

Introduction to Public Sector Procurement

Information Pack

Contents:**Page:**

1.	Background to Trade Local.....	3
2.	Who is ‘the public sector’	4
3	What is ‘procurement’?	5
4	Why procurement processes are important in the public sector	6
5	Why seek to sell to the public sector?	7
6	Public sector procurement.....	8
7	Trends in public sector procurement.....	9
8	Your business and the public sector supply chain.....	10
9.	Procurement rules that public sector organisations follow	11
9.1	Internal rules and regulations	11
9.2	European Union legislation	12
9.3	UK legislation	13
10.	Public sector procurement processes	14
10.1	Request for quotations	14
10.2	Framework agreements	14
10.3	Tenders.....	14
10.4	Tendering processes.....	14
10.4.1	Open tender	15
10.4.2	Restricted tender.....	16
10.4.3	Negotiated procedure (with a public notice)	17
11.	Golden rules of tendering	18
12.	Finding out about procurement opportunities	19

1. Background to Trade Local

Trade Local was an initiative that aimed to break down barriers between the public sector and businesses in Haringey and Enfield, encouraging local trade and regeneration and best value in procurement.

It was a partnership between Haringey Council, Enfield Council and Middlesex University, with match-funding from the European Regional Development Fund.

There were several strands to Trade Local's work and one of these was the Trade Local Development Programme.

Distance learning workbooks were developed as part of the Trade Local Development Programme and are available to help businesses address the critical selection criteria that are used by public sector organisations. These are:

- ❑ Ability to Deliver.
- ❑ Finance, Status & Legitimacy.
- ❑ Quality.
- ❑ Health and Safety.
- ❑ Equal Opportunities.
- ❑ Environment and Sustainability.
- ❑ Information Technology.

In order to get the most out of these workbooks, you need a basic grasp of how the public sector procures goods and services.

2. Who is 'the public sector'

Public sector organisations include all those financed by public money. For example: all the departments of central government and its agents, local authorities and regional assemblies, the NHS, police and the emergency services, schools and universities, publicly funded arts venues and organisations.

The sector includes many organisations that are extremely large and complex. In most areas of the country, for example, the NHS and the local council are by far the largest employers.

3 What is 'procurement'?

In the past, most organisations referred to being involved in the simple 'purchasing' of goods, services, works and utilities.

In recent years, the theory around such activity has been widened to encompass transaction management, tendering, contract letting and contract management. The strategic importance of this to an organisation, and its link to service delivery, has been recognised and 'procurement' has evolved.

The terms 'purchasing' and 'procurement' are therefore used interchangeably. The word 'tendering' is also sometimes used to mean 'purchasing', as it refers to a process (a tender) that is often used by the public sector, when purchasing.

4 Why procurement processes are important in the public sector

There are several key reasons why the public sector spends time and energy on procurement processes:

- ❑ Public sector organisations are spending public money. They have a legal and moral responsibility to tax payers to ensure that it is spent as carefully as possible.
- ❑ Public sector organisations deliver a wide range of services that have a fundamental impact on the lives of communities. They have to be sure that they are buying goods and services that enhance, not detract from, that quality of life.
- ❑ The public sector has to be sure of who it is trading with, and be convinced that by trading with that company any risk (s) to itself, and its communities, is (are) reduced.
- ❑ The public sector has a particular obligation to ensure that all its processes are open, transparent and give equal treatment to everyone. It also has a duty to promote free and fair competition in the market.

5 Why seek to sell to the public sector?

There are important reasons why businesses should want to win public sector contracts:

- ❑ Public sector organisations are the largest purchasers in the UK of certain services, such as construction and social care.
- ❑ Overall, public sector spending accounts for 40% of UK GDP.
- ❑ Public sector spending is effectively 'recession-proof'.
- ❑ A public sector organisation will not go bust owing suppliers money.
- ❑ Payment terms are generally more favourable – and better honoured – in the public sector than the private.
- ❑ A smooth-running contract with the public sector virtually guarantees income, and so helps with financial forecasting and cash-flow management.

6 Public sector procurement

The problems that some businesses encounter in trying to sell to the public sector have been well documented by organisations such as the Office of Government Commerce (OGC). Some of these are:

- ❑ Lack of information about opportunities to compete for contracts.
- ❑ Complicated paperwork and processes.
- ❑ Long timeframes.
- ❑ Stringent selection criteria.
- ❑ Shortage of purchasing expertise in specialised areas.

There is certainly some truth in these, and a number of organisations and projects (including Trade Local) are seeking ways of overcoming these barriers.

Haringey Council maintains a Trade Local database of business that wish to supply goods and services to the council. More information about this can be found by clicking on the following link.

<http://www.haringey.gov.uk/index/business/selling/support-to-business.htm#tradelocal>

Public sector organisations are also now faced with the need to streamline their procurement processes in order to achieve efficiency savings.

7 Trends in public sector procurement

Public sector organisations – and particularly local authorities – have a legal obligation to provide a wide range of vital services to their communities.

At one time, virtually all of these services were managed and delivered by staff who actually worked for the organisation. They purchased the goods needed to support the provision of those services (e.g. computers, stationery etc).

Conservative governments during the 1980s and 1990s challenged the efficiency and effectiveness of these services. They introduced Compulsory Competitive Tendering (CCT), whereby local authorities had to put their services out to tender, so that private sector organisations could compete to deliver them. Arguably, CCT introduced an adversarial culture between supplier and purchaser that has been hard to shake off.

The New Labour government of 1997 replaced CCT with an obligation on local authorities to achieve 'Best Value', that is: "make arrangements to secure continuous improvement in the way in which [the organisation's] functions are exercised, having regard to a combination of economy, efficiency and effectiveness".

The trend for the private sector to deliver public sector services has continued. Many local authorities (and other public sector organisations) now 'outsource' whole services, so that they are run by a single outside organisation. Services that are frequently outsourced include IT, waste management, construction and leisure centre management.

8 Your business and the public sector supply chain

As a result of CCT and outsourcing, the nature of the goods and services that the public sector buys has changed.

The opportunity for some small and medium sized enterprises (SMEs) to sell directly to individual organisations - that is, to become 1st tier suppliers to that organisation - may have disappeared if the entire sector they work in has been out-sourced.

In some business sectors therefore, the opportunities for businesses to be 1st tier suppliers to the public sector are extremely limited. These businesses are more likely to fit into the supply chain as 2nd or 3rd tier suppliers.

It is important, therefore, for a potential supplier to consider how they might fit into the public sector supply chain. It may be that you should be researching and pitching your services to their prime contractors.

Most prime contractors are private sector organisations. EU Procurement Directives do not, therefore, apply to them, and supply chains are managed as they are elsewhere in the private sector.

9. Procurement rules that public sector organisations follow

9.1 Internal rules and regulations

Public sector organisations have internal rules and regulations within their organisation that govern the way they buy goods, services, works and utilities.

In the case of local authorities, these rules are known as Contract Standing Orders (CSOs) and they form part of the local authority's constitution.

Haringey Council's Contract Standing orders, for example, state the following:

Contract value less than £5k – Relevant Director should act in the manner most expedient to the efficient management of the service having kept a record for doing so.

Contract value £5k-£25k – Quotations should be obtained or a tender procedure followed.

Contract value more than £25K – A competitive tendering process must be followed.

9.2 European Union legislation

Public sector organisations must follow a strict set of legal obligations known as the EU Procurement Directives.

These directives aim to ensure that public sector procurement takes place in a way that is transparent and non-discriminatory.

The directives apply to most public sector contracts for goods and services over c. £156,000 in value, and works contracts (i.e. construction) over around £3.9 million in value. They do not apply to contracts being let by the private sector.

The purchasing organisation must advertise all such contracts, in a particular form, in the "Official Journal of the European Union" (OJEU). This is, in fact, an electronic journal and it can be viewed via the Tenders Electronic Daily (TED) website at

http://www.ted.europa.eu/Exec?Template=TED/editorial_page.htm&DataFlow=ShowPage.dfl&StatLang=EN

The website and the OJEU adverts themselves are full of jargon, but once you get the hang of them they are very useful. The advert will include a short explanation of the contract and the procurement process being used and – most usefully – the contact name and details of the person handling the procurement. If you are interested, you should contact this person directly requesting information, a Pre-Qualification Questionnaire or a Tender Pack.

Businesses may search TED themselves for relevant procurement opportunities, or sign up to one of the many commercial 'tender alert' services that are on the market.

The EU Procurement Directives go on to lay out rules to the public sector about how relevant tendering processes must be handled. For example, bidders must be given a certain number of days to return a bid. You, as a business, do not need to worry about the detail of this – it is the concern of the purchasing organisation.

9.3 UK legislation

EU legislation always supersedes UK legislation. The EU Procurement Directives, therefore, are the prime pieces of procurement legislation.

There are pieces of UK legislation that impact on procurement, for example, the 1999 Local Government Act obliges local authorities to strive towards 'Best Value'.

National Procurement Strategy

<http://www.communities.gov.uk/publications/localgovernment/nationalprocurementstrategy>

Haringey Procurement Strategy

http://www.haringey.gov.uk/index/business/selling.htm#procurement_strategy_and_strategy_action_plan_2006-2009

"Gershon" Efficiency Review (2004)

http://www.hm-treasury.gov.uk/spend_sr04_index.htm

Strong and prosperous Communities - Local Government White Paper

<http://www.communities.gov.uk/localgovernment/strategies/strongprosperous/>

10. Public sector procurement processes

There are a number of ways in which contracts are effectively let. These are summarised below.

10.1 Request for quotations

Quotations are generally sought for low value, low risk goods and services. Suppliers are given a written specification and asked for a financial quote, in writing.

10.2 Framework agreements

These are agreements between a purchaser and a supplier, whereby the supplier agrees to sell certain goods or services, for a certain period, generally at pre-agreed prices, but with no obligation on the purchaser to actually buy anything. The relationship is formalised through a contract. Often there is more than one company and can involve mini competition.

10.3 Tenders

There are four types of tender: open, restricted, negotiated and competitive dialogue.

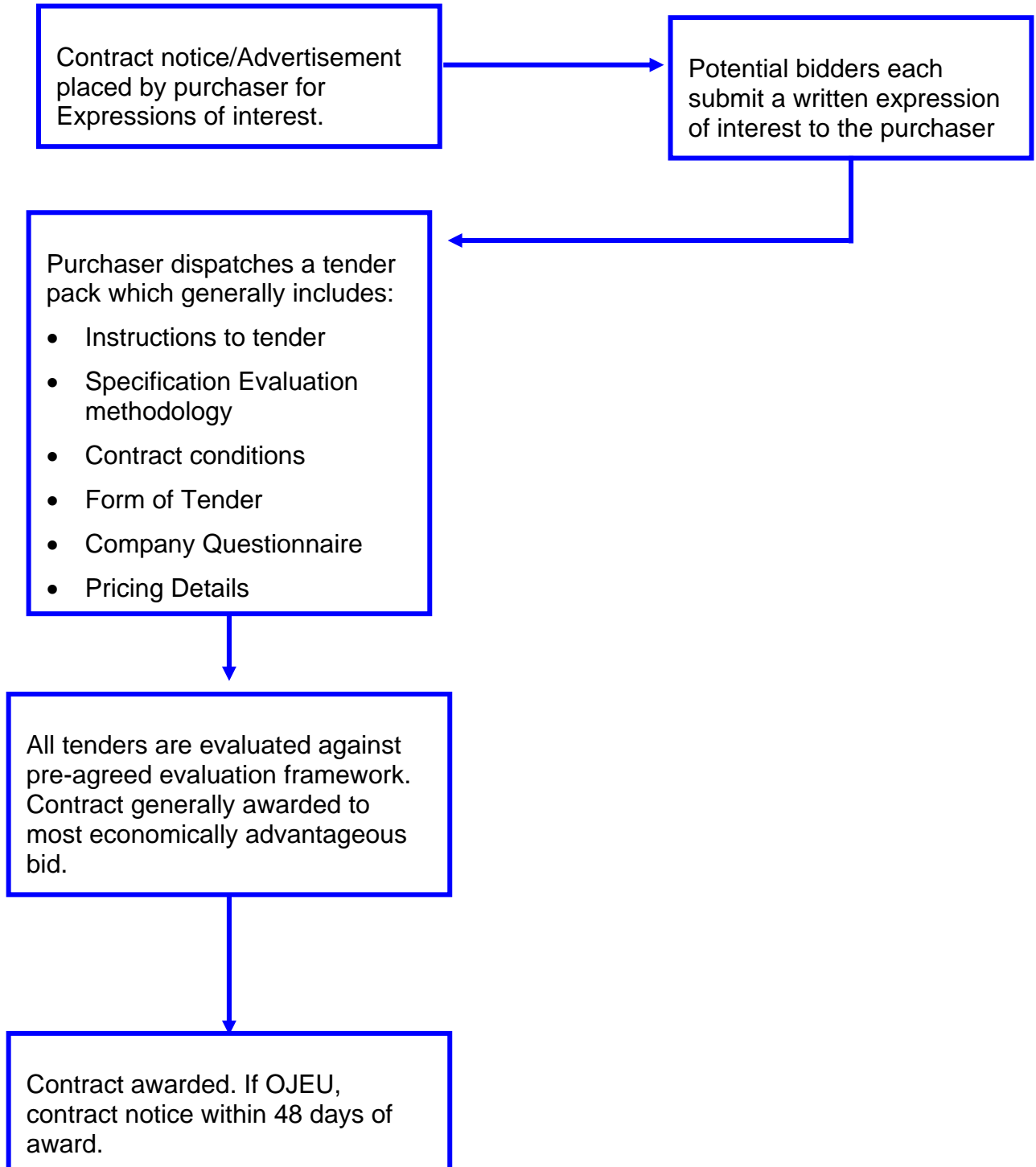
If the tender has been advertised in OJEU, then there is a set number of days that the purchaser must allow for each stage of the process. If not, then the time allowed to complete and return the PQQ or tender will be at the discretion of the purchaser.

A Prior Indicative Notice (PIN) is a way of giving advance warning that a contract is likely to be advertised some time in the future, with the added benefit of shortening the formal notice when the decision to advertise is made.

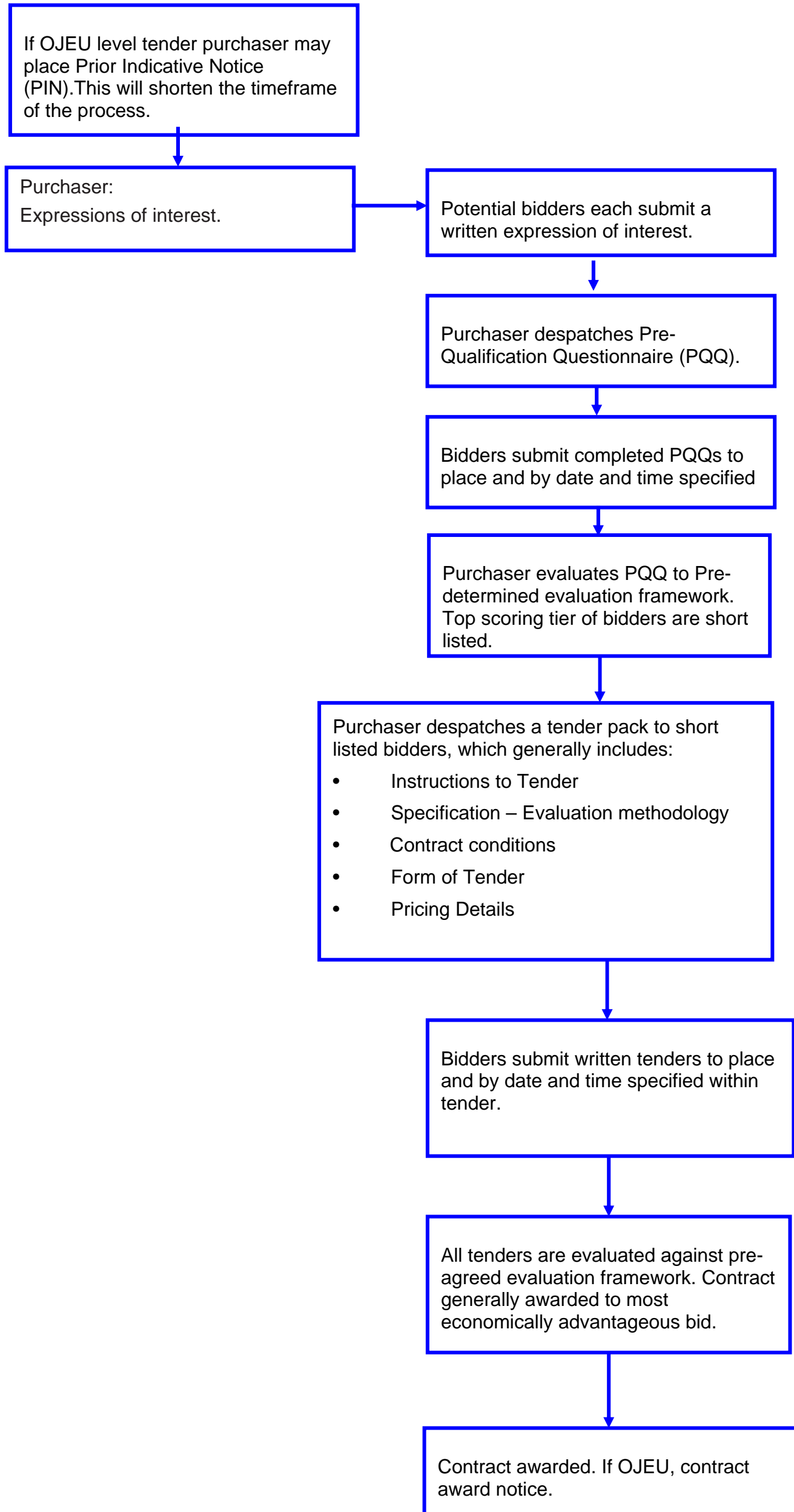
10.4 Tendering processes

Following on the next page is a diagrammatic summary of each of the four tendering processes

10.4.1 Open tender



10.4.2 Restricted tender

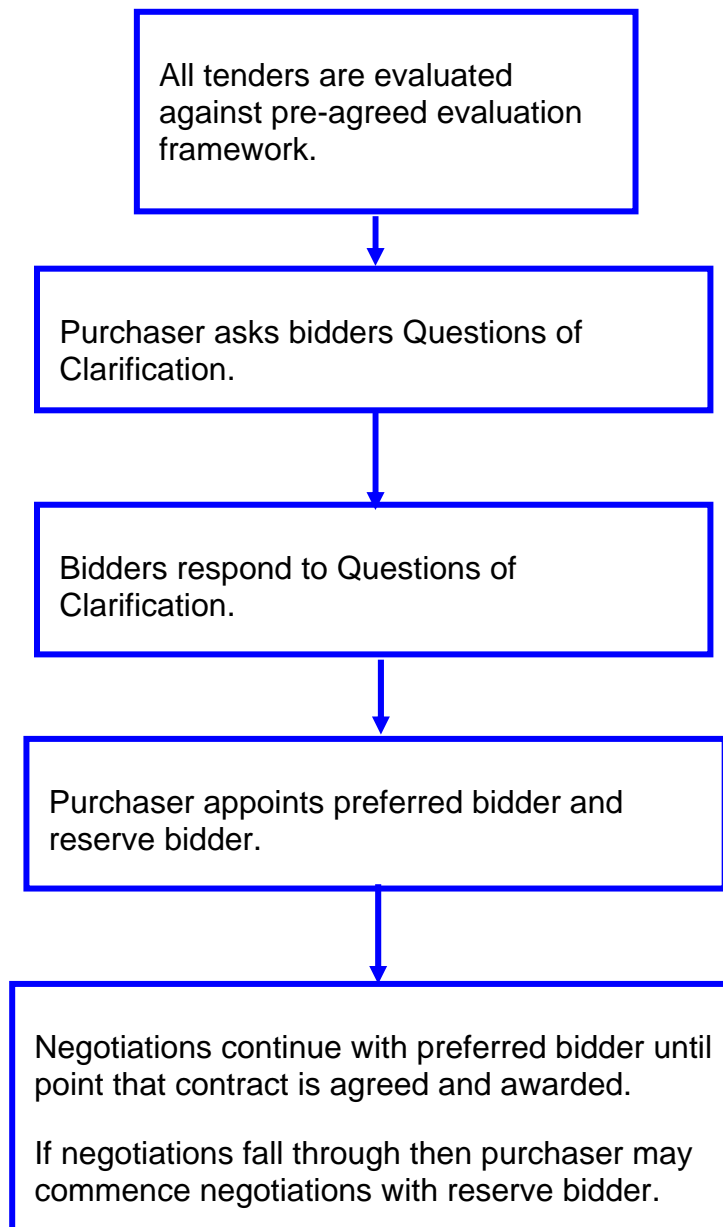


10.4.3 Negotiated procedure (with a public notice)

Negotiated procedures are the least used of the tendering procedures. Where they are used, they tend to relate to large, complex procurements.

The initial stages are as for a restricted tender process.

Then:



11. Golden rules of tendering

- ❑ Preparing a tender is time and resource intensive, so don't consider tendering unless you are sure that you can demonstrate that you can deliver what is required.
- ❑ If you have any questions about the tender, ask the contact officer. You will be asked to put your question in writing, for example in an email.
- ❑ Answer every question and ensure that you enclose every policy, document etc. that is requested, and that they are signed (where appropriate) and up to date. If you miss anything out, your bid may be judged non-compliant and you may be excluded from the process.
- ❑ Any PQQ or tender should include a date by which invitations to tender are due to be despatched, or contracts awarded. When these dates have passed, don't be afraid to politely chase the contact officer to find out the status of the tender.
- ❑ If your tender is unsuccessful, ask in writing for feedback. There is a requirement on procurement officers to provide this. Verbal or written feedback can be invaluable for future bids and also as part of general business development. If you can find out where you scored low marks, work on these areas so that you score better next time.
- ❑ Consider setting up a tender file, where you can keep copies of all the various certificates and policies that are required in a tender process. This will save you time when completing your bids. The initial requirements in any procurement process are the same, regardless of the purchasing organisation or contract.
- ❑ Make sure that the information in your bid is relevant to your company. Simply reproducing a standard piece of information is likely to be spotted by an evaluator and will be scored very low, if at all, as it will not relate directly to your organisation.
- ❑ Don't assume that the evaluator knows anything about your company. They probably don't. This is your only chance to shine.
- ❑ As well as answering all the questions, use the tender to create a picture of your business in the reader's mind. Make sure that the presentation is impressive, spelling and grammar are correct, and bring any relevant elements into your submission that will help market your company. That said, make sure that your submission is succinct and relevant to the contract.

12. Finding out about procurement opportunities

There is, unfortunately, no easy route to find out about current public sector procurement opportunities, particularly those below OJEU threshold. Here are some sources of information:

Official Journal of the European Union

Full information about relevant procurements above OJEU level.

http://ted.europa.eu/Exec?Template=TED/editorial_page.htm&DataFlow=ShowPage.dfl&StatLang=EN

Local newspapers

Public sector organisations sometimes advertise tenders in their local newspaper.

Public sector websites

Local authorities, in particular, are encouraged by central government to include current opportunities or information on contracts that are due to be let in the future on their websites, and also to include information about 'selling to the council'.

The regularity with which this happens varies significantly from organisation to organisation. The following are examples of pages on the Haringey council website:

Haringey Council's contracts register:

<http://www.haringey.gov.uk/index/business/selling/councilcontracts.htm#contractsregister>

Haringey Council's support to business page:

<http://www.haringey.gov.uk/index/business/selling/support-to-business.htm>

ESPO

Eastern Shires Purchasing Organisation (ESPO) lets contracts for a consortium of organisations in the East of England. Other public sector organisations (including Haringey Council) also utilise some of these contracts. ESPO's main website address is

www.espo.org

A list of contracts currently open for tendering can be found at:

<http://www.espo.org/index.asp?CMD=CTR>

CompeteFor

CompeteFor enables business to compete for contract opportunities linked to the 2012 games and other major public and private sector buying organisations.

<https://www.competefor.com/business/login.jsp>

Supply2gov.uk

Supply2.gov.uk - provides information about low value contracts

<http://www.supply2.gov.uk/>

Tender alert services

There are a number of commercial tender alert services available. These charge a fee to businesses, generally based on the number of procurement opportunities sent to you. These services tend to source most of the opportunities they share from the Official Journal of the European Union.

Electronic marketplaces

A number of electronic marketplaces have been established as a way of linking buyers and sellers. Some are free to suppliers, others charge a fee.

<http://www.sopo.org>

<http://www.lcsg.org.uk/site/index.htm>

<http://www.pasa.nhs.uk/sid/>

<http://www.buyersguide.co.uk>

Contacts within public sector organisations

As mentioned earlier, organisations such as councils tend to be large and complex. Frequently, as in Haringey, there is a central procurement unit that sets procurement policy and manages corporate contracts. This means that much of the purchasing that goes on is carried out by individual business units, so that the people involved in frontline delivery buy the goods and services that are most appropriate to their service's needs.

The size and decentralisation of such organisations means that it can be difficult to identify and contact the appropriate person. Places to start include the internet, a relevant website, scanning the local press or by contacting the switchboard or central procurement unit.