

CAPACITY

The Public Services Lab

COMMISSIONING, PROCUREMENT AND TENDERING



1

**UNDERSTANDING THE
PROCESS OF COMMISSIONING,
PROCUREMENT AND TENDERING**

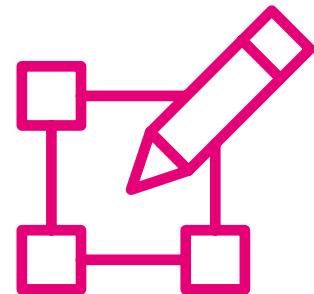
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UNDERSTANDING THE PROCESS OF COMMISSIONING, PROCUREMENT AND TENDERING

Commissioning is the process by which health and care services are planned, purchased and monitored. Commissioning comprises a range of activities, including:



Assessing
Needs



Planning
Services



Procuring
Services

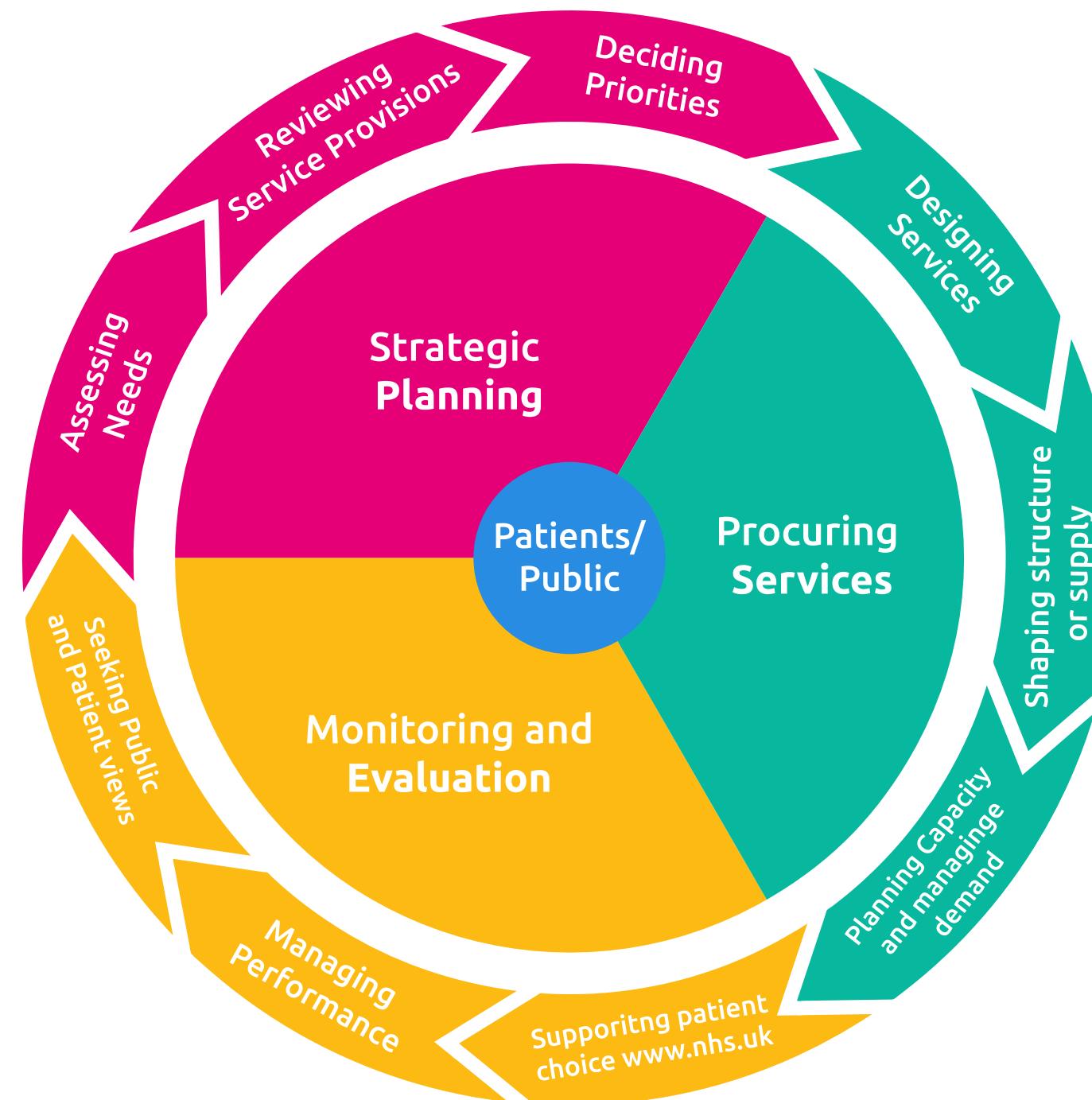


Monitoring
Quality

1

UNDERSTANDING THE PROCESS OF COMMISSIONING, PROCUREMENT AND TENDERING

The process, which is repeated typically on an annual basis, is often shown as a cycle:



1

WHAT IS THE DIFFERENCE BETWEEN COMMISSIONING, PROCUREMENT AND TENDERING?

COMMISSIONING

The strategic function of identifying priorities and outcomes, assessing the needs of people in an area or the requirement for goods or services by a public agency, allocating resources and then designing and securing the appropriate goods or services

PROCUREMENT

The whole process of purchasing by the public sector from third parties covering goods, services and capital projects

TENDERING

The competitive process through which organisations find, agree terms and acquire goods and services from an external source

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1

WHY DOES THE PUBLIC SECTOR PROCURE SERVICES?

For the public sector, procurement is about outsourcing processes to a specialist supplier who has the expertise or economies of scale to supply the goods or provide the service more efficiently, effectively at a higher quality or more cheaply than could be done in-house. From the purchaser's point of view the main reasons for outsourcing are:

- Contractors can supply goods or services to a higher quality or specification
- To gain access to cutting edge technologies
- To achieve better outcomes
- To gain access to areas of expertise
- To share risks and improve management of risks
- To improve efficiency
- To free internal resources for other purposes
- To reduce and control operating costs

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DO SOCIAL ENTERPRISES OR VOLUNTARY ORGANISATIONS HAVE AN ADVANTAGE IN THE PUBLIC PROCUREMENT MARKET?

Advantages include:

- Providing access to 'hard to reach' groups
- Community links and a responsiveness to particular need
- Adding a service user or needs led focus to service planning and delivery
- Reputation for being open and accountable through social ownership
- Social 'impact' track record and ability to quantify this
- The ethical or non-profit-distribution nature of your organisation
- Social entrepreneurship where a social need can be met through an enterprising solution that blends commercial and non-commercial funding
- Galvanising voluntary action for a social goal
- Attracting dedicated charitable resources or additional leverage
- Sharper focus on the public sector customer relationship
- Innovative solutions to community needs based on a clearer understanding of those needs
- Improved quality through better customer care and post-contract service delivery
- Clear equalities agenda and track record of implementing Equal Opportunities
- Flexibility of service provision or speedier response



**ARE PUBLIC SECTOR CONTRACTS
THE RIGHT OPTION FOR YOU?**

2

ASK YOURSELF SEVERAL KEY QUESTIONS:

Who are we?

- What is your mission statement?
- Is there a fit between the opportunity and your mission statement?
- There may be a multitude of reasons why a procurement opportunity might not fit with your mission/purpose, for example:
 - It involves working with a new client group
 - Growth may negatively affect the service you deliver to existing clients
 - You may not want to trade
 - The procurement contract involves operating outside your geographical community.

If the above circumstances occur, you may need to:

- Revisit the core purpose of the organisation change your core purpose to adapt to new circumstances
- Form a 'satellite' organisation to deliver the contract, or
- Decide not to pursue the procurement opportunity

Being clear about who you are provides a platform for answering the other questions related to deciding if public sector business is for you.

What goods or services can we supply?

- Can we supply the goods or services at a higher quality, more efficiently, effectively or cheaply than our competitors?

Why are we doing this?

- Diversifying funding base
- Opportunity to expand existing services to work with new customers or to move into new geographical areas
- Income generation
- What are our aspirations
- How would securing this contract affect our ability to deliver our core mission?
- What potential conflicts of objectives or interests exist?

2

ASK YOURSELF SEVERAL KEY QUESTIONS:

Are we prepared for the culture change that might be necessary?

- What effect will it have on our existing relationship with our service users or the community
- How will it effect our relationship with our volunteers?
- Will it have an effect on our donations or other sources of funding?
- Are you happy to trade?

What are the risks?

- Stakeholders
- Financial



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CHECKLIST

Ask yourself	Yes	No
Are we clear about our motivation for seeking public sector contracts?		
Have we weighed up the pros and cons of this type of business development opportunity?		
Have we assessed our capacity to deliver procurement contracts?		
Have we ensured that our stakeholders are on board?		
Have we accessed appropriate help and advice to assist us to make decisions?		
Have we considered the risks of public procurement?		
Are we satisfied that we have risk management processes in place?		
If appropriate, have we accessed advice on loan finance?		
Have we decided we are prepared to take the next step in business development towards securing procurement contracts?		

3

WHAT IS YOUR UNIQUE
SELLING POINT?

3

PROCUREMENT WILL OFTEN MEAN A CULTURE CHANGE FOR YOUR ORGANISATION WITH A SHIFT IN FOCUS TO 'SELLING' TO A MARKET.

HOW ARE
DIFFERENT
TO YOUR
COMPETITORS?

1

WHAT ADDED
VALUE CAN
YOU BRING?

2

UNDERSTAND
THE PURCHASER'S
PROBLEM – HOW
CAN YOU SOLVE IT?

3

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3

HOW TO WORK OUT YOUR UNIQUE SELLING POINT

Price	Can we supply the goods or services at a cheaper or equivalent price than our competitors?
Product	Can your product be differentiated from your competition? Is it better? More innovative? Higher quality? More flexible approach to delivery?
Place	Does your location or geographical coverage offer any advantage in supplying the goods or services?
People	Do you have particular experience and skills within your staff team that can be emphasised as part of the tender?
Proof/Previous Experience	Have you delivered this type of contract before? Can you prove successful delivery?
Profile	Do you have a good reputation for delivery?
Process	Do you have quality standards in place e.g. Investors in People, PQASSO?
Panache	Do you bring a 'certain something' to the contract through your specialism, expertise or ability to innovate?
Partnership	Are you involved in partnership working that can draw in additional skills, knowledge or experience?
Purpose	Does your social purpose offer an advantage over the competition?



**HOW DO YOU DEMONSTRATE
YOUR SOCIAL IMPACT?**

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A logic model tells the story of your project or programme in a diagram and a few simple words. It shows a causal connection between the need you have identified, what you do and how this makes a difference for individuals and communities.

LOGIC MODELS CAN HELP YOU TO:

1. Think about why your project or programme exists, why you do what you do and why you think that makes a difference. They can help you explore and develop a shared understanding about these things.
2. Plan a new project. In fact, logic modelling is really a fancy word for planning. It can help you to think about the need and what you will do to address that need.
3. Communicate your thinking to people who support or benefit from your work.
4. Develop your evaluation plan. A logic model can help you to identify what you expect to happen, and when. It can therefore provide a pathway or road map for measuring progress.
5. Identify project or programme risks and how you might manage them.

4

THE WISCONSIN MODEL

	Question
Situation	What is the problem or issue and for whom? How do we know? Why is this a problem? Who cares if it is resolved? Who else is helping to resolve this issue and how do we fit in? What do we know about the factors affecting this issue (from research or experience)?
Inputs	What resources do we need or are we using? (staff, volunteers, equipment, technology, money, buildings)
Outputs	What are we doing/do we need to do? Who are we reaching or targeting?
Outcomes	What change do we expect as a result of those outputs/activities? Why is this important? Does that lead onto anything else? What will happen immediately, what is the longer term change and what can happen along the way? What is a typical journey for our beneficiaries or service users?

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CREATING YOUR LOGIC MODEL

Situation/Need	Inputs	Outputs		Outcomes- Impact		
		Activities What we do	Participation Who we reach	Short term	Medium term	Long Term



IS YOUR ORGANISATION
READY TO TENDER?

5

CHECKLIST

Organisational Capacity	Yes	No
Does your Board of Trustees or Directors have the right skills mix to strategically manage the organisation as it delivers contracts?		
Do we have the right management structure to deliver this contract?		
Can we make decisions quickly and effectively?		
Do we have an appropriate style of management to deal with procurement contracts?		
What is our attitude to risk and risk management?		
Do we have processes in place to manage the contract relationship?		
What skills or competences do we have to deliver this contract?		
What experience do we have to deliver this contract?		
Do we need additional training for staff to deliver the contract?		
Do we need business development staff to assist with the tendering process?		
Will we need to recruit staff to deliver the contract? If so, is there a supply of labour in terms of quantity, quality and attitude/ values?		
What sectors will new staff be drawn from and how will this impact on our existing pay structures?		
Do our 'terms and conditions' provide enough flexibility in meeting contract obligations (issues such as overtime, hours of work, etc)?		
Do we have the financial systems in place to deal with procurement contracts?		
What are the potential cashflow implications for our organisation and what capacity do we have to deal with cashflow difficulties?		
Do we have appropriate communication systems in place to manage delivery of the contract?		
Do we have the appropriate policies and procedures in place for contract delivery?		
Do we have the appropriate quality standards to deliver the contract?		
Do we have our key stakeholders on board?		



RESEARCHING THE OPPORTUNITIES

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RESEARCHING THE OPPORTUNITIES

- Build up contacts/organisations who can inform you about funding opportunities
- E-tendering portals
 - Proactis
 - Government Contract finder
 - Sell 2 Wales
- Partnerships and networks
- Meet the supplier events



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RESEARCHING THE OPPORTUNITIES

Community Impact	What is the impact of this contract on your community of interest? Will they benefit from you delivering this contract?
Contract Price	If there is an indicative budget? Will you make a profit on the contract to support future business development? Can you recoup your development costs? Are the margins high enough to deal with any unforeseen contingencies?
Contract Specifications and Compliance	Are there any areas where you do not have the skills, expertise or experience to deliver? Can you acquire the skills, expertise or experience to deliver quickly and cheaply enough to make this worthwhile? Can you meet the compliance requirements of the contract?
Cashflow	How does the payment schedule for the contract impact on your cashflow?
Controls	Do you have the right controls in place in terms of health and safety, financial management, personnel information, etc?
Capacity	Do you have the capacity to deliver the contract? Do you need to add additional skills to your staff team?
Co-operation	Can you deliver the contract in partnership with someone?
Continuation	How long is the contract for? What affect will this have on your existing operations? What happens when the contract finishes?
Competition	Who will you be competing against? Do you have a unique selling point that will help you to win the contract? Does the competition have more appropriate skills or expertise? Are your competitors better at tendering than you?

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WHAT INFORMATION WILL
YOU HAVE TO SHARE?

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WHAT INFORMATION WILL YOU HAVE TO SHARE?

- Two years of audited annual accounts or equivalent
- Company legal entity information – constitution/mem & arts
- Public, employer and professional liability insurance
- CVs of Directors/Managers/staff
- Policies and procedures
 - Equal opportunities policy (including details of compliance with race relations Act, Disability Discrimination Act, Sex Discrimination Act)
 - Recruitment and selection
 - Environmental policies
 - H & S
- Staff experience and qualifications
- List of partners
- Risk management processes
- Quality awards e.g. PQASSO, Investors in People
- Staff/organisational structure
- Past contract/grant management experience
- Appropriate technical qualifications/regulatory body information
- References
- Appropriate quality management systems
- Accident book records (health and safety policies and procedures)
- Complaints procedures
- Environmental policies or systems
- DUNS number

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PLANNING AND COSTING THE TENDER

8

PLANNING AND COSTING THE TENDER

Key Point

- Do not underestimate the time you will need to plan the delivery of the contract
- Ensure you can meet the quality standards required for the contract
- Carry out a risk assessment of the financial, operational and personnel issues related to the contract
- Cost the contract carefully, do not underestimate or underbid as you will end up losing money
- Use the historical financial information provided
- As well as direct costs include budgets for support costs, regulatory costs, management costs
- Can you deliver the contract for the price the customer will pay?
- Don't forget about Full Cost Recovery

How do we know if it is worth investing the time into tendering?

Not every contract is worth tendering for. There can be a variety of reasons for this:

- The potential contract will not help you to deliver your core purpose.
- There will be too large a risk attached to the contract.
- The cost of tendering outweighs the benefits of being successful.
- You will not make any money from delivering the contract.
- You do not have the skills or expertise to win the tender.
- You do not have the skills or expertise to deliver the contract.

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COSTING THE TENDER

DIRECT COSTS

These are the directly incurred costs of delivering the goods or service required by the contract.

SUPPORT COSTS

These are the closely associated direct support costs for those delivering the goods or service.

MANAGEMENT CHARGE

These are the indirect, infrequent support costs of delivery but without them the contract could not be fulfilled.

REGULATORY COSTS

These are the governance, quality, audit, monitoring or regulatory costs associated with delivery. There is a vast range of regulatory costs that are compulsory for organisations and have to be budgeted for.

RESEARCH AND DEVELOPMENT COSTS

These are the transaction costs of writing bids, writing unsuccessful bids, product development, research and staff training.

PROFIT

This is the surplus that you aim to make on delivering the contract. The purpose of generating a surplus is to build the sustainability of your organisation.

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Direct Costs	Direct staffing including on costs (NI and pension)
	Travel and subsistence
	Staff training
	Delivery costs
Support costs	Direct Management including on costs (NI and pension)
	Recruitments
	Monitoring and evaluation
Management Charge	Indirect management (supervision of direct manager or contribution to CEO)
	Payroll
	Personnel
	Administrative support
	Financial management
	Marketing and publicity
Regulatory costs	Corporate planning and governance
	Audit and annual accounts
	Annual report
	Legal advice
	Health & Safety
	Social audit or impact measurement
	Quality Assurance
Research and De-velopment	Business development costs
Profit	Build in a surplus for sustainability of organisation



WINNING THE CONTRACT

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WINNING THE CONTRACT

Top 10 Tips

- 1** First things first, make sure that your company meets the minimum requirements for the opportunity. These will be set out in the bid documents. You don't want to waste time and resources submitting a bid that is doomed to failure from the beginning!
- 2** Pass / Fail questions do what they say on the tin... If your answer doesn't meet the Pass criteria then the client's assessor is likely to fail your entire submission. Always check through the Pass/Fail questions first to make sure you will pass them before starting work on the rest of the bid.
- 3** Assume ignorance! Don't fall into the trap of thinking that the person reading your bid knows anything about your company, even if you are already working with the organisation that you are bidding to work with.
- 4** Answer all the questions as fully as possible. If you can't provide all the information then explain why not rather than leaving blanks. Use N/A (not applicable) for the questions that are not relevant to your company.
- 5** Read the submission instructions carefully and follow them to the letter. Check early on to see what format/s are needed – leave enough time at the end for printing and packaging hard copies. This always takes longer than you think and no amount of willpower can make a printer go quicker.
- 6** Now is not the time for modesty! Make sure you clearly explain what you do, how you do it and why your company is a good fit for the opportunity. It takes time and care to craft well-written bid responses but remember that this is the only information that the client will be assessing.

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WINNING THE CONTRACT

Top 10 Tips

- 8** Stay within the word limits. The assessor may well stop reading anything over the word limit. Also try to use the word limits as a rough guide for how long to make your answer. The contracting organisation is looking for a certain level of information, e.g. 100 words is a quick overview whereas a limit of 1000 words means they want a detailed in-depth answer. A good rule of thumb is to aim for a minimum of 80% of the word count.
- 9** Give substance to your answers. Back up what you have said with evidence – statistics, quotes from clients, awards and accreditations all add credibility to your bid.
- 10** Use diagrams and photographs to illustrate your bid. A picture tells a thousand words... and often don't count towards a word limit! A well-presented bid that makes good use of graphics will give a great first impression and will be easier to read.

LAST BUT DEFINITELY NOT LEAST

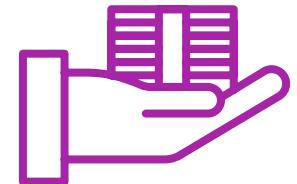
Read, review and proofread your bid. Use the client's evaluation criteria (from the bid documentation) to mark the bid from their perspective. It can be helpful to get someone else who hasn't written the bid to review it from an objective viewpoint. Be critical and thorough with this, you want to make sure you've said what you think you have.

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HOW WILL BIDS BE SCORED?

The tender should outline the criteria utilised to evaluate and decide the most economically advantageous tender. This will vary from tender to tender.

Types of considerations that are usually used to evaluate tenders:



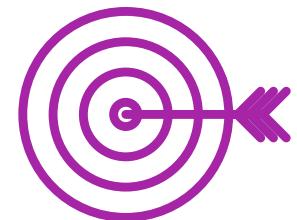
**Price and
price stability**



**Quality
Specification
compliance**



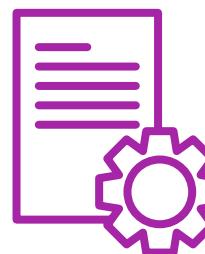
**Experience of
delivery**



**Delivery
arrangements**



**Service
back-up**



**Availability of
management
information**

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DELIVERING THE CONTRACT

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DELIVERING THE CONTRACT

Management of the delivery of the goods or services is vital. This is what you will be assessed on. When you are delivering a contract you need to meet the performance standards outlined in the contract. You will need to have a manager that understands the market that you are operating in and the demands of contract delivery.

Checklist

Ask Yourself	Yes	No
Have we established a system to review the progress of the contract and ensure that we are meeting the targets?		
Are we monitoring the costs of the contract effectively?		
Do we have the appropriate financial information at the Review Meetings?		
Have we ensured that all staff are clear on levels of responsibility in terms of cost control and budgets?		
Have we focused on maintaining the customer relationship with the public body monitoring officer?		
Have we established a process to ensure that we are receiving feedback from any end users of the service?		
Are we dealing proactively with any problems that arise?		
Have we sought appropriate advice and assistance to help us deal with any problems that have arisen?		
Do we celebrate our success?		
Do we involve our staff, customers and key stakeholders in the celebration of success?		