



Commissioning and the tendering process



What are commissioning and tendering about and why are they important?

Understanding commissioning and procurement is essential if your organisation provides or intends to provide services to the public sector. Public sector organisations such as local authorities, the National Health Services and other government departments need a wide range of services, such as health and social care, education and business services, food, cleaning or waste services. They are increasingly using commissioning and procurement to get the services that they need instead of giving out grant funding.

There will always be place for grants in the third sector, but providing goods and services through the commissioning process is becoming more commonplace. If your social enterprise offers such services and you intend to deliver them for public sector organisation as part of your funding strategy, then you need to be aware of these agendas and of how to get involved.

Commissioning takes place first. It is the strategic process whereby public sector organisations decide what services or products they require and what services they should be buying to meet their priorities and people's needs.

Procurement is the process by which a public sector organisation purchases services from an organisation (ie a social enterprise, a charity, a business or other). It involves buying the services and issuing a contract to the provider in order to make this process legally binding.

Tendering is part of the procurement stage – it is a formal process by which organisations compete for funding available to deliver public services by submitting tender applications. The tendering process normally happens over a number of stages as described below and is the way procurement officers decide which organisation to choose out of all the applicants that can provide what want.

You should know how your potential clients in the public sector use commissioning and procurement. If you do, your social enterprise will be able to take part in the tendering process in a timely and more competitive manner.

How does the process work?

It is important to understand why a public sector organisation decides to commission other organisations to deliver services. They may not have the resources or expertise in house to deliver the services that are needed to meet the public need. It is also in many cases more cost effective for them to commission other organisations to run them, than for them to run it themselves. There may be a need that has come up recently and which requires new services. There is also an increasing recognition of the value that social enterprises bring to public sector services, including the additional social or environmental impacts created (see Marketing and communicating plan/key messages and Defining success guides).

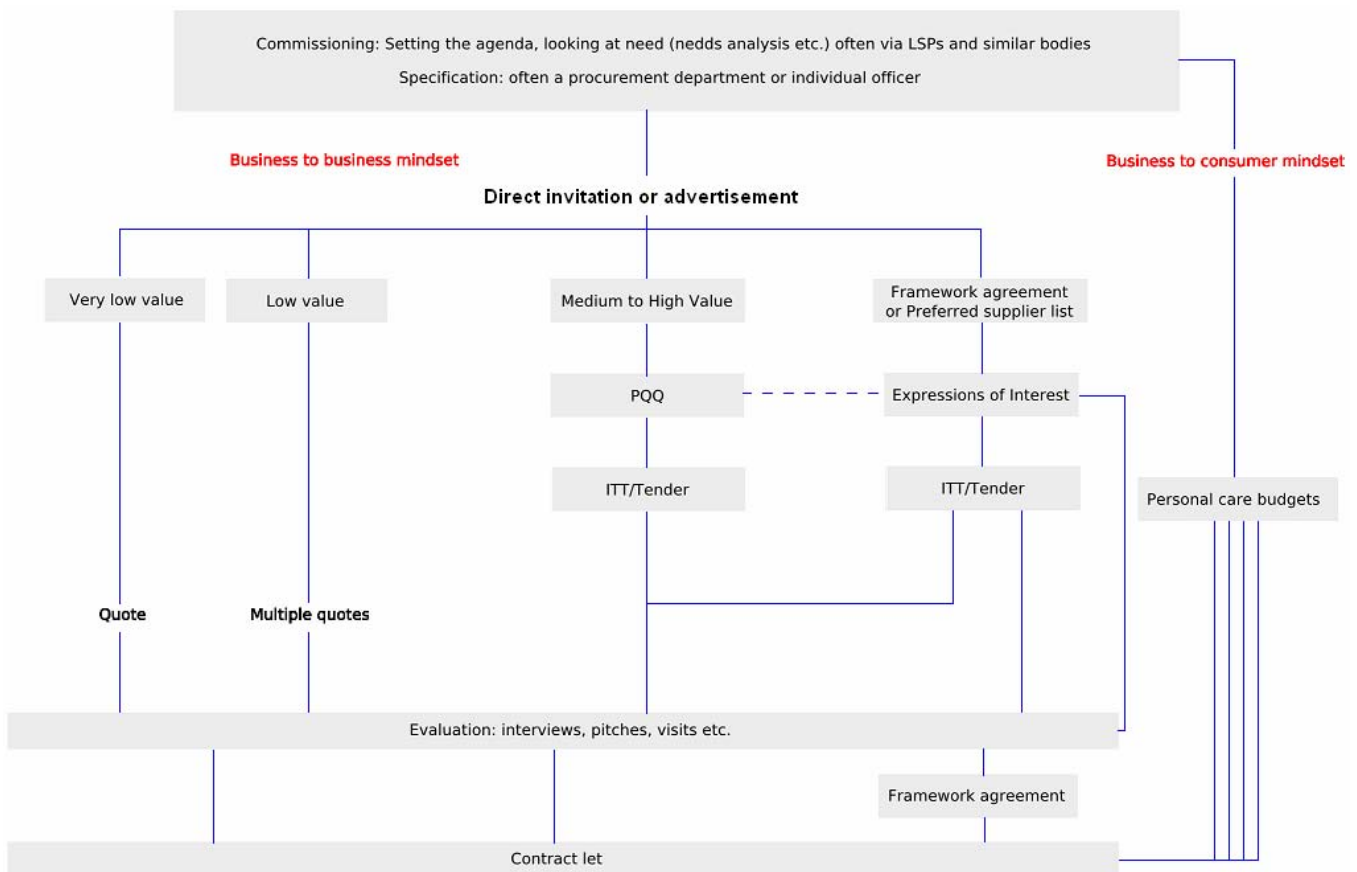
Your public sector customer will make the commissioning and procurement process as open and transparent as possible. The commissioning process begins with providers of public services thinking about the services they deliver, have delivered and might want to deliver to their communities. Some public sector organisations might do this alone, or some local organisations might join together to commission services for all of their users (see Local Strategic Partnerships below). Public sector organisations consider and document both the need and the specification of the goods or services they require. This can involve local consultation events which are open to the public. It's probably a good idea for to try and attend these as a networking opportunity.

The process continues on to procurement. Depending on the size and importance of the contract this may be a one, two, or multi-stage process as outlined below.

Types of process	Size of contract and notes on the process
One stage	Low value or very short-term contracts usually involve a one stage process. This may be that the public sector buyer is asking for quotes from existing suppliers or people that they would like to do business with. It may also take the form of a brief proposal.
Two stage	<p>Medium to high-value or high-profile contracts.</p> <p>Stage 1: Pre-Qualification Questionnaire (PQQ) like a job application for your company</p> <p>Stage 2a: Invitation to Tender (ITT) this is normally a formal written proposal (using either the buyer's template or your own)</p> <p>Stage 2b: You may be selected to present (sometimes called pitching) to the buyer in person</p>
Multi-stage	<p>Multi-stage processes such as Framework or Preferred Supplier List (PSL) processes often begin as either a stage one stage or two stage process. However, instead of being awarded a contract your social enterprise will be included in a framework agreement or on a preferred supplier list.</p> <p>You might be a refugee organisation that provides translation services. Your local police force needs high quality translators that speak a variety of languages. They will probably have a <i>framework agreement</i> whereby a large number of organisations that provide translation services have been pre-approved to provide services at a fixed price. If they have a need for a translator they can call any organisation on their framework agreement to give you the work.</p> <p>A <i>preferred supplier</i> list works in a similar way, although the price for the services is not fixed and you may be asked to put in a proposal on specific pieces of work.</p>
<p>Gateway: The contract is awarded to the winning supplier(s). You now have the opportunity to negotiate the details of the contract.</p>	

Process diagram

Here is what the process looks like as a diagram (terms such as ITT and PQQ are explained below.)



What you need to think about

There are a number of key challenges your social enterprise can face when you enter a procurement process. You should consider or have in place if you wish to deliver public sector contracts.

- 1) Commissioners and procurement officers face many conflicting drivers. On one hand they are being encouraged to be more “efficient” – that is get more service for less money. On the other hand they are being asked to deliver greater effectiveness with “additionality” (added value) and “world class commissioning (NHS)” agendas, focusing on long-term outcomes. Although this means that social enterprises can be seen as delivering great outcomes, you may be pricier than some commercial competitors.
- 2) An awareness of these pressures will enable you as a social enterprise to understand your beneficiaries as well as your potential public sector customers’ needs and the world they work in. It is worth carrying out some research and developing a stronger understanding of your market and of the tendering process involved as it will give you a competitive advantage over other enterprises (social and commercial) competing for public sector contracts.
- 3) Public sector procurement rules tend to be risk averse. That is, processes are in place to ensure organisations delivering public service (and tendering for those contracts) are financially sound and well run. Procurement officers are concerned with ensuring your enterprise complies with legal requirements, making sure you are financially sustainable (by having audited accounts and management accounts) and your governance and management teams have the right skills and experience to successfully deliver your products or services. By displaying that you meet these requirements you are demonstrating good business probity.
- 4) You may find you are unable to compete for large contracts because your turn-over is too small compared to the size of the contract. This is sometimes called the Proportionality rule. Normally

this means that your social enterprise can only apply for a tender opportunity if its turnover is three or four times the size of the value of the contract (per year).

The rule is there to protect you and the buyer from being too reliant on each other. An effective way to address this is to form partnerships and collaborations with other organisations or to act as a supplier to a larger body that wins a contract. You may want to start with smaller contracts to develop track record and increase the size of the organisation, before tendering for larger contracts.

- 5) You may also find you are unable to effectively compete for contracts because you are, or seem too small compared to your competitors. The small scale and capacity of many social enterprises is a common issue but can be addressed by collaborative working (see the excellent work of In Shape Hackney as an example of a standing consortium of partners). You can also increase your scale through growth replication and franchising by working with like minded organisations you will have access to more people, skills and capacity to deliver your contract.

Contract opportunities also exist within the private sector (commercial work) and the third sector (charities, voluntary and faith organisations, and other social enterprises) as well as in the public sector (central, regional and local government). Consider looking at all types of customers that may need your services. This will reduce your reliance on one specific type of customer and reduce your risk.

- 6) Personal care budgets are a move to increase personal choice for people with long-term conditions such as diabetes. Historically people with these conditions have had medicine, therapies and services provided to them by the NHS, normally through a local Primary Care Trust (PCT). Individuals are beginning to get control of some of the budget set aside to treat them and to decide how this can be spent.

If for instance you are charity providing services to elders in the community you might have sold toe-nail clipping services to a local doctor's surgery. An opportunity now exists to sell your service directly to the patients. This is a move away from selling to a few big customers (a business to business model) to selling to many individuals (a business to consumer model). Individual budgets are unlikely to completely replace large contracts, but they may become a significant source of work and revenue for you (see process diagram above).

- 7) Some buyers use third parties to manage part or all of the procurement and supply chain process. For instance, Exor Management Services operate these services for numerous local authorities and NHS trusts and you may need to communicate with Exor rather than the end client in some instances. Investigate whether this is the case in your sector and for the type of services that you provide.
- 8) European legislation. While many contracts you will be tendering for will be controlled by UK regulations some will be either be very large or last a long time (and hence have a high total contract value). These tender opportunities must be published in the Official Journal of the European Union (OJEU). There are special time scales and steps that must be taken by the commissioning body. There has been no hard copy since 1997 and all tenders are available from the OJEU website.

What to look out for when ensuring your enterprise complies with legal requirements

The jargon used in the commissioning, procurement and tendering process of is quite different from the terminology used in funding applications. To avoid confusion, a few key elements are explained below.

Pre-Qualification Questionnaires (PQQs)

Pre-Qualification Questionnaires (PQQs) are typically used by buyers to gather information from suppliers. They are often used to gather business details, technical information and approximate price offers from Suppliers.

PQQs are normally a preparatory stage of a procurement process that allows the Buyer to qualify Suppliers for invitation to an ITT stage.

Invitations to Tender (ITTs)

An Invitation to Tender (ITT) is used by buyers to gather in-depth business details, technical information and price offers from Suppliers. At the end of an ITTs, the selected or winning organisation(s) will be awarded a contract to provide the required services.

Local Strategic Partnerships

Central government is working hard to develop and support delivery of services to communities. One of the main ways this is being done is through Local Strategic Partnerships (LSPs).

These are non-statutory partnerships that bring together local public sector bodies (such as local authority departments, NHS trusts and public services such as Police and Fire Service) as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together.

LSPs provide an effective forum for commissioners to engage with other parties (such as the third sector and social enterprises) to make sure they are providing the sort of services that their communities need. As a social enterprise, and member of the community in your own right you are potentially able to influence commissioning decisions in your borough.

Further information

How to find out about tender opportunities

You can find out about tender opportunities through a number of public sector websites to which you can sign up and from which you will receive regular updates about tendering opportunities in your sector. These include:

Visit the Supply2gov website:

www.supply2.gov.uk

Visit the Competefor website:

www.competefor.com

Visit the Office of Government Commerce procurement section, for commodity goods and services:

www.ogc.gov.uk/procurement.asp

There are tenders available from the European Union Official Journal of European Union (OJEU) websites:

- www.ted.europa.eu
- www.ted.publications.eu.int

Department of Health/NHS opportunities can be found at:

- www.pasa.nhs.uk
- www.supplychain.nhs.uk
- www.sid4health.nhs.uk

General tender opportunities:

- www.BiPcontracts.com
- www.tenders.com
- www.tendersdirect.co.uk

How to find out about local authority tender opportunities

Your local authority will also publish some tenders opportunities through their website and through local press. Have a look at links or sections on their websites around 'procurement', 'commissioning' or 'doing business with the Council'.

General information about commissioning and procurement

See the Department for Communities and Local Government (DCLG) website for more details:

www.communities.gov.uk

Visit the In Shape Hackney website:

www.inshapeinhackney.org.uk

Visit the Exor Management Services website:

www.exorgroup.co.uk

Visit the Official Journal of the European Union (OJEU) website:

www.ojeu.eu

Visit the ACEVO website:

www.acevo.org.uk

Visit the Institute of Commissioning Professionals website:

www.iocp.co.uk

Visit the Chartered Institute of Purchasing and supply (CIPS) website:

www.cips.org

Visit the Office of Government Commerce (OGC) website:

www.ogc.gov.uk

Visit the Department of Health web areas:

- www.dh.gov.uk
- www.dh.gov.uk/en/Managingyourorganisation/Commissioning/index.htm

Visit the Office for Standards in Education, Children's Services and Skills (Ofsted) website:

www.ofsted.gov.uk

Visit the National Programme for Third Sector Commissioning website:

www.idea.gov.uk/idk/core/page.do?pagelId=13355188

Visit The Compact website:

www.thecompact.org.uk