

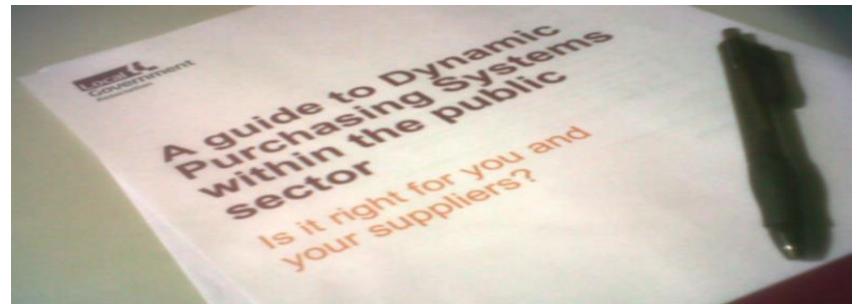
Making a Dynamic Purchasing System work for you and your suppliers

Steve Sandercock (Cornwall Council)
Zoe Harriss (Essex County Council)

Introduction and Aims of the session

- The work undertaken with the Local Government Association on DPS.
- Outline the concept on what a DPS is.
- When they are best suited to be used.
- Findings from the research on DPS arrangements, including:

The benefits and challenges to overcome &
tips for success



Concept on what a DPS is

- Public Sector procurement has for a long time had the option to utilise Dynamic Purchasing Systems (DPS) as route to market as a viable alternative to frameworks
- Unlike the use of frameworks the understanding and use of DPS appeared less well known
- Details set out in Regulation 34 of the Public Contracts Regulations 2015

Key characteristics – what differs from a Framework

- Open for suppliers to join at any time, subject to qualification stage.
- Suppliers able to reapply if not successful in first application.
- It has to be an all electronically process – both from the applying to be on it to placing of opportunities through it.
- Increases transparency for suppliers and Small Medium Enterprises (SMEs) and new entrants to the marketplace.
- Creates active competition in real time.
- No time limit in duration for a DPS (frameworks limited to 4 years)

When to use a DPS?

As part of wider discussions across a group of Public Sector partners there was interest around wanting to find out more in how best to maximise the benefits from DPS and minimise any downsides.

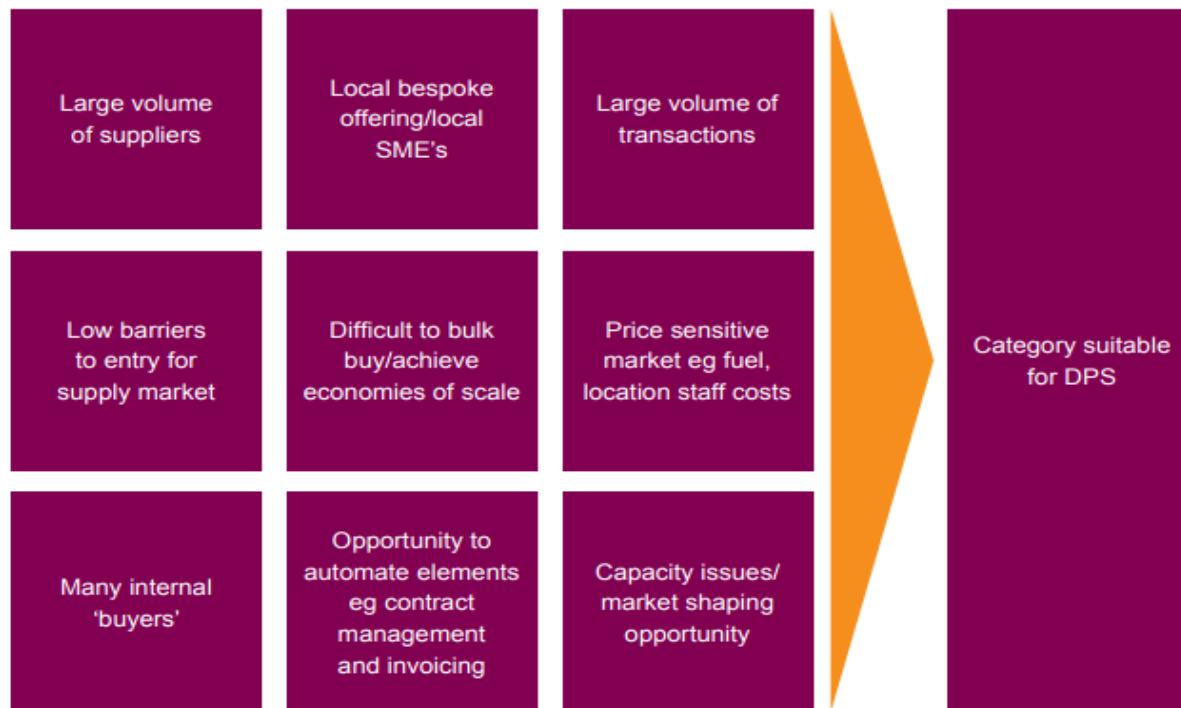
Virtual group of public sector partners and Local Government Association set up to explore this further, with the aim of:

- Creating a forum to share ideas and learning on DPS – remove myths around implementing DPS;
- Generating guidance, tools and tips for other Local Government and Public Sector in the practical application of DPS as a credible option for doing things differently;
- Developing and sharing case study learning, and areas of best practice or excellence.

When to use a DPS?

Overall aim to aid and advance investment decisions in a manner which maximises opportunities to exploit DPS as means of engaging with relevant market sectors.

Some key characteristics for when DPS is suitable use



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.

This is further explored and interpreted as part of the LGA Guidance into a checklist looking at ...

Key questions			Other comments
	Yes	No	
1 Is the marketplace/sector dominated by a large number of independent suppliers?	Yes	No	If no, considerations should also be given to alternative options, for example frameworks. In terms of large as a guide this would be >20 suppliers
2 Is the marketplace/sector is dynamic and fluid in respect of the supply base (eg regular new entrants/suppliers exiting the market, etc)	Yes	No	Where the nature of the market place is likely to see new suppliers entering the market or the desire to stimulate the market to attract new entrants, this may well be a characteristic that indicates benefit from a DPS being established.
3 Is the market suited to local/geographical supply for the services?	Yes	No	Typically the more local the provision potentially the better The match for a DPS
4 Is there is no opportunity, or very limited opportunity, to otherwise shape or stimulate the marketplace?	Yes	No	In terms of shaping the market/sector is it possible to do things differently? For example to set up a prime supplier model or alternative call off models?
5 Is overall annual spend significant enough to warrant setting up specific arrangements for this spend?	Yes	No	Annual spend should be significant to warrant the effort to set up and manage a DPS – where anticipated spend is less than £1 million careful attention should be placed on the business case to see if a viable option (especially where DPS is not currently in place in that organisation). Also could collaboration be an option to raise the spend levels?
6 Are there lots of transactions/ordering which are not able to be dealt with differently?	Yes	No	Lots of transactions or ordering can make a DPS an attractive Proposition, but consideration also needs to be made in terms of what can make the current processes more efficient. For example, can other activities be put in place, like transactions be consolidated, or bulk buy arrangements put in place?
7 Are there lots of low average unit price per transaction orders being raised?	Yes	No	This should be seen as a potential characteristic to make a DPS a suitable arrangement, but note, in the case of certain services (eg care arrangements) this may see a higher individual unit price due to the nature of the service provided.
8 Would the type of services benefit from ongoing competition around price / delivery due to ongoing volatility in the market?	Yes	No	The greater the market sector volatility the potentially more suited is a DPS arrangement to help drive out value for money. The volatility could be driven by numerous influencing factors including commodity/product price and/or variable numbers of suppliers.

Footnote

The above checklist should be used as a guide to whether setting up a DPS should be seen as a credible option. It does not require all 'yes' responses and should not detract from the need to undertake further due diligence work to prove if this is the right option to take forward.

<https://www.local.gov.uk/sites/default/files/documents/Appendix%203%20-%20DPS%20checklist.pdf>

But you do have to understand the market ...

“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”

Quote from Procurement professional as part of Survey response

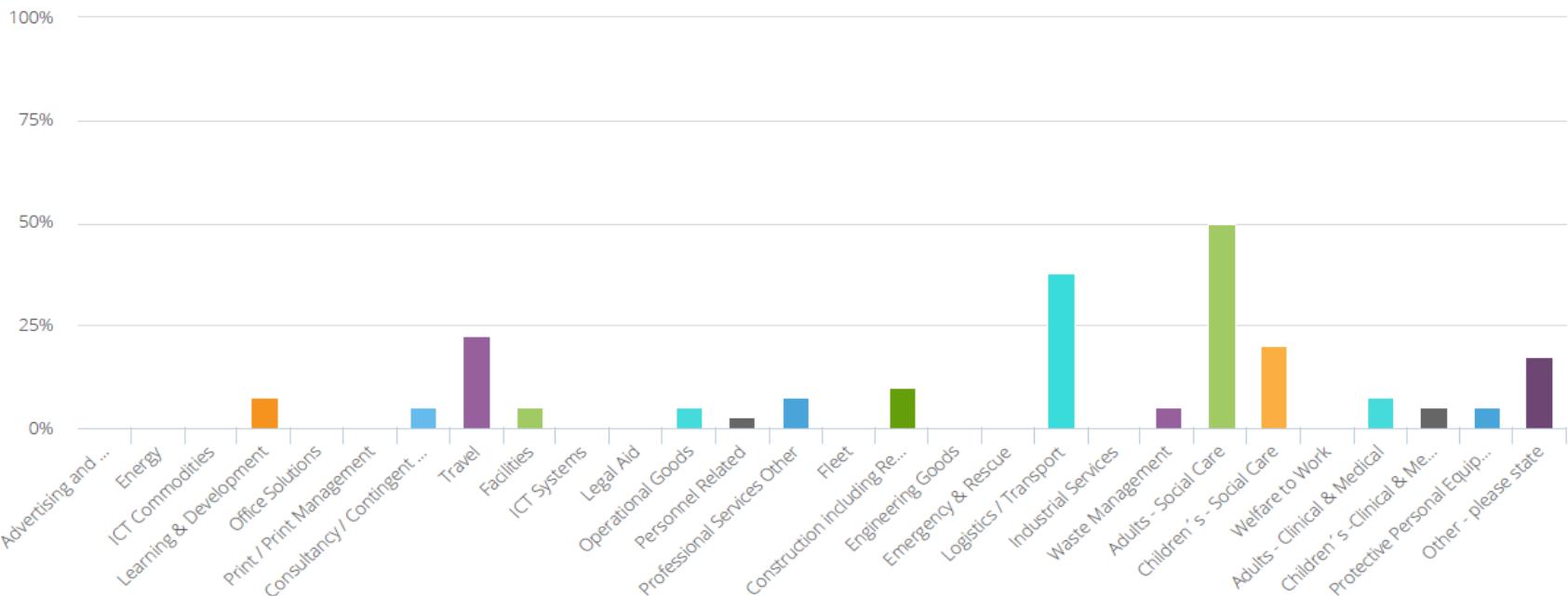
What of the findings?

Desktop research – reviewing Contract Notices in OJEU highlighted:

- 4 main areas where DPS is being used,
 - Social care £72 million
 - Passenger Transport (inc. home to school transport) £93 million
 - Training £38 million
 - Construction £79 million
- Quite a few diverse areas where DPS had been used, in smaller or singular numbers (e.g. advertising, car parking, cleaning, enforcement, food, legal services, leisure, packaging, photography etc.).
- DPS Systems, 15 system suppliers, but dominated by 4 / 5 suppliers.

“The Survey Say ...”

- Findings from survey across public sector partners further supported this;



The Benefits

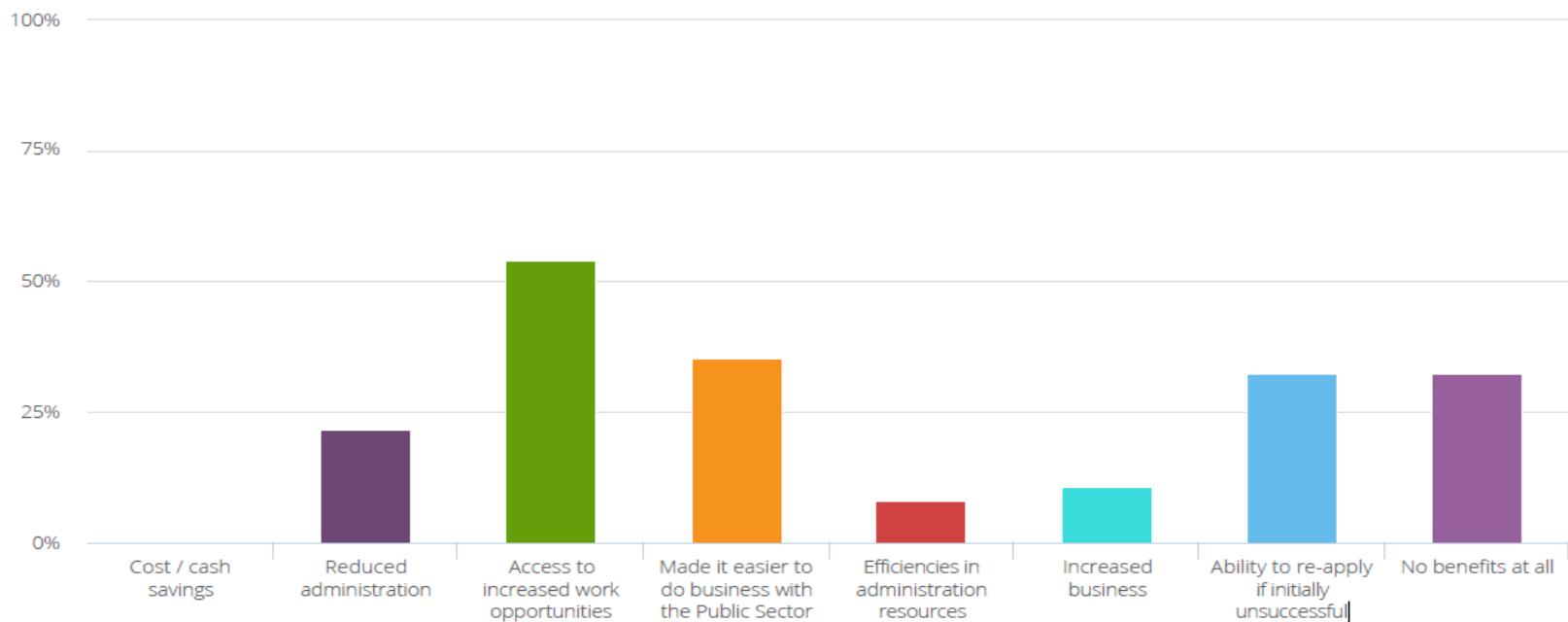
Top reasons for implementing DPS by Public Sector organisations surveyed were:

- Improved flexibility for suppliers
- Stimulating the market
- Cost savings through increase competition, closely followed by
- Potential to increase access to arrangements by SMEs and improved processes.

From the survey undertaken of Suppliers themselves with top benefits they considered being:

- Increased access work opportunities with the public sector.
- Making it easier to do business with the Public Sector
- Plus crucially the ability to reapply if unsuccessful in initial qualification stage.

Balance of benefit as seen by suppliers



- Don't forget to engage with the suppliers along the journey, ensuring they are adequately supported during both implementation and delivery.

The view of the Federation of Small Business (August 2017)



One of the five recommendations within their report ...

"Replace framework agreements with Dynamic Purchasing Systems (DPS), where possible, so small businesses are not locked out from lists of potential suppliers to local authorities".

Published: August 2017
@fsb_policy
fsb.org.uk



"....many FSB members have indicated that they therefore prefer to work with DPS, which they regard as a small business friendly alternative to frameworks".

The challenges or downsides being:

One of the main barriers identified as to whether or not to implement a DPS indicate a lack of understanding of what a DPS is.

Experience from those who had implemented DPS arrangements

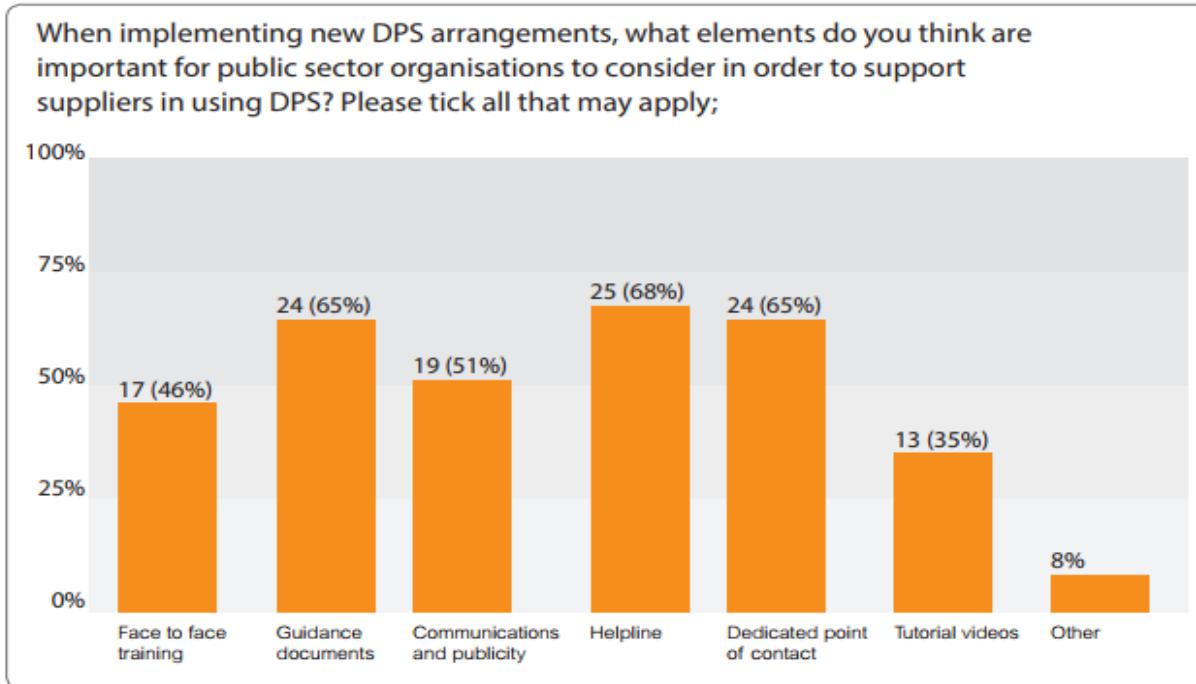
- **Tracking and measuring of Benefits** not currently done - and this can be a big gap (especially around qualitative benefits). This can lead to difficulties in gaining overall stakeholder sign up to using or advancing use of DPS within an organisation.
- **Frontend administration** can be “heavy” in setting up a DPS, it is important not to underestimate the resource needed to support the business / client side to get this up and running as business as usual. For example for Cornwall Council was the setting up of over 130 taxi providers at the start of the DPS (e.g. first couple of months) now more manageable numbers (4 / 5 per month).
- The need to **gain support from internal stakeholders** – it can be a struggle to “sell the benefits” especially without clearly demonstrable benefits being available from real examples.
- Need to **support the supply base** to get them onto the system (certainly in areas where technology / tendering is not common place means of transacting)

Tips to successful implementation

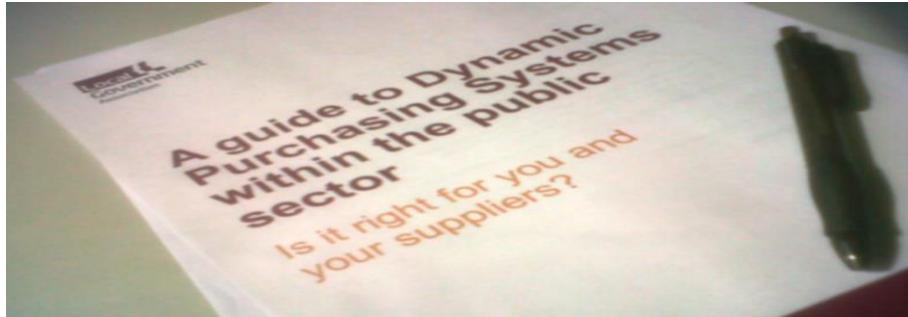
- Speak to others who have set up or operate a DPS.
- Engage with key stakeholders.
- Don't underestimate the potential challenge around cultural change.
- A robust business case formally signed off is considered a must – as well as measuring outcomes against the intended benefits outlined in the business case.
- 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.
- Surveying and understanding suppliers to find out how things are going and how things can be improved (e.g. 6 month survey) can be beneficial.
- Don't forget to engage with the suppliers along the journey, ensuring they are adequately supported during both implementation and delivery.

Bringing your suppliers on the journey ...

- The survey of suppliers who are (or have been) part of supplying services through a DPS arrangement provided valuable insight about how to get the best results.



Other useful information



A guide to Dynamic Purchasing Systems within the public sector - Is it right for you and your suppliers?

- https://www.local.gov.uk/sites/default/files/documents/4%2030%20DPS%20Guidance_04_Web.pdf

Supporting appendices to the guidance (including the survey results and checklist)

- <https://www.local.gov.uk/national-procurement-strategy/modernising-procurement>

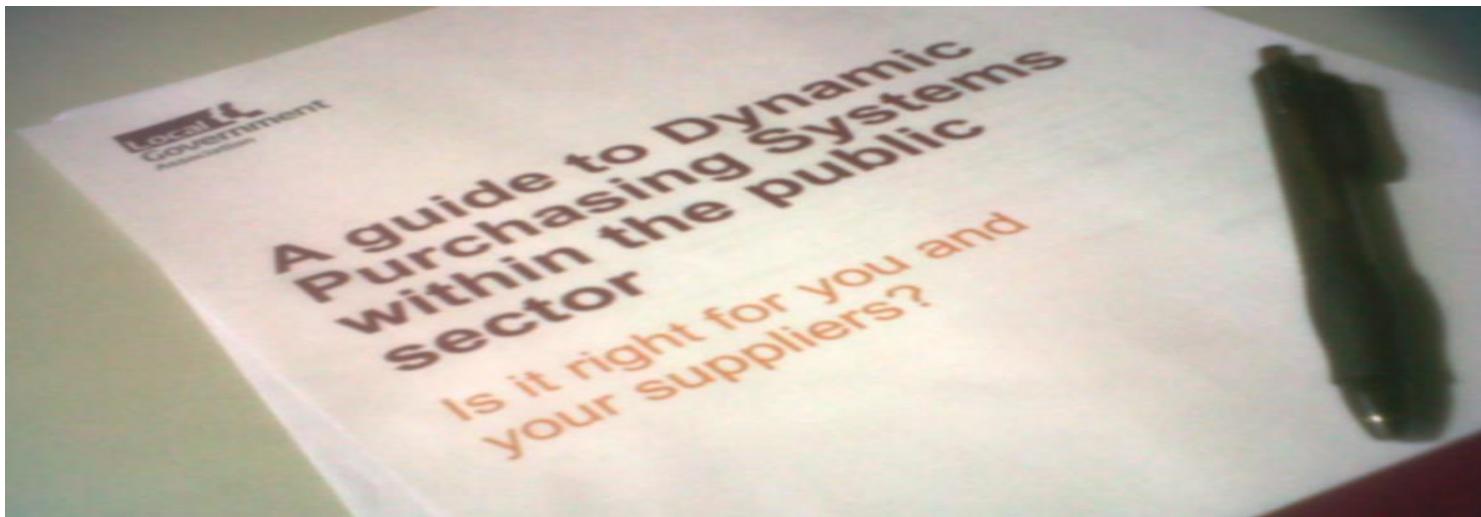
Public Contract Regulations – Regulation 34

- <http://www.legislation.gov.uk/uksi/2015/102/regulation/34/made>

Federation of Small Business Report - Unstacking the deck: balancing the public procurement odds

- <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/procurement-report-final.pdf?sfvrsn=0>

Thank you for your time and any questions



Steve Sandercock (Cornwall Council)

Email: ssandercock@cornwall.gov.uk



<https://www.linkedin.com/in/steve-sandercock-581717107/>

Zoe Harriss (Essex County Council)

Email: zoe.harriss@essex.gov.uk