

How to Be Successful: An Introduction to Procurement

This factsheet covers the main points behind procurement processes as you will engage with them. If you'd like to find out more about this topic, some suggestions for further reading and resources can be found on the last page.

About this handout

The public sector throughout the UK including local and national government spent over £575 billion¹ in 2008/9 of which £102 Billion was spent on healthcare and £88 Billion on welfare. Whatever size your business, there may be many opportunities to supply this market. This handout aims to help you in three ways.

- It will help you understand what procurement is and the basic procurement processes and principles;
- It will explain what is involved in bidding for work and how you go about this;
- It will help you to decide whether bidding for public sector contracts is right for your organisation.

What is the public sector?

The public sector nationally includes:

- Central Civil Government Departments
- The Northern Ireland assembly, National Assembly for Wales and Scottish Executive
- Government Funded Public Bodies (eg: Natural England)
- the NHS
- the Ministry of Defence

At the local level the public sector includes:

- City, Borough and County Councils
- Primary Care Trusts & Practice Based Commissioners
- Regional Development Agencies
- Universities, Schools and Collages
- Fire and Rescue
- The Police

How you find these opportunities will be different in different areas. Sheffield has a website listing all local public sector opportunities called www.buy4sheffield.co.uk.

At the county level www.procurementlincolnshire.co.uk lists all the opportunities within the county of Lincolnshire at both county and district level.

¹ www.ukpublicspending.co.uk



What is commissioning?

'Commissioning' is the process by which public sector bodies establish the need and demand for public services and decide how to procure them. This will also include life cycle analysis and performance management of current services in order to inform future commissioning rounds.

What is procurement?

Procurement is the process by which those services are secured at the right quantity and price:

The purchase of goods and/or services by publicly funded bodies at the best possible total price, in the right quantity and quality, at the right time generally via a contract. The functions of procurement are:

- a) ensuring legal compliance
- b) purchasing supplies or services
- c) entering into contracts.

Procurement must be kept separated from commissioning.

In other words...

Procurement is the process that the public sector follows when purchasing goods, works or services from:

- Deciding what to buy
- Deciding how to buy it
- Choosing who to buy it from
- Agreeing a contract with a supplier
- Managing that contract until the end or the end of the useful lifetime of the item/service.

Procurement in the public sector

The aim of all procurement activity is to get Value for Money (VFM).

Getting VFM means:

- Using resources carefully to save expense, time and effort
- Delivering high quality services or getting a good return for less or the same amount of expense, time and effort
- Weighing up the cost of goods, works or services against their quality and fitness for purpose.
- All public sector bodies are responsible for getting value for money in their purchasing as they are spending tax payers money. They must be able to demonstrate that it has been spent efficiently, effectively and not wastefully.

Procurement rules

All public sector contracts, no matter what their value, are covered by an European Commission treaty. This sets down principles to prevent discrimination against companies from any member state and ensure open competition. These principles are backed up in law by the EC procurement directives.

All public sector bodies also have their own internal rules about how they must spend money (usually called Standing Orders). They will state that over a certain value, contracts must be competitively tendered.

Most public sector contracts are tendered because by tendering contracts public bodies can make sure that they:

- Get value for money
- Are open and fair in their purchasing activities
- Comply with procurement law

What is competitive tendering?

Competitive tendering means seeking competitive bids (tenders) for contracts. Contracts are advertised and any interested companies can tender for them.

The values for tendering can differ between public sector bodies, varying from £10,000 to £50,000 (For example the Sheffield City Council threshold is £25,000).

For contracts less than £25,000 in Sheffield commissioners only have to seek three quotes from suppliers.

Whether public sector bodies tender or quote for work, the EC treaty still applies and they must make sure that they:

- Get VFM
- Do not discriminate and allow open competition.

Contracts over certain values must also be advertised in Europe in the Official Journal of the European Union (OJEU) and opened up to Europe-wide competition. While there are exceptions the general rule of thumb is that for contracts more than £100K worth of services and/or supplies and £3.8m of works must appear in the OJEU.

What is the tendering process?

Tendering in the public sector follows the following general process:

The organisation defines requirements, prepares specification and agrees process to be followed.



Contract is advertised and companies submit their bids (tenders). They may have to pre-qualify first before being invited to bid.



Tenders are evaluated against pre-set criteria. There may be interviews and clarification at this stage.



The contract is awarded to the supplier whose bid offers the best value for money. All bidders can request feedback.



The contract is negotiated and signed and then together the supplier and purchaser work together to make sure the contract is delivered and managed.



What's in a tender?

A tender comprises of:

- Information about your company
- Your tender proposals
- The pricing schedule
- Any supporting information

All of this information is evaluated by a panel that scores the tenders received. The panel assesses:

- Your company's technical, financial and economic capability
- The quality of your proposals
- Your costs

The questions in the tender documents and those that you may be asked by a panel could focus on:

- Your experience and capability
- Equal opportunities
- Your customer standards
- Details about your proposals
- Your staff and management
- Details about your charges

They may ask you to come to an interview, visit your premises or ask for clarification to help them make this decision.

The panel then decide which tender offers the best value for money. This means considering the financial and non-financial information you provide.

What types of contracts are there?

Public sector bodies set up contracts for the provision of all sorts of goods and services, ranging from stationary to social care, and dental equipment to road salt. For more information on what the public sector buys visit: www.buy4sheffield.gov.uk

Most of these contracts are set up by tendering processes. The types of contracts set up include:

- **Corporate contracts**

For provision of supplies / services across entire organisations. Usually long term.

- **One off contracts**

For provision of one off services or supplies for a specific part of an organisation or department.

- **Framework contracts**

A contract set up with a number of companies who are then called on to provide ad hoc goods and/or services during the life of the contract. This is usually used for legal, consultancy or care services

- **Private Finance Initiative (PFI) contracts**

Long term high value contracts negotiated with large contractors, who may then sub-contract elements of the work out to smaller or more specialist companies.

Issues to consider

Although there are clear benefits from doing business with the public sector, it is important to realise that bidding procedures are testing and that the process is a competition. At each stage of the tendering process there are issues you should consider. Some of these are outlined below:

Before you start to look for and bid for contracts...

- Can you sell your product to the public sector – will they buy it?
- What value of work do you want? Under certain values you may not have to bid; over certain values it may be too much.
- Can you meet the requirements and deliver the contract?
- Have you got the resources to look for opportunities, write bids and manage and deliver contracts?
- Have you got the relevant experience and skills to compete for work and meet buyers' needs?

Before you decide to bid for a contract...

- How much is the contract for – is it enough or too much?
- How long is the contract for? Will it tie you in or is it not long enough?
- Are you taking on a lot of risks by doing this work and can you manage them?
- What resources do you need to bid for and manage the contract?
- Will you need more staff? Will you inherit staff through TUPE and do you have the information required to consider this properly?
- What will managing the contract involve?
- Could you collaborate with other organisations for the work? Would you want to sub-contract to deliver an aspect of the work?
- Is the contract relevant to your business?

Where are opportunities advertised?

• Buy Sheffield

Buy Sheffield has links to all Sheffield public sector bodies' procurement information

www.buy4sheffield.co.uk

• Official Journal of the European Union (OFEU)

The OFEU contains the information of contracts over the EC limits.

www.ojec.com

• Supplier Contract Management System

This is a system used by South Yorkshire Council to manage contracts and run tenders.

<http://scms.alito.co.uk>

Further reading and guidance

There is a range of information and guidance available on public sector procurement on the web and from business support agencies. Some of these are listed below:

Business Link: www.businesslink.gov.uk

Sheffield Community Enterprise Development Unit: www.scedu.org.uk

Office of Government Commerce: www.ogc.gov.uk

ACEVO Commissioning Support Helpline

Contact us for advice and support on procurement and commissioning issues:

E: commissioning.support@acevo.org.uk

T: 0207 280 4937

www.acevo.org.uk/commissioning

