

## For General Release

<b>REPORT TO:</b>	<b>Cabinet – 11 June 2018</b>
<b>SUBJECT:</b>	<b>Community Equipment Service Dynamic Purchasing Systems (DPS) Procurement Strategy Paper</b>
<b>LEAD OFFICER:</b>	<b>Guy Van Dichele, Interim Director of Adult Social Care and 0-65 Disability</b>
<b>CABINET MEMBER:</b>	<b>Councillor Jane Avis, Cabinet Member for Families, Health &amp; Social Care Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> <p>This report follows previous Community Equipment Dynamic Purchasing Systems (DPS) Award Papers to Cabinet on the 20<sup>th</sup> November 2017 (Key Decision Reference: 4017FHSC &amp; 4117FHSC) .</p> <p>This approach supports the following corporate priorities (Corporate Plan 2015-18):</p> <p><b>Independence:</b> To help people from all communities live longer, healthier lives through positive lifestyle choices: and, to help families be healthy and resilient and able to maximise their life chances and independence</p> <p><b>Enabling:</b> To be innovative and enterprising in using available resources to change lives for the better</p> <p>It will also contribute to the following priority within the Council's Independence Strategy:</p> <p><b>Priority 5</b> – Enable children and adults to maximise their independence and ensure they are safe from harm through the provision of high quality specialist services.</p>	
<b>FINANCIAL IMPACT:</b> <p>The budget for DPS 5-8 (5. Beds &amp; associated equipment / 6. Moving &amp; Handling / 7. Showering &amp; Bathing / 8. Seating &amp; Cushions) sits within the Adults Social Care Pooled Budget.</p> <p>The total value of establishing Dynamic Purchasing Systems (DPS) 5-8 (as described in the table overleaf) for Croydon Council (Adults Social Care Pooled Budget) is £8,388,624 across a maximum ten (10) years.</p> <p>The budget for DPS 9 (Wheelchairs) sits within the Community Equipment Service. The total value of establishing DPS 9 for the Council (Community Equipment Service budget) is £9,463,965 across a maximum ten (10) years.</p> <p>For the purposes of context, Cabinet is asked to note that the total value of establishing the five (5) new DPS (across eight (8) authorities within the integrated procurement hub), including wheelchairs, is estimated to be £93,360,868 across a maximum ten (10) years. Detail on the Integrated Procurement Hub values are included at Appendix 1.</p>	

**TABLE 1**

<b>DPS Title</b>	<b>No. of Lots</b>	<b>Croydon Value across 10 years (for decision)</b>	<b>Budget</b>	<b>Partnership Value across 10 years (for context)</b>
Beds & Associated Equipment – DPS 5	21	£3,421,252	Adult Social Care Pooled Budget	£32,204,009
Moving & Handling – DPS 6	36	£2,435,672	Adult Social Care Pooled Budget	£24,216,238
Showering & Bathing – DPS 7	26	£868,024	Adult Social Care Pooled Budget	£12,064,007
Seating & Cushions – DPS 8	23	£1,663,677	Adult Social Care Pooled Budget	£16,086,476
<b>TOTAL</b>		<b>£8,388,624</b>	<b>Adult Social Care Pooled Budget</b>	<b>£84,570,730</b>
Wheelchairs – DPS 9	20	£5,682,715	Community Equipment Service Budget	£8,790,138

**KEY DECISION REFERENCE NO:**

Previous Key Decision Reference Numbers: 4017FHSC & 4117FHSC

The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

**1. RECOMMENDATIONS****The Cabinet is recommended to:**

- 1.1 Approve the procurement strategy detailed in this report for the establishment of 4 DPS's (DPS 5 Beds & Associated Equipment, DPS 6 Moving & Handling, DPS 7 Showering & Bathing, DPS 8 Seating & Cushions) at a maximum estimated value of £8,388,624 for the Council for a period of seven (7) years, plus a three (3) year extension period (maximum term of ten (10) years).
- 1.2 Approve the procurement strategy detailed in this report for the establishment of a further DPS for Wheelchairs, at a maximum estimated value of £5,682,715 for the Community Equipment Service, for a period of seven (7) years, plus a three (3) year extension period (maximum term of ten (10) years).
- 1.3 Approve the deviation from Regulation 21 of the Council's standard evaluation weightings to 50% quality and 50% price.

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| 1.4 | Note, for the purposes of the OJEU notice, that the proposed Integrated Procurement Hub Spend, over ten (10) years, on DPS 5-9 is £93,360,868. |
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## **2. EXECUTIVE SUMMARY**

- 2.1 In 2012, the Local Authority Trading Company (LATC) for Community Equipment took over the hosting of the Department of Health initiated Integrated Procurement Hub (IPH) for the provision of Complex Community Equipment. The main aim was to stimulate and drive greater competition and better value in the provision of complex equipment.
- 2.2 The IPH operates to procure equipment for 8 local authorities, including Croydon, Merton, Sutton, Tower Hamlets, Newham, Bexley, Sandwell Metropolitan Borough Council and Essex County Council.
- 2.3 The Community Equipment Service (CES) was in-sourced to the Council, including the use of DPS 1 on the 1<sup>st</sup> December 2016, which was set-up by the LATC. Two additional DPS as detailed below were set up and run by the Council, as the Contracting Authority for the purposes of the Public Contracts Regulations 2015.
- 2.4 A strategy report for the establishment of additional Dynamic Purchasing Systems for DPS2: Paediatrics & Young Adults Equipment, DPS3: Simple Aids, and, DPS4: Small Moving & Handling Equipment was presented and approved by the Contracts & Commissioning Board on the 11<sup>th</sup> August 2016 (ref: CCB1166/16/17).
- 2.5 Further to this, award reports for DPS2: Paediatrics & Young Adults Equipment and DPS3: Simple Aids, were presented to Cabinet on the 20<sup>th</sup> November 2017 (Key decision ref: 4017FHSC and 4117FHSC)
- 2.6 The total value of DPS 5 - 8 (see Table 1) for Croydon Council (Adults Social Care Pooled Budget) is £8,388,624 across a maximum ten (10) years. This includes a possible three (3) year extension, following the initial seven (7) years.
- 2.7 The total value of DPS 5 - 8 (across eight (8) authorities within the integrated procurement hub) is estimated to be £84,570,730 across a maximum ten (10) years. This includes a three (3) year extension, following the initial seven (7) years.
- 2.8 The total value of DPS 9 (wheelchairs) for the Community Equipment Service is £8,790,138 across a maximum ten (10) years. This includes a three (3) year extension, following the initial seven (7) years.
- 2.9 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
10/05/2018	

### 3. DETAIL

3.1 Dynamic Purchasing System (DPS) is a procedure for “*commonly used*” products where requirements are met by solutions “*generally available on the market*”. The “*system may be divided into categories [Lots] of products*” that are “*objectively defined on the basis of characteristics of the procurement to be undertaken*”. DPS is “*operated as a completely electronic process*” that is open to “*any economic operator that satisfies the selection criteria*”. [Source: Regulation 34 Public Contracts Regulations 2015].

3.2 The main objective is to improve the quality of lives for residents in their home by providing community equipment effectively to make their homes more suitable for their needs. This can be achieved by the following:

- Improving the range of available equipment on stock so 80% of equipment issued is covered by the standard stocklist
- Reduce the overall spend on equipment for local authorities by 10%
- Reduce spare part and maintenance spend by 20% by providing quality equipment on the standard stocklist

The way to implement the above points is by defining five DPS's to purchase standard equipment. The five DPS's are structured as follows:

Table 1

DPS Title
DPS 5: Beds & Associated Equipment
DPS 6: Moving & Handling
DPS 7: Showering & Bathing
DPS 8: Seating & Cushions
DPS 9: Wheelchairs

DPS have been set up for categories 1-4 as described in paragraphs 2.3 – 2.5 of this paper. This paper asks for permission to establish DPS for 5-9. The remaining categories will be brought for decision, in relation to procurement strategy, in 2018/19.

3.3 The DPS competitions allow for a periodic refresh of both prices and supply-chain. For dynamic products, where market prices, supply chains and demands are continually evolving, the quantities commitment should ideally be for a shorter period only, to allow a more frequent refresh. For static products, where the prices, suppliers and demands only evolve slowly, the quantities agreement could be longer in order to maximise the supplier discount. The current optimum commitments for the various Lots of community equipment in these DPS 5 - 9 are for quantities equating to between 12 and 24 months of purchasing.

- 3.4 The term of DPS 5 - 9 is seven (7) years, with the option to extend for a further three (3) years (a maximum of ten (10) years), based on need and value for money achieved through the DPS model. In accordance with the Public Contracts Regulations 2015 ("PCR 2015"), there is no time limit on the duration of a DPS. The DPS model allows for flexibility in respect of both supplier and price refresh and this timescale has been accepted as appropriate for the needs of the Integrated Procurement Hub.
- 3.5 DPS 5 - 9 will be tendered using the restricted procurement procedure of the Public Contract Regulations 2015. In accordance with the regulations an OJEU notice and Supplier Selection Questionnaire (SSQ) will be issued to the market on 22<sup>nd</sup> June 2018.
- 3.6 To provide assurance to clinicians and prescribers about the quality of the equipment purchased through the DPS, we are seeking approval from the Director of Commissioning & Procurement, in accordance with Regulation 21 and Regulation 17 of the Tenders and Contracts Regulations to change the evaluation criteria to 50% quality (ascertained at SSQ stage) and 50% price (ascertained at ITT stage). For clinicians, a weighting that indicated that quality was rated less than equal to cost would result in a lack of confidence in prescribing the equipment chosen.
- 3.7 The total of the Quality scores from the SSQ stage (50%) and the Price scores from the Pricing Matrix (50%) will be added together and the Admitted Suppliers ranked accordingly for the relevant category. The Admitted Supplier with the highest combined score (i.e. ranked the highest) will be identified as the Preferred Supplier for that category for the duration of the mini competition.
- 3.8 The quality evaluation consists of the comparison of bidder responses against the product specification and method statements. Each supplier method statement will be scored by individual members of an evaluation panel with each question being scored from 0 to 5. The marks will be awarded in line with the criteria in Table 2.

<b>Scoring Methodology – Table 2</b>		
<b>Score</b>	<b>Rating</b>	<b>Criteria for awarding score</b>
5	Excellent	The supplier has provided responses that are robust and supported by suitable and relevant evidence of experience and technical and professional ability which significantly exceeds the Council's expectations
4	Good	The supplier has provided responses that are robust and supported by suitable and relevant evidence of experience and technical and professional ability which exceeds the Council's requirement
3	Satisfactory	The responses are compliant and the supplier has provided responses that demonstrate through suitable and relevant evidence that they have experience and have technical and professional ability which meet the Council's requirements

2	Fair	The responses are superficial and generic. The supplier has provided insufficient responses or the responses given demonstrate limited experience and limited technical and professional ability
1	Poor	The supplier has provided wholly insufficient responses or the responses given demonstrate very limited experience and insufficient technical and professional ability
0	Unacceptable	The supplier has not answered the question, has omitted information or has provided information that is not relevant and the evaluator is unable to determine whether the supplier possess sufficient technical and professional ability.

### **The method statements used (SPLIT 50% QUALITY)**

<b>Aspect of Quality</b>	<b>Weighting of 50%</b>
7A.1 - Product regulatory conformity	20%
7A.2 - Quality-economic comparison to equivalent products	15%
7A.3 - Clinical benefits	20%
7A.4 – Product life expectancy and warranty	10%
7A.5 – Training and support	3%
7A.6 – Product function, features, key parameters, accessories and fittings	10%
7A.7 – Delivery Times	15%
Social Value	5%
PSP	2%

The weightings of the quality aspects may change

- 3.9 Tenders must achieve a minimum score of 2 marks for the response to question 7A1. Failure to meet this resulted in rejection of the tenderers quality submission and the submitted tender will not to be considered further.
- 3.10 Any submission that fails to reach the overall quality threshold of 21 marks across all method statements, which is deemed an overall 'acceptable', score will be rejected and not considered further.
- 3.11 The scoring at SSQ stage will be performed by the Operations Manager, Clinical Lead and Procurement Team Leader from Community Equipment Service. Moderations will be held by the CES Procurement Officer to ensure consistency of scoring and agree final SSQ percentage scores.
- 3.12 The maximum score achievable for SSQ is 50%. SSQ scores will be calculated using the following equation:

$$\frac{\text{Tenderer's Total Quality Score}}{\text{Highest Scoring Quality Score}} \times 50\%$$

3.13 The tenderer's pricing score was calculated using the following calculation:

$$\frac{\text{Lowest Submitted Tendered Total Price}}{\text{Tenderer's Submitted Tendered Total Price}} \times 50\%$$

3.14 The percentage score from 3.11 and 3.12 will be combined together to give the total score for each tenderer.

3.15 The following timetable is proposed for carrying out the implementation of DPS's 5-9.

Activity	Date
Pre-tender market engagement	14/05/2018
Cabinet	11/06/2018
Key decision notice implemented	19/06/2018
Specification raised & approved	15/06/2018
OJEU Contract Notice despatched	22/06/2018
Advertisement published (if applicable)	22/06/2018
Response deadline	23/07/2018
Financial section of SQQ responses evaluated by	28/07/2018
All sections of SQQ's evaluated by	02/08/2018
Equipment sample assessment completed by	09/08/2018
Issue tenders	13/08/2018
Tender response deadline	23/08/2018
Clarification and site visits (if applicable)	28/08/2018
Evaluation process completed by	30/08/2018
Award report approved by Category Manager (stage 1)	14/09/2018
Award report circulated & approved by Dept (stage 2)	24/09/2018
Submit report to CCB	08/10/2018
Present award report to CCB for consideration and recommendation	11/10/2018
If over £5m, date for consideration and recommendation of Award report by Cabinet.	19/11/2018
Commence Alcatel (if OJEU)	20/11/2018
Issue successful and unsuccessful letters	20/11/2018
Award contract	03/12/2018
Contract initiation meeting	10/12/2018
Warehouse and logistics training on new equipment	07/01/2019
Commencement of supply	14/01/2019
Performance reporting and monitoring	01/04/2019

### 3.16 Performance Management

3.16.1 The contracts will be managed by the Procurement Lead situated in Community Equipment Services.

3.16.2 Delivery of equipment within 5 working days will be the main KPI monitored as lean supply is critical due to CES warehouse constraints.

3.16.3 Equipment quality will be continuously monitored by CES warehouse, logistics and clinical lead.

3.16.4 Formal contract review meetings will take place to review performance of equipment and supply standards.

#### **4. CONSULTATION**

4.1 Equipment specification and scoring methodology will be shared with prescribers and commissioners from across the partner authorities and their views included in the evaluations. Senior Occupational Therapists from Croydon, Sutton and Merton will attend an evaluation event for verifying that the successful bids satisfy the quality specifications.

### **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

This paper is seeking permission:

- For the Community Equipment Service to establish DPS 5-9 for all IPH partner authorities, including LB Croydon / Croydon CHS
- To purchase equipment through DPS 5-8 for LB Croydon & Croydon CHS
- To purchase equipment through DPS 9 (wheelchair service) by the Community Equipment services.

Croydon Community Equipment Services operates as a trading entity, selling purchased equipment back to local authority clients (including LBC) with a 9.5% mark-up applied to cover operating costs. Across all activity, CES is expected to spend more than £10m per annum and would therefore generate an estimated income of c.£1m.

Croydon Community Equipment Services has separate financial arrangements within the Council, operating through SAGE. The Community Equipment Service has its own business plan and budgets have been set for 18/19. This has been signed off by the Community Equipment Service Board (Director of Finance, Investment & Risk, sits on this Board).

#### **5.1 Revenue and Capital consequences of report recommendations**

The budget for DPS 5-8 is from the Adults Social Care Pooled budget with the Council and Croydon Health Services (CHS). This budget covers all Health & Social Care Equipment for Adults to support independent living.

For the Council, the budget for contribution to the Adults Social Care Pooled budget with CHS for 17/18 was £1.019m, with spend of £1.089m in 17/18, resulting in an overspend of £70,000.



The CHS contribution to the pool in 17/18 was £0.981m, with a spend of £1.070m in 17/18, resulting in an overspend of £89,000.

The share of overspend / underspend as per the contribution to the Adults Social Care Pooled Budget is currently CHS Croydon 56% and Council 44%.

The budget for DPS 9 (wheelchairs) is the Community Equipment Service Budget and therefore treated as a separate entity within the Council, for budgeting purposes.

Partnership spend across the Integrated Procurement Hub is detailed at Appendix 1.

## 5.2 The effect of the decision

### 5.2.1 DPS 5 - 8

#### **Council impact**

The total value of DPS 5-8 for the Council and CHS (through the Adults Social Care pooled budget) is £8,388,624 (across a maximum of 10 years)

The 10 year procurement strategy covers 11 financial years. Therefore Years 1 & 11 are pro-rata.

**Projected Adults Social Care Pooled Budget Spend effected by DPS 5 - 8 in 18/19**

Year	DPS 5	DPS 6	DPS 7	DPS 8	Total
Yr 1: January 2019 - March 2019	£65,543.41	£46,662	£16,629	£31,872	£160,707
Yr 2: FY 2019/20	£275,282	£195,980	£69,843	£133,864	£674,969
Yr 3: FY 2020/21	£289,046	£205,779	£73,336	£140,557	£708,718
Yr 4: FY 2021/22	£303,499	£216,068	£77,002	£147,585	£744,154
Yr 5: FY 2022/23	£318,674	£226,872	£80,852	£154,964	£781,361
Yr 6: FY 2023/24	£334,607	£238,215	£84,895	£162,712	£820,429
Yr 7: FY 2024/25	£351,338	£250,126	£89,140	£170,848	£861,451
Yr 8: FY 2025/26	£368,905	£262,632	£93,597	£179,390	£904,523
Yr 9: FY 2026/27	£387,350	£275,764	£98,277	£188,359	£949,750
Yr 10: FY 2027/28	£406,717	£289,552	£103,190	£197,777	£997,237
Yr 11: April 2028 - December 2028	£320,290	£228,022	£81,262	£155,750	£785,324
<b>TOTAL</b>	<b>£3,421,252</b>	<b>£2,435,672</b>	<b>£868,024</b>	<b>£1,663,677</b>	<b>£8,388,624</b>

For the Council, the contribution to the Adults Social Care Pooled budget for 18/19 is £1.184 m, which is an increase of £165,000 from 17/18.

For CHS, the contribution to the Adults Social Care Pooled budget for 18/19 is £0.981m.

The total Adults Social Care Pooled Budget for 18/19 is £2.165m. The proposed expenditure for DPS 5-8 can be contained within this budget.

Approved by: Josephine Lyseight, Head of Finance (People), on behalf of the Director of Finance, Investment & Risk.

### **5.2.2 DPS 9 (Wheelchairs)**

The total value of DPS 9 for the Community Equipment Service is £8,790,138 (across a maximum of 10 years). The financial effect relates solely to the Community Equipment Service budget and does not impact on People's Directorate Budgets.

### **5.2.3 Spend through a DPS**

Spend through DPS 5-9 is not committed spend, as the commitment only applies to the quantities required for each mini competition. This means that if the budget were to decrease in the future, the required volumes could easily change year on year to reflect this.

It is anticipated that savings will be achieved on the figures for DPS 5-8 based on secured lowered unit costs through DPS 2 & 3, awarded in November 2017.

## **5.3 Options**

5.3.1 Options were considered as part of the strategy award report agreed by CCB in 2016. Using the DPS enables more frequent refreshing of the bidder base and prices, to better match the dynamics in the supplier market and gain the continual value improvements.

5.3.2 A community directory or retail model is inappropriate for providing complex medical equipment. Commissioning a community directory or retail model, in which service users self-serve using a personal budget, would result in loss of the collective purchasing power and instead result in multiple, less efficient purchasing channels where quality and safety in meeting the individual's wellbeing objectives become more difficult to assure.

5.3.3 This is a vital service. Community equipment is essential to delivering the statutory independent living and wellbeing agenda, and to minimising the wider costs in related statutory social and health care services (e.g. more vulnerable people reaching crisis and/or hospital admission).

## **5.5 Future savings/efficiencies**

5.5.1 The majority of savings will be achieved by providing competition for supply of equipment which has rarely been done for these categories of community equipment.

5.5.2 Selecting quality equipment with longer warranties than current equipment will reduce spend in spare parts and maintenance. This will be evidenced 12 months after the commencement of this contract and compared against previous years.

## **5.6 Risk Management**

5.6.1 There is a risk that partners of the integrated procurement hub do not purchase the awarded equipment. This will be mitigated by engaging with the partner local authorities to gain their buy in to equipment specification and awarding methodology.

- 5.6.2 There is a risk that a low number of tenders are received. This will be mitigated by continuous engagement with the market.

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Council Solicitor comments that the proposal set out in this report is in accordance with the Council's Tenders and Contracts Regulations and seeks to support the Council's duty to achieve Best Value pursuant to the Local Government Act 1999.

Approved by: Sean Murphy, Head of Commercial and Property Law (Deputy Monitoring Officer) on behalf of the Director of Law and Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct Human Resources implications arising from this report for Croydon Council employees. Nonetheless, this procurement strategy could result in service provision changes which may invoke the effects of TUPE (Transfer of Undertakings (Protection of Employment) 2006 Legislation, amended 2014). The application of TUPE will be determined by the incumbent and the new service providers, for which the Council is the client. On that basis, the role of the Council would usually extend no further than facilitating the process.

Approved by: Debbie Calliste, Head of HR – People Department Lead, on behalf of the Director of HR

## **8. EQUALITIES IMPACT**

- 8.1 A full EIA was undertaken in relation to the insourcing of the equipment service back to Croydon Council and the creation of DPS to supply equipment is included this analysis. This service truly promotes equalities across groups with protected characteristics. The provision of community equipment promotes independence, improves quality of life and reduces social isolation. Additionally, the Community Equipment service provides employment opportunities for people with learning disabilities.

## **9. ENVIRONMENTAL IMPACT**

- 9.1 There are no environmental impacts to the report.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 N/A

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 11.1 Approve the procurement strategy detailed in this report for the establishment of 4 DPS's (Beds & Associated Equipment, Moving & Handling, Showering & Bathing, Seating & Cushions) at a maximum estimated value of £8,388,624 for the Council for a period of seven (7) years, plus a three (3) year extension period (maximum term of ten (10) years).
- 11.2 Approve the procurement strategy detailed in this report for the establishment of a further DPS for Wheelchairs, at a maximum estimated value of £8,790,138 for the Community Equipment Service, for a period of seven (7) years, plus a three (3) year extension period (maximum term of ten (10) years).
- 11.3 Note the partnership spend across the 8 authorities within the Integrated Procurement Hub, detailed at Appendix 1.

## **12. OPTIONS CONSIDERED AND REJECTED**

- 12.1 The establishment of DPS 5 - 9 ensures that the Council and other authorities within the Integrated Procurement Hub are getting the best possible value for money in relation to the purchase of Community Equipment. Procuring outside of the DPS would not enable the Council and the Integrated Procurement Hub to achieve the savings detailed within this paper.

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### **CONTACT OFFICER:**

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### **BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

No Background papers required for this report