



7. Finding and getting money

7.7 Procurement and Public Service Delivery

Overview

Tendering for the delivery of goods or services is one of a wide range of options that third sector organisations may consider in order to generate income.

The majority of third sector organisations that deliver goods or services under contract currently do so for the public sector. This information sheet is intended to provide a brief overview of procurement within the public sector and issues that third sector organisations should understand before deciding to contract.

Purchasing and the public sector

The public sector is a series of sub sectors that directly deliver or facilitate the delivery of key public services for citizens. The public sector in Wales is made up of local, regional and central government, the National Health Service, Further and Higher Education establishments and other public bodies and organisations associated with the workings of the government.

Each year, the public sector buys a vast amount of goods and services from external sources. This may include basic supplies to specialist services or paying contractors to provide services to customers on its behalf.

The process of sourcing and purchasing these goods and services is known as public sector procurement.

Public sector procurement

Procurement is defined as the purchase of goods and services from a third party under legally binding contractual terms where all the conditions necessary to form a contract have been met.

Procurement is also concerned with the processes and systems for managing the acquisition of goods and services from start to finish.

Procurement is an evolving process within the public sector. In recent years good practice measures have been developed in order to engage the third sector in public service delivery as it has become increasingly recognised that third sector organisations have the potential to become key stakeholders in the delivery of public services. Since public sector procurement is also being concerned with the effective use of financial resources as well as working and collaborating with others, the challenge now for third sector organisations is how to demonstrate their added value when tendering for contracts.

Purchasing and procurement regulations

As purchasing within the public sector is concerned with the spending of taxpayers' money, procurement processes are subject to strict controls. There are both UK and European laws that define how the sector must operate with everything being subject to audit and scrutiny. Purchasing has to be done in a fair and open way so that nobody is unfairly excluded from the process. The public sector must also demonstrate at all times that anything it buys is of benefit to the public and that it provides the best value for public money.

There is however a variation in the approach to procurement across the public sector. With the need for public sector organisations to be flexible according to their own circumstances, there is no single or standard approach to purchasing. Many public sector organisations have developed their own procedures, standards and protocols within the legislative framework and it is important that third sector organisations considering public service delivery become familiar with and engage with the relevant public sector organisation from the outset.

Public sector values and objectives

Below is an overview of the core values and objectives associated with public sector procurement. Understanding these drivers may assist third sector organisations in improving their chance of

success in tendering for public sector contracts.

- Value for money – This does not always mean at the lowest price. Organisations able to demonstrate added value at a higher price are often favoured. For example an organisation may demonstrate cost savings elsewhere or be able to create improvements such as equality of opportunity or a focus on community and individual needs.
- Sustainability – Services bought by the public sector must be sustainable. Public sector organisations must be confident in an organisation's ability to develop, resource and deliver the service over the whole life of the contract. Organisations must demonstrate how they could change and adapt services to meet changing demands, needs and legislative requirements.
- Community benefit – The public sector is increasingly becoming concerned with the social, economic and environmental benefits that result from the provision of their services. The third sector is well placed to assist the public sector in achieving their targets of improving the quality of life for all.

Thinking about contracting for public services?

Before considering selling to the public sector, third sector organisations must have confidence in their ability to:

- Compete with other organisations on the open market.

- Deliver services on time and to required standards.
- Have a sound financial and commercial reputation.
- Offer value for money.

Third sector organisations should also consider the following points when deciding if public service delivery is for them:

- Core mission – Does what you are proposing to deliver fit with your organisation’s core mission and aims? Delivering services outside this remit may have implications for your organisation. You should find the balance between being driven by your mission and being driven by a funding opportunity.
- Current activities – The public services that you may decide to deliver will be dependent on your organisation’s current activity, experiences and reputation. Are you able to deliver this service better or more efficiently than the competition?
- Organisational change – Is your organisation ready to adopt new ways of working? Delivering public services involves a high level of scrutiny, does your organisation have the policies and procedures in place to meet these demands?
- Legal framework – Does your governing document allow you to trade or deliver public services? Is your organisation aware of the financial implications of delivering public services, for example VAT?

Finding the contracts

Finding available contracts and being invited to tender involves a combination of research and networking to make the right connections. In order to provide you with an overview of the type, size and nature of public sector contracts that become available, listed below are details of the main sources of contract opportunities:

- Advertisements in national, regional and local newspaper or trade journals.
- Buy 4 Wales allows Welsh public sector organisations to advertise contracts and tender opportunities - www.buy4wales.co.uk.
- Contract shop aims to encourage and create effective inter-trading between local businesses and provide practical assistance to small enterprises (including third sector organisations) in winning private and public sector contracts - www.contractshop.co.uk.
- Local authorities now tend to advertise their contract opportunities on their own websites. The Improvement and Development Agency for Local Government (IDeA) has links to all Welsh and English local authority websites – www.idea-knowledge.gov.uk/idk/org/la-data.do.
- Local authorities also frequently organise ‘Meet the supplier events’ which aim to bring purchasers and potential suppliers together.
- Official Journal of the European Union (OJEU) publishes all public sector contracts over a specified EU threshold - www.ted.eur-op.eu.int.

- Sell 2 Wales allows organisations to register and receive notification of smaller contract opportunities (usually below £100,000) – www.sell2wales.co.uk

Further information

Legalities

- *CC34 Charities and contracts* produced by the Charity Commission sets out the considerations for charities when entering into a contract. It is available to download from www.charity-commission.gov.uk.
- Queries on the tax implications of contracting should be directed to Her Majesty's Revenue and Customs (HMRC) www.hmrc.gov.uk
Tel: 0845 302 0203

Procurement process

- NCVO's 'Before signing the dotted line' is intended to navigate the complex rules, procedures and practices that constitute the public sector procurement process. It is available to download from www.ncvo-vol.org.uk.

- www.supplyinggovernment.gov.uk is the Office of Government Commerce's website providing an in-depth overview of public sector procurement.
- '*Think smart – think voluntary sector!*' produced by the Home Office and Office of Government Commerce is a good practice guide aimed at the public sector but contains useful information for third sector organisations. www.homeoffice.gov.uk
- The Department for Enterprise, Innovation, and Networks (DEIN) have a list of 'champions' who can help organisations who wish to tender. www.contractshop.co.uk

Technical guides

- ACEVO and New Philanthropy Capital's '*Full cost recovery: A guide and toolkit on cost allocation*' provides a template to assist organisations understand and calculate their full costs. www.acevo.org.uk

Welsh Assembly Government

- '*Opening doors*', the charter for SME friendly procurement produced through Value Wales is currently being re-drafted to address the needs of the third sector. www.contractshop.co.uk

Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

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Produced by WCVA, County Voluntary Councils and Volunteer Centres.

Last Updated: 17/07/2008