

7. Finding and getting money

7.7 Introduction to procurement

Overview

Third sector organisations are increasingly seeking to diversify their income sources by incorporating strategies and techniques to achieve a sustainable funding base. Delivering goods or services under the terms of a contract is one of many options that can be considered to generate income.

The majority of third sector organisations that deliver contracts do so for the public sector. This information sheet is intended to provide a brief overview of procurement within the public sector.

What is procurement?

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 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.

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.

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.

These developments have offered a variety of opportunities including the delivery of services such as:

- Community transport
- Respite or day care services
- Health treatment or therapies
- Meals on wheels
- Recycling

With public sector procurement also being concerned with the effective use of financial resources as well as working and collaborating with others, third sector organisations must be able 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.

The procurement process

Even though there is variation in the approach to procurement across the public sector, the process below is typically followed when a decision has been made to put the supply of goods or services out to competitive tender.

1. Defining the procurement strategy

The purchaser defines its aims, decides what is needed, prepares the business case and then decides how the procurement exercise will be carried out. This will take account of market conditions, legislation and public sector policy.

2. Inviting tenders

Suppliers are invited to put in an offer, or tender. This is usually in the form of an advert or tender notice. In some cases suppliers have to pre-qualify before being invited to tender. They do this by answering a questionnaire (PQQ) or supplying information about their financial status, previous experience, references etc.

3. Evaluating tenders

Tenders are evaluated against set criteria. This process usually involves a period to clarify the tender.

4. Awarding the contract

The purchaser then awards the contract to the supplier whose bid best represents value for money or best meets the contract criteria.

5. Managing how the contract is put in place

Everyone involved works together to put operations in place for the forthcoming contract.

6. Managing the contract

The supplier and purchaser manage the contract where the supplier's performance is checked and monitored.

7. Review and testing

The need for the contract will be reviewed regularly and after a set period of time the contract may be advertised again.

Further information

Information sheets

3.7 Commissioning

3.8 Contracts

7.7.1 Introduction to tendering

7.7.2 Writing and presenting tenders

7.7.3 Costing your tender

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.

Welsh Government

- *Community benefits: Delivering maximum value for the Welsh pound* (April 2010). Approaches that procurers are encouraged to take to deliver added value by the inclusion of community benefits in their procurement activities.
- *Better Outcomes for Tougher Times: The Next Phase in Public Service Improvement* (December 2009). The next phase of a public service improvement programme.
- *Procurement and the Third Sector: Guidance for the Public Sector in Wales* (March 2008). Advice to public sector procurers on working with the third sector in the search for value for money.
- The Procurement Route planner available at www.buy4wales.co.uk details the procurement process for common goods and services, as well as some specialist areas.

Legalities

- *CC37 Charities and public service delivery*, 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 should be directed to HM Revenue and Customs. 0845 302 0203
www.hmrc.gov.uk/charities/vat/intro.htm

Support

- County Voluntary Councils (CVCs) in Wales provide information on a wide range of funding and financial issues including tendering. See information sheet '1.7 Where to go for help' for details of your local CVC.
- Sustainable Funding Cymru's Third Sector Funding Portal is a one-stop shop for funding advice and opportunities
www.sustainablefundingcymru.org.uk
- WCVA's 3-SET team provides guidance on tendering for European funded opportunities.
0800 2888 329
3SET@wcva.org.uk
- The Welsh Government's Supplier Development Service aims to give businesses from all sectors a better chance of winning public sector contracts.
www.business-support-wales.gov.uk

Training

- *Introduction to tendering* – details of a one-day introductory course available at www.coursesforcommunities.org.uk
- *How to tender* – details of a two-day practical course following the stages involved in writing and submitting a tender available at www.sustainablefundingcymru.org.uk

Disclaimer

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For further information contact

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