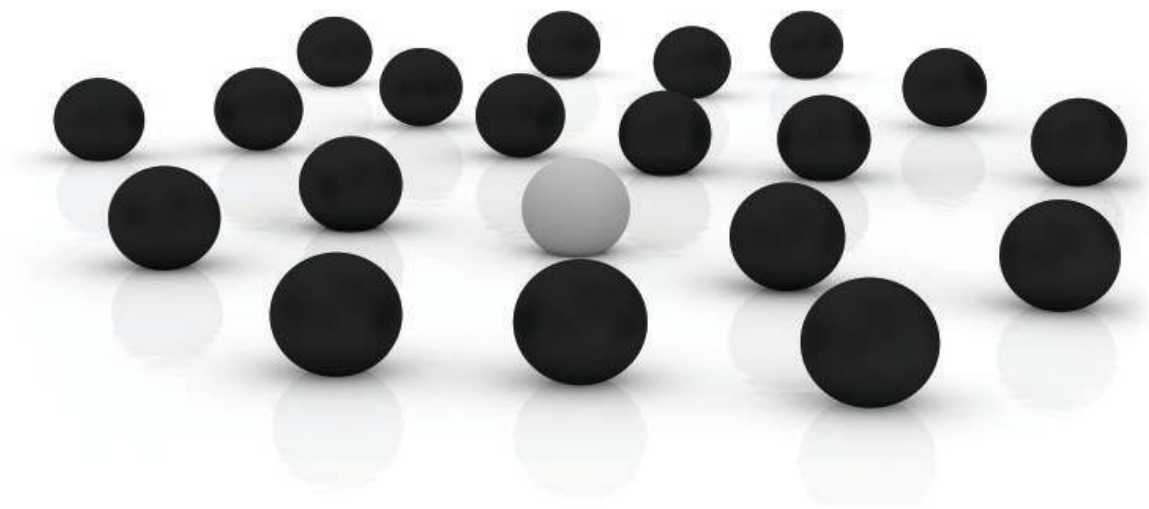


JOINING THE DOTS

Strand 1 Strengthening local procurement and tendering processes

Report prepared by Mick Taylor, Mutual Advantage



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Strand 1 - Public Sector Procurement

1. Introduction

The objective of Strand 1 was to strengthen local procurement and tendering processes by working with three local authorities, and the social enterprise sector in each locality. This was an implementation strand, and involved no research. The conclusions and comments in this report are therefore drawn up from informal discussions with local government officers, members and employees of social enterprises and others attending workshops or the final conference rather than any formal or informal research process.

The strand involved:

- Negotiating and delivering a workshop for procurement, purchasing and commissioning staff of each of the three local authorities
- Where possible, acceptable and practical; considering the documentation, websites and process in each locality
- Negotiations or discussions with ten social enterprises regarding their potential involvement in a local procurement process or experience of selling to public bodies
- Direct support to five individual social enterprises, including:
 - Assistance with two specific tender opportunities
 - Briefings on the legal and practical frameworks for public sector procurement
 - Briefings on accreditation and SROI
 - Supporting the capacity to achieve PQQ status
 - Support with business planning and organisational development in preparation for procurement

The seminars provided to the local authority teams included:

- Barriers to the procurement process
- Equality Impact Assessments
- Action plans to improve access for SMEs, social enterprises and others
- Including community benefits in specifications

2. Purchasers' perceptions of barriers for social enterprise

As part of the seminars we asked officers involved in procurement, purchasing or commissioning about their perception of the barriers facing social enterprise which are, or want to be, engaged in the procurement process and win public sector business. These can be grouped into six main areas:

- (1) Social enterprises' capability or capacity as a business, including:
 - management skills
 - ability to deliver to scale or quality required
 - track record
 - limited range of services
 - level of IT skills and investment
 - business planning
 - sustainability and financial security
- (2) Social enterprises' ability to meet basic requirements, typified by the PQO, including:
 - financial and credit checks
 - meeting statutory requirements
 - equalities and other policy requirements
 - turnover levels
 - insurance and business infrastructure
- (3) Social enterprises' awareness of opportunities and ability to engage in the procurement process, including:
 - knowledge and awareness of opportunities
 - the cost of preparing a tender bid at risk
 - preparation time, forward knowledge of contract opportunities
 - being on government or other approved lists
 - understanding the procurement process and criteria
- (4) Public bodies' understanding of the third sector
 - understanding or preconceptions of social enterprise
 - confusion over grants and contracts
 - knowledge of who is there
- (5) The approach taken to procurement
 - advertising opportunities
 - standing orders and processes
 - payment
 - devolved procurement, low value opportunities, managers' choice

3. Procuring community benefits

There does now seem to be a general acceptance of the value of considering the achievement of community benefits in procurement, particularly where they align directly with the procuring organisation's high level strategies, aims or priorities, or those set in partnership with other public bodies.

This can be done by the procuring organisations considering additionality in the formal appraisal process, or by writing the achievement of these outcomes directly into the specification. Whilst organisations need to reassure themselves that their approach is appropriate it is now generally accepted that for the criteria to be considered to have community benefits or social outcomes, they at least need to be:

- relevant and proportional to the specification
- consistent with an outcome approach
- measurable
- delivering high level strategies, aims or objectives

The social enterprise sector by definition often delivers community benefits or social outcomes alongside other types of business success. The requirements of the procurement process laid down by regulation, rather than those undertaking a specific procurement activity, requires this assertion to be justified by evidence. If a specific social enterprise can offer additional community benefits or social outcomes in a specific procurement, then that enterprise must be able to show evidence of past achievement and produce an evidence-based analysis of potential future achievement.

This requires some form of accredited process for measuring and reporting social outcomes, and linking those outcomes to specific public policies. A range of methods is available for this purpose, including SROI. All require that social enterprises:

- clarify the social outcomes they achieve
- systematically measure and report on their performance
- audit their processes
- use robust data in predicting future outcomes

4. Issues for procuring organisations

The project identified a number of ways in which procuring bodies in general could facilitate access by social enterprises. Many are normal practices in the participating authorities.

- Continuing to engage positively with the third sector: inviting social enterprises to meet the buyer events; offering training courses, providing support with building capacity to achieve PQQ standards and consulting with the sector
- Continuing to review documentation to simplify and clarify language
- Reviewing web sites, ensuring that documents are comprehensive, accessible, and up to date and meeting the standards set by best practice

- Increasing their knowledge of the sector, challenging perceptions and expectations of capability and performance, separating social enterprise from community and voluntary organisations, understanding the legal and financial structures that they use and any sector specific quality or sustainability accreditations
- Considering ways to support or facilitate supply chain development in particular procurements
- Encouraging devolved purchasers to ensure opportunities exist for social enterprises to present their services for consideration on an equal basis with others
- Reviewing procurement portals ensuring accessibility in terms of language and structure, working with the portal providers to simplify access, clarify language and make structures more intelligible

5. Issues for social enterprise

There are some standard issues that apply in general to the range of social enterprises that are, or wish to be, involved in the public sector procurement process.

- Getting the core business fit for purpose and resolving any organisational weakness before entering a procurement process
- Implementing the organisational arrangements so that a Pre Tender Qualification Questionnaire (PQQ) can be completed in an afternoon. There are three elements to this:
 - Establishing simple data and information management systems so that all relevant data is up-to-date and accessible
 - Practising on a couple of local PQQs taken from the web to ensure that all data is accessible
 - Maintaining all appropriate policies and quality standards and moving towards obtaining externally accredited standards for quality and sustainability
- Understanding the style and level of procurement process that they might be involved in. Public bodies now often publish their financial regulations, and many still make purchases below the EU threshold using simple systems; perhaps requiring just quotes from a small number of suppliers
- Understanding the role of specific people in target organisations, what are the roles of procurement officers, commissioners, purchasers or service managers? Who does what, who makes the key buying decision and how?
- Taking a strategic and medium term approach to procurement opportunities that match the organisations' goals and strengths. Considering the scale of likely procurements as well as the organisational capacity to grow and manage delivery
- Researching the websites of the target organisations, they may be able to find:
 - Lists of current contract opportunities
 - Lists of current contracts with termination dates
 - Lists of contact names with procurement responsibilities

- A sample PQQ or tender specification
- Financial regulations showing how different sized procurements are undertaken
- A “How to Sell to Us” guide
- Considering how best to identify procurement opportunities
 - Registering with procurement web sites - if they have a national or regional capacity, and the ability to respond quickly and opportunistically, and the time to monitor and select opportunities on a daily basis
 - Targeting specific organisations and opportunities well ahead, by researching web sites, taking part in consultations, and building relationships
- Considering opportunities in supply chains. If the organisation is too small, too focused in expertise or too limited in geographic distribution, it may need to consider getting involved with other people
 - Through partnerships or consortia
 - Through sub-contracting

6. Learning

(1) Challenging expectations

There have been significant changes on both sides of the procurement process. Public bodies have often developed a positive attitude to the third sector; much more information is available on local government web sites; third sector organisations are invited to events and training, and local Compacts are in place. More social enterprises have developed the capacity to take part effectively in procurement processes and their understanding of the process has increased. However it was surprising how often the expectations of both sides did not reflect this change. This seems to be a reflection of the diversity of the procurement options and the diversity of the sector.

(2) Timing support

Social enterprises need support at the right moments, appropriate to both their organisational development and their engagement in procurement. Assistance with tenders is only useful when someone is doing a tender bid! Support needs to be focused onto individual needs of the specific organisation

(3) E-procurement and portals

Much is made of “supply2gov” and e-portals. For some social enterprises, this is an appropriate and effective way to identify tender opportunities. For many it is not. Some portals are highly sophisticated and designed not just to select providers but to manage the contract after the selection has been made. Access and language on these sites can be difficult when they are also used for small, one-off procurements

(4) There is more to life than the EU Process

Whilst EU rules require and define the complex process involving PQQs and a formal staged bidding process, they are not a legal requirement or the best practical approach for many procurements. Social enterprises need to identify specifically how the opportunities they wish to take part in will be organised. They need to

understand the different roles of staff in the procurement process, for example between commissioners deciding what is to be bought and procurement officers describing how things might be bought.

A possible strategic framework for social enterprise and public sector procurement

<p>Type 1</p> <ul style="list-style-type: none"> • Larger third sector organisation • Service range at least regional or wider, perhaps national • Quality systems in place and externally accredited • Dedicated staff member responsible for identifying and responding to tender opportunities • Financially stable with audited accounts • Turnover at least three times greater than the size of typical procurements • Active in delivery partnership development • Prepared to take risks, and able to cover resulting losses 	<p>Approach</p> <ul style="list-style-type: none"> • Register with and monitor e-procurement websites and portals • Undertake opportunistic bids, accept win rate of 50% or less • Take leadership role in partnerships and consortia • Identify specialist sub-contractors • Invest in capacity building and gap filling internally • Take part in national and regional organisations, consultations and networking opportunities • Invest in advanced IT and data management
<p>Type2</p> <ul style="list-style-type: none"> • Medium sized third sector organisation, but significant local player • Good sub-regional reach • Tenders prepared by managers alongside other work • Quality systems in place but not externally accredited • Financially stable, good accounts • Turnover at the same level or marginally greater than typical procurement size • Member of developing partnership, or some sub contracting • Limited capacity to take risks or sustain losses 	<p>Approach</p> <ul style="list-style-type: none"> • Participation in local or sector specific consultations • Ensure organisational strategy and potential local procurement opportunities align in the medium term • Identify future tender opportunities at least 1 year ahead through web based research and local networking • Build good practical personal relationships with local buyers • Establish capacity to achieve maximum assessment of PQQ, and complete within 2 working days • Obtain as much business through informal quotes or other simple purchases as possible, establishing a track record • Build turnover into the range of double the typical procurement size

Type 3

- Strong local third sector organisation, good reputation for social performance, not always businesslike in its approach, management and organisational performance
- Limited or no track record in delivering public services under a contract won through an open competitive process
- Accounts in place, but limited trading experience, or trading turnover below 50% of income
- Some elements of quality systems in place but not complete system
- Low readiness to take risks
- Limited management capacity, most management time spent operationally running the organisation day to day
- No existing contracts of any kind above £50K

Approach

- Understand internal rules in local public bodies and clarify buying decisions. Package and market services to managers with devolved purchasing authority
- Extend approach geographically, either to regional level, or a focused national strand for key products or services
- Decide if the strategic development of the organisation includes an aspiration to grow to Type 2
- If yes, prepare a two year plan to:
 - Improve business performance and resolve organisational weakness
 - Identify and implement a basic quality system with the potential for external accreditation
 - Increase internal knowledge and skills in procurement by training and networking
 - Maximise small scale sales to public bodies
 - Increase turnover through trading
 - Build capacity and readiness to take managed risks
 - Look for specialist sub-contracting opportunities, or take part in partnership consortia, where this does not distract from the organisation's development