Response – see Appendix 2 for more details**



With a broadly even response around whether or not the suppliers found the initial registration process complex or straightforward (note: marginally more suppliers [58 per cent] found the process complicated rather than straightforward). It highlights the importance of giving clear thoughts to how best to manage the initial registration and ongoing registration process, with three further recommendations to help suppliers:

- (i) setting out the expectation of time – for example how long it should take to register and what happens next
- (ii) providing clear and simple information around what is being asked of suppliers and what information they need to provide, coupled with the access to support as detailed above (from the research undertaken individual councils have produced their own supporting guidance to assist suppliers as often the guidance provided by the suppliers of the DPSs is deemed ‘too technical’ and ‘not straightforward’)
- (iii) testing the technology and making it as simple to use as possible within the constraints of the system before promoting the DPS arrangement.

#### TIPS to aid the implementation

Look to run a pilot, trial it before rolling out a DPS across a range of categories. One way of introducing a DPS within an organisation would be to target a pilot category of spend – but be careful to not allow the ‘choice’ of using alternative methods other than the DPS.

Properly resource it –do not underestimate the resources needed to support the business/client side to get this up and running and then into business as usual. Implementing a DPS from afresh can be ‘administration heavy’ at the front end of the process. For example, when setting up DPS arrangements, Cornwall Council vetted over 130 taxi providers at the start of the DPS (within the first couple of months).

This then reduced to a more manageable number (four or five per month) within six months of implementation.

Don’t forget to engage with suppliers as early as possible. For any DPS to be successful it needs engaged and motivated suppliers, both interested in investing their time to get onto the DPS, but also once on the DPS, being involved in bidding and competing for opportunities that arise. Some specific examples of support that could be provided are:

- demonstrations of the DPS technology for potential suppliers at roadshows with options to assist them in taking them through the registration process – remember, you may well be implementing a DPS in market sectors where electronic tendering is not commonplace
- having a communications plan (and also making key details and information readily available, eg details on the qualifying factors required to be approved available on your website)
- survey suppliers to find out how things are going and how things can be improved
- use guides to help the supply base and help to make the setting up of the DPS sustainable
- relevant ongoing engagement with suppliers once the DPS is up and running, including the opportunity for suppliers to provide feedback via six monthly or annual surveys, and sharing relevant statistics or data around how effectively the DPS is performing – likewise, ensure suppliers are kept up-to-date with changes in the process or system.

## Conclusion

Our work has identified a range of factors that need to be considered when deciding whether or not to implement a DPS. Most importantly:

- understanding the impact of change management required – and cultural readiness
- the cost of change
- capturing and tracking benefits
- bringing key stakeholders on the journey – both internal and suppliers
- getting the approach right to implementing
- remembering a DPS is not a one-size-fits-all solution, and won't cure all tricky spend areas with suppliers
- DPS arrangements need to be appropriately managed.

# Case studies

# Cardiff Council

## DPS for provision of passenger transport services



Interview participants

**Lucy Williams**, Cardiff Council  
**Siham Tahari**, Wiltshire County Council

The Cardiff DPS was for the provision of all passenger transport services including the home to school transport service for children in mainstream education, children with special educational needs (SEN), children and adult services, local bus services and ad hoc taxis and any other passenger transport services provided by the council.

The nature of the DPS is to provide scheduled and non-scheduled passenger transport routes via a broad range of appropriate vehicles. Wheelchair adapted vehicles will form part of the requirement.

The DPS was split into the following 'lots' with the aim of improving the quality of service, to allow new suppliers entering the market to be accepted onto the arrangement and to increase competition after the initial routes has been tendered.

- Lot one – vehicles over 17 seats
- Lot two – vehicles with eight to 17 seats including special adapted vehicles
- Lot three – taxis with a regular driver
- Lot four – ad hoc taxis

Discussions with the service demonstrated that requirements were expected to change in 2012/13, therefore it was agreed that an interim arrangement would be put in place to ensure compliance and value for money throughout 2013 whilst longer term requirements were scoped and agreed.

The interim framework arrangement had 31 contractors operating 616 routes across 60

mainstream and SEN schools, children and adult services routes. This was awarded on a price per mile basis and all suppliers were ranked within a number of lots. The council's in-house passenger transport team managed the above arrangement to meet all their existing requirements.

The estimated annual spend placed via DPS for the council is £6.4 million per annum.

It was broadly accepted that implementing a DPS would bring benefits to the council who were encountering a number of challenges through the existing process such as:

- low quality of service as suppliers had become complacent
- lack of innovation and continuous improvement from suppliers, no added value
- new suppliers were being excluded from entering the arrangement and then had become less incentivised to develop services
- lack of competition once initial routes had been awarded, cost increased significantly
- lack of flexibility within the arrangement.

The council, through implanting a DPS wanted to improve the quality of the service, suppliers were not accepted onto the DPS without passing all the selection questions and quality threshold, as well as encouraging suppliers to be less complacent when tendering and to be innovative with new approaches to service delivery. Finally the councils wanted to achieve savings with more suppliers being able to bid on routes and to increase competition throughout the life of the arrangement.

The main challenges to implementing the DPS were based on the need to explain the process to suppliers and training them to use an

electronic system as well as investigating and establishing how the current procurement portal.

Now the DPS has been implemented the council has reviewed the outcomes achieved against the decision to implement and have concluded:

- competition has increased after initial routes had been awarded
- supplier's quality of service has improved
- there are an increased number of SME's on the DPS who are developing as suppliers.

## Benefits

A number of benefits have been identified since implementation, the evaluation process is quicker enabling the directorate to now manage the DPS themselves. The improved service has meant there is less need for day-to-day contract management with suppliers. The DPS and e-auctions of the DPS have achieved a £500,000 saving for Cardiff and because the streamlined, electronic process routes can be tendered simply.

## Key considerations

Regular project group meetings with the central in-house passenger transport team and a cross functional project team including finance, legal, stakeholders and procurement, were implemented and so internal communications with this team were important as were regular communication with managers and the portfolio member and head of transport via the passenger transport team.

With the assistance of Business Wales Cardiff held a 'meet the buyer' event with suppliers to explain the change in process, the reasons for the change and the draft timetable of events.

They also held group training sessions with suppliers on the use of the DPS, Proactis and e-auctions. Business Wales also held small session with suppliers to help them through the process. If suppliers failed to be accepted onto the DPS Cardiff held debrief sessions with them.

The in-house passenger transport team were on board with the changes and were engaged from the beginning as it was something they had been looking into for some time. A visit to Devon Council who had already implemented a DPS to understand the challenges/barriers and lessons learnt was arranged.

Some smaller suppliers were not always supportive of the changes mostly due to the move to e-auctions and the electronic system. The suppliers were apprehensive as the selection and quality criteria had been strengthened. However, once the council had explained that they would not be 'locked out' of an arrangement, even if they failed to win the work from the first mini-competition, they were reassured.

## System

The council was implementing a technology solution for procurement not just for the DPS functionality. Initially the DPS functionality was not a high priority.

The evaluation of new entrants on to the DPS in the first six months was time consuming but now there are only one or two new entrants every month or so. The DPS has been running for three years now and Cardiff plan to run another one next year. The ongoing administration of the DPS is carried out by the directorate, as it is easy and simple now that the system has more functionality.

With regards to costs for the system, it was not costed into the business case but cost has been absorbed by the efficiency saving of a totally electronic system. Management information is also simpler. Cardiff can see how often suppliers bid, their prices, as well as:

- the number of pupils transported morning and afternoon on each vehicle to and from school per day
- the number of pupils boarding and alighting at each stop, morning and afternoon, for each route
- the numbers of bus pass/fare paying pupils on morning and afternoon journeys
- the number and details per route number of any damage to vehicles by users.

# Devon County Council

## DPS for passenger transport



Interview participants

**Paul Kirby**, Devon County Council  
**Siham Tahari**, Wiltshire County Council

Transport is a main DPS category area in Devon covering taxi, bus and emergency passage transport for the NHS. Devon also have one learning DPS.

Devon's current tendering system was not working as efficiently as they would have liked so it was decided to switch to a DPS. Discussions were held with a neighbouring authority on use of frameworks, concerns were raised with regards to one supplier winning many of the tenders and issues relating to sub-contracting arrangements, which gave concern over potential lack of control with regards to safeguarding.

Devon is a big rural county. To meet the service needs across Devon a fluid strategy was required to allow the supplier base to grow and cover the county. The DPS would give a more fluid way to recruit (and remove) transport suppliers whilst allowing services to continue and be maintained.

## Benefits

Transport is an expensive commodity, the DPS allows procurements to be tendered to get the best price. The benefits are quantifiable. A review team looks at routes on a regular basis to check for routes which may no longer be of value, eg they have been with the same operator for a long period or the price has increased. Where the review team reroutes, or routes require amending for another reason, they will tender the route. This benefits suppliers by keeping contract opportunities in the market. The expected benefits have been delivered, efficiencies in doing business through the DPS has created savings for the council and opportunities for suppliers.

At Devon financial savings were closely measured, to ensure they were realised and accounted for. Financial savings allowed for job post funding by the savings made in managing the market through a DPS. The in-year savings average was £300,000-£400,000 against deficit through tendered routes.

## Key considerations

To help manage any potential issues with taking suppliers onto a DPS process, a phased approach was used. April was set as the date when the DPS process was made mandatory and it was decided to have two DPS initiation rounds starting in January ready for go-live in April. This approach proved invaluable because suppliers did not answer the DPS questions robustly enough in the first round. The two rounds allowed suppliers to re-apply in a managed way. This also set a time aside to manage the amount of data for evaluation prior to the April start date.

Supplier questions were mainly yes/no and pass/fail limited questions. The DPS was structured this way to be in line with regulations and in order to support suppliers to make the transition onto the DPS as painless as possible.

To have good supplier engagement with the system it is key to build good supplier relationships and to enable as many suppliers on the DPS as possible.

## System

Early implementation challenges included the need to educate suppliers in using the system. The early development charges and timescales were a challenge but the benefits of more automation in the process (no longer needing to manually choose suppliers, create and maintain supplier lists for example) have brought many process benefits.

Auditing is clearer – Devon can see which suppliers have applied, which suppliers are pulled through, and which suppliers are sent invitations.

Because the DPS provides better contract information invoices are processed quickly. A third-party invoicing system interfaces with the finance system. If there is a contract match then suppliers are paid automatically and this encourages suppliers to bid for work.

# Hampshire County Council

## DPS for community transport

Interview participants

**Paul Drake**, Hampshire County Council  
**Siham Tahari**, Wiltshire County Council  
**Clare Gebel**, Essex County Council

Hampshire County Council operates four DPS systems, three covering community transport and the fourth covering training. This case study concentrates on the community transport category. There is no separate overarching DPS strategy but this is covered within the relevant transport category plan.

Hampshire has been operating a DPS system since 2012, their first system being replaced in 2016 with a much longer 10 year contract.

The internal customer is using the electronic portal to run the DPS and mini-competitions.

Contract spend through the DPS systems are as follows:

- Taxi services £220 million
- 17 seater vehicles and above £50 million
- Public bus £80 million

All requirements are fulfilled via the DPS.

## Benefits of the DPS

The DPS is ideally suited to engage the market quickly with a pre-approved supplier base. Hampshire are able to request quotations and obtain speedy responses from large numbers of suppliers who are quickly able to select the contracts that they bid for.

The DPS also has the ability to add new suppliers who meet the minimum criteria to the DPS in an ever changing market sector and to remove suppliers who have ceased trading or where performance standards have decreased. This allows the contracts to be kept up-to-date. This is particularly relevant for taxis where there is a high business turnover.

Savings primarily from back office internal process efficiencies and standardisation of documents and forms have been made. There are minimal savings from service delivery, but each contract is competed allowing the market to identify pricing.

## Key considerations

There is a need to have a good understanding of the market sector that the DPS covers in both terms of knowledge and experience. Setting the criteria and minimum standards for entry to the DPS requires careful consideration and needs to be finely tuned to identify from the outset what is to be achieved. For example the taxi market does not typically bid for work using IT processes and their knowledge levels have been found to be low on some of the issues that would normally be tested as part of a traditional tendering exercise. Setting the criteria too low gives suppliers access that cannot meet the requirements and setting the thresholds high with overly complex questions discourages participation and may result in companies that can perform not engaging with the DPS.

Internal resource needs to be planned carefully particularly around implementation of the system. There is likely to be a large number of applications at the start of any new DPS and depending on the number of questions the suppliers need to respond to, may take considerable time to evaluate.

Appropriate levels of internal resource also need to be available to evaluate the ongoing supplier additions and to run the DPS mini-competitions.

Hampshire's standard terms and conditions were all prepared prior to the DPS and provided as part of the DPS process to identify the expectations to potential bidders. These documents were developed by a cross functional team of client, legal and procurement. This assisted with consistency, knowledge and engagement.

Prior communications were provided to the relevant market sector and potential bidders to raise awareness and provide support for suppliers. Guidance on how to use the electronic portal was supplied with a help number, as well as guidance on how to complete the online questionnaires.

## DPS for younger adult placements, homebased adult social care, community learning, looked after children and training

Interview participants

**Clare Winter**, Nottinghamshire County Council

**Michael Fowler**, Nottinghamshire County Council

**Clare Gebel**, Essex County Council

Nottinghamshire are operating a DPS across a number of categories including younger adult placements, homebased adult social care, community learning, looked after children and training.

The current DPS started approximately eight months ago and was made more attractive by the changing of the EU procurement regulations allowing a longer maximum term (10 years) for DPSs.

The sponsor for the DPS is the Director of Finance with delegated responsibility to the Head of Procurement. The system initially being managed by procurement for six months but now handed over to the commissioning team.

Nottinghamshire use Due North to run their DPS. This system was previously being used for all tender activity and was adapted to add the DPS functionality.

There is no overall strategy for the DPS but it is always included as one of the options in the category plan process and the pros and cons considered on an individual basis.

The case study particularly focuses on the adults and children's services.

### Benefits

Previously there were a large number of placements being contracted on a 'spot' basis.

The biggest advantage to a DPS is that the framework is always open and therefore you can increase capacity and competition by adding additional suppliers. This gradually reduces the off contract spend. For Nottinghamshire this is also being used for out-of-county spend.

The DPS also offers:

- increased compliance
- better management of placements (costs for younger adult placements used to be negotiated at the end of the process after the choice had been made but is now an integral part of the placement decision)
- wider supplier base
- cost saving – rates capped
- flexible multiple providers and geographical lotting.

Supplier benefits:

- clear and transparent process for the supply base
- SMEs are engaged
- standard selection criteria is making the process easier
- if you miss a mini competition you have in fact only missed out on one placement opportunity rather than a long term contract.

## Barriers

There were some barriers to the DPS's implementation from various groups of stakeholders.

- Commissioners were resistant to change and preferred their old systems as under this it was easier to go to their favoured suppliers. To get commissioners on board involved a significant number of internal meetings.
- Suppliers wary about the system and not used to the technology. The need to sell the positives of the system and help them with system training. This was done through 'meet the buyers' events where training was given on the system and access, pre market events and bidders events for all. Key messages required on no longer using spot placements.
- For the procurement team there were no barriers. This was aided by the skill and competency on the system by a particular member of staff who was able to help with the adaptations required and system set up.

## Key considerations

A DPS uses an 'open' process and so more, potentially hundreds more suppliers will need to be evaluated, approved, trained, communicated with and managed. Nottinghamshire expect this will become easier as DPSs become more prevalent.

Within the social care market sector there tends to be a parent company who will own a number of homes or offices. System limitations have meant that there can only be once contact set up which is generally a central bid team within the parent company. This means that the individual care homes don't see the opportunity and these are sometimes missed by local suppliers. It is therefore vital that suppliers to have the right internal communication channels.

Communication is key with all stakeholders internally and externally. Pre-market engagement is particularly important and is ongoing with the out of county areas and very complex cases where pre market engagement is undertaken to get suppliers on the DPS before the mini competition is launched.

For younger adults to date there have been 60 mini competitions/ITTs issued. There have been some with no bids and some bids that haven't been compliant, but with the DPS it is easy to reissue the requirement until it is fulfilled.

# Strathclyde Partnership for Transport

## Communication is key



Interview participants

**Louise Cairns**, Strathclyde Partnership  
for Transport

**Clare Gebel**, Essex County Council

Strathclyde Partnership for Transport (SPT) was formed on 1 April 2006. It is a shared service and the largest of Scotland's seven regional transport partnerships. It covers the west of Scotland and is part of the transport framework created by the Scottish Government. Strathclyde Partnership involves planning and delivering transport solutions across the region in conjunction with the member councils and industry partners.

The SPT DPS is being run on the Bravo e-procurement system, 'Public Contracts Scotland Tender'.

The DPS is being used for home to school transport. It has been up and running for a year. Development took nine months. To date four mini competitions have been run.

Prior to using the DPS SPT were running an OJEU open tender every single time using hard copy documents. The contracts were awarded on the basis of best price and variant bids could be offered. The pricing values from the hard copy were re-entered to evaluate the best combination bids. There are a large number of contracts over 800 per annum across 200 operators.

## How this change happened

SPT developed a business case led by procurement. Engagement with all stakeholders started early and has been very comprehensive. This involved a number of negotiations with the internal strategy team and review by the 11 member councils who utilise the service. Workflow was reviewed and areas of improvement identified. There was a full options appraisal.

It was acknowledged that this requires a different thought process from normal procurement as it opens up the market rather than reducing or limiting the number of suppliers and gives a mechanism to make this manageable.

As part of the process the selection criteria was amended from lowest price to a most economically advantageous tender using 90:10 cost quality ratio. Carefully defining what quality questions should be asked to differentiate good quality from poor. The formal notice for establishing the DPS does give some flexibility to review the weighting ratio over the 10 years of the contract.

Development of the system took about nine months in order to get the correct structure. There were five variations before the correct structure was designed. Make sure you use the experts (system providers) and others with experience.

System allows suppliers to offer single price/variant bids, earlier or later pick up or to describe the differences to the specification and give a price, it also allows for packages of contracts to be offered with a volume related discount.

Bravo system is the system provider. The quality section is auto scored as much as possible by using the maximum number of dropdown answers.

The tool includes the ability to download the pricing responses to a csv file and then SPT have developed an application to take this file and evaluate all of the bids on a best combination basis. SPT own the intellectual property rights to this app.

As part of the setting up of the DPS from the previous 200+ live operators four operators did not participate but 20 new operators were gained.

The council education departments approve the transport requirements and then input into the SPT system. This goes to the SPT procurement team who run the mini competitions to fulfil the requirement.

## Benefits

- Reduces procurement timescales, with turnaround reduced from one month to 10 days.
- Quicker turnaround gives more opportunity for testing new ideas, they can be implemented quickly and evaluated and replaced easily if something is not working.
- Reduced administrative paperwork gives more time for strategic analysis.
- Compared to the manual process the DPS requires less resource which has enabled the partnership to take on additional work from other councils and to complete this from the same resource envelope. Examples assisted special needs (ASN) transport.
- Cost savings from streamlined processes and better bids.

## Key considerations

- Communication with the 11 participating councils started at the education liaison meetings and progressed to separate meetings later.
- Communication with the market was the biggest key. The market is vary varied with a number of operators from national companies, SMEs, taxi operators, individuals topping up income using their own vehicles. Expertise is in caring and looking after the clients rather than IT.
  - Phoned, texted and emailed every single operator. Resource intensive.
  - For implementation two operator days were held with three sessions each day. There was a presentation for all and laptops available so operators could log on. There were procurement staff available to help and support anyone with queries
  - Further training sessions were offered on a one-to-one basis for any operators struggling with the change.
- As a result of some of the very rural areas covered by the partnership a number of operators did not have computers or easy access. One example is a funeral director, who delivers home to school transport in a very rural area, on one of the remote islands whose house has no ability for internet access and has to drive to the library the other side of the island in order to access the system and participate in mini competitions.
- The instructions that Bravo provided for the operators were “too techy” and so SPT did their own using basic down to earth language and screen shots.
- There was a tick box on the system which was missed and for implementation one of the issues meant that SPT had to individually add 200+ suppliers to 13 lots, this was resource intensive at the beginning

## Future

Over time SPT believe that the market place will change. What currently happens is that operators (particularly the smaller ones) bid for more routes than they can deliver in the hope that they will not lose business. If they are best value and get awarded everything they bid for they then hand some of the routes back. By extending the time between the mini competition and the contract start date best value operators have said that they would be willing to invest in terms of capital investment and this will allow time to increase staffing and get extra resources. Currently looking at getting to eight weeks between contract award and commencement. The aim is that eventually the award then will be met from the best value and best and first choice supplier. This will also lead to longer term cost savings.

## Author's note

This is an interesting case study both because of the scale of the number of authorities it represents – the range and complexity of the supplier base – and the scale of change in order to implement.

# Appendices

## **Appendix 1**

Survey – Dynamic Purchasing System  
(public sector)

## **Appendix 2**

Survey – Dynamic Purchasing System  
(suppliers and users)

## **Appendix 3**

Dynamic Purchasing System checklist

## **Appendix 4**

Analysis of existing dynamic purchasing  
systems in the UK

[www.local.gov.uk/national-procurement-strategy/modernising-procurement](http://www.local.gov.uk/national-procurement-strategy/modernising-procurement)

# References and other resources

Crown Commercial Services 'The Public Contracts Regulations 2015 and The Utilities Contract Regulations 2016 Dynamic Purchasing Systems'  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/560265/Guidance\\_on\\_Dynamic\\_Purchasing\\_System\\_-\\_Oct\\_16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/560265/Guidance_on_Dynamic_Purchasing_System_-_Oct_16.pdf)

Bevan Brittan Procurement Byte: Dynamic Purchasing Systems (DPS) 1 – Planning for a DPS  
<https://www.bevanbrittan.com/insights/articles/2016/procurement-byte-dynamic-purchasing-systems-dps-1-planning-for-a-dps/>

Bevan Brittan Procurement Byte: Dynamic Purchasing Systems (DPS) 3 – Operating a DPS  
<https://www.bevanbrittan.com/insights/articles/2016/procurement-byte-dynamic-purchasing-systems-dps-3-operating-a-dps/>

Leanne Edwards: Dynamic Purchasing Systems and the Death of Frameworks  
<https://www.procurious.com/procurement-news/dynamic-purchasing-systems-and-the-death-of-procurement-frameworks>

Essex County Council  
[www.eelga.gov.uk/documents/conferences/2016/14%20october%202016%20procurement%20master%20class/zoe\\_harriss\\_ppt.pdf](http://www.eelga.gov.uk/documents/conferences/2016/14%20october%202016%20procurement%20master%20class/zoe_harriss_ppt.pdf)

Royal Borough of Windsor and Maidenhead Cabinet Report: Dynamic Purchasing System – Business Case  
[http://rbwm.moderngov.co.uk/documents/s4883/meetings\\_160324\\_DPS.pdf](http://rbwm.moderngov.co.uk/documents/s4883/meetings_160324_DPS.pdf)

Brighton and Hove  
[https://present.brighton-hove.gov.uk/Published/C00000912/M00006399/AI00054776/\\$Enc.%202%20for%20Residential%20Child%20Care,%20Foster%20Care%20and%20SEN%20Education%20Placements.docxA.ps.pdf](https://present.brighton-hove.gov.uk/Published/C00000912/M00006399/AI00054776/$Enc.%202%20for%20Residential%20Child%20Care,%20Foster%20Care%20and%20SEN%20Education%20Placements.docxA.ps.pdf)

# Acknowledgements

We are very grateful to the local authorities and other public sector organisations that have lead on the development of this report, supporting case studies and other reference material, in particular to **Steve Sandercock**, Cornwall Council, for coordination and contribution to the earlier draft guidance, **Zoe Harriss** and **Clare Gebel**, Essex County Council, for provision of initial analysis and leading on the more detailed case study work, and **Siham Tahari**, Wiltshire Council, for further support on the case study work.

## The virtual project board

Birmingham City Council  
**Robert Cummins, Manjit Samrai,  
Charlie Short**

Bristol City Council  
**Jacqueline Miller**

Central Bedfordshire Council  
**Elizabeth Matthews**

Cornwall Council  
**Steve Sandercock, Su Matthews**

Devon and Somerset Fire and Rescue Service  
**Melanie Walsh**

Dorset County Council  
**Claire Morecroft**

Essex County Council  
**Zoe Harriss, Steve Ede**

Gloucestershire County Council  
**Patricia Flegg**

Kent County Council  
**Yasser Mahmood**

Milton Keynes Council  
**Dina Adib**

NHS Wales Shared Services Partnership;  
Procurement Services  
**Leanne Edwards**

West Midlands Fire and Rescue Service  
**Laura Yarnold**

Wiltshire Council  
**Mike Pankiewicz**

## Case study authorities

Cardiff Council  
**Lucy Williams**

Devon County Council  
**Paul Kirby**

Hampshire County Council  
**Paul Drake**

Nottinghamshire County Council  
**Clare Winter, Michael Fowler**

Strathclyde Partnership for Transport  
**Louise Cairns**







**Local Government Association**

Local Government House  
Smith Square  
London SW1P 3HZ

Telephone 020 7664 3000  
Fax 020 7664 3030  
Email [info@local.gov.uk](mailto:info@local.gov.uk)  
[www.local.gov.uk](http://www.local.gov.uk)

© Local Government Association, May 2017

For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.

REF 4.30