



Winning Public Sector Business

– a rough guide

CONTENTS

1.	Introduction	2
1.1	This guide	2
1.2	Using the guide - how do you prefer to learn?	2
2.	Why is it so hard to win public sector business?.....	3
2.1	Because the public sector does not operate as one market	3
2.2	Because getting a contract from a public sector organisation will take time and effort ...	3
2.3	Because the public sector works under strict policies and regulations	4
2.4	Because the public sector is undergoing massive change.....	4
3.	Why bother with the public sector market?.....	5
3.1	Because the public sector represents over half of the country's business-to-business trade	5
3.2	Because the public sector pays reliably	5
3.3	Because once you are an established supplier, you have a good chance of continued business.....	5
3.4	Because it should be getting easier to negotiate the hurdles.....	6
4.	Winning business.....	7
4.1	Finding your customer.....	7
4.2	Understanding your customer.....	7
4.3	Providing 'Best Value'	8
5.	Getting down to it.....	9
5.1	Finding out about opportunities.....	9
5.2	Getting considered for work	9
5.3	Complying with public sector requirements	9
5.4	Typical requirements	10
5.5	Are you e-Ready?	11
6.	The process.....	13
6.1	Tendering for business.....	13
6.2	Contract types	14
6.3	Buying consortia.....	14
6.4	Sub-contracting and collaborating.....	14
6.5	Being awarded the contract	15
6.6	What you can do if you don't win the business	15
6.7	Contract terms and conditions	15
6.8	Monitoring performance – KPIs	15
6.9	Invoicing and payment	16
7.	Retaining business and acquiring more business.....	16

2. Why is it so hard to win public sector business?

The public sector is the biggest market for goods and services in the UK. However it is also probably the most difficult to break into. Why?

2.1 *Because the public sector does not operate as one market*

For example, there are 388 local councils (ignoring the Parish Councils) all of whom have their own way of working. Within each council the Departments (such as Housing, Leisure, Social Services) have their own structures and cultures, apply their own pre-qualification rules, have control over their own budgets, operate different spending authority levels and appoint their own suppliers. And then there's the thousands of schools and colleges, central government departments and agencies such as MOD, NHS, Police and the emergency services, all of which do the same – but all in different ways.

This devolved approach to purchasing is a consequence of the way these organisations have found works best to ensure decisions affecting their customers – you and me – are taken as close to the 'coal face' as possible. However it has made the task of locating the potential buyer costly and time-consuming for would-be suppliers.

The good news is that this chaos is gradually being brought under better control as part of the government's modernisation programme. The bad news is that this rationalisation could actually mean less business for many smaller suppliers – see 2.4 below.

2.2 *Because getting a contract from a public sector organisation will take time and effort*

The rules under which public sector organisations operate are far more onerous than those for most private sector companies.

Only the smallest contracts can be awarded at the discretion of the staff with no competition. This can be set at £5,000 but might be as little as £500 – each organisation sets its own rules. Above that, buyers have to obtain at least three competitive quotes and show that they have acted fairly to award the business to the supplier offering Best Value (see 4.3 below).

Any contract over a set value (typically £5-10,000, but it can be as high as £20,000) must be tendered. That means at least three formal bids in writing that are then opened and evaluated before a contract is awarded.

Above a set value (currently £154,000 for products and services or £3.86 million for works) all contract opportunities must be advertised in the Official Journal of the European Union (OJEU). This requires companies to go through a complicated two-stage tendering process, first to pre-qualify and then, if selected to be included on the short-list, to bid. Because of the lack of uniformity between public sector organisations, it is rare that pre-qualification to work for one organisation is accepted when bidding for other work – see 5.3 below).

All this can mean a lot of work putting the bid together with no guarantee of any business at the end of the process. And it can take months: from spotting the opportunity to winning the contract can take up to 6 months for OJEU contracts and even for lower value work, decisions may have to be approved by councillors, which can add months to decision timescales. So don't make plans based on your experience of commercial decision-making lead-times.

There are some categories of work, such as IT, where you may not even get the chance to bid, because national framework agreements are already in place and buyers are encouraged to use them. In these cases you may have no choice but to look for a sub-contracting role – for more on this, see 6.4 below.

2.3 Because the public sector works under strict policies and regulations

The public sector has to work under several layers of rules and regulations. Central government lays down a complex set of policy requirements, often linked to financial targets and penalties, and all public sector procurement is governed by UK law and the European Treaty which prohibits the restriction or distortion of competition for all public sector procurement, regardless of the value of the contract. It is the European Treaty that forbids 'non-commercial' consideration ie discrimination.

So, as anyone who has tried to bid for work from the public sector can tell you, there are a lot of hurdles for suppliers to jump over: 3 years financial accounts, references, insurance and demonstration that you have the necessary health and safety, equal opportunities, environmental quality and training policies.

And the bad news for suppliers is that this will get more onerous, not less, over the next few years, as the modernisation and rationalisation of the procurement activity brings with it the ability to monitor and control adherence to these policies and regulations. We have provided a detailed guide to these in 5.4 below.

2.4 Because the public sector is undergoing massive change

The public sector is undergoing massive change and you need to understand what is happening on that front if you wish to be able to sell to it. Modernisation of their finance and IT systems and use of web technology is beginning to allow the sector to focus more resources on front line service delivery. It will do this by freeing up front line staff, taking away and rationalising much of the administrative and support activity they do today, such as procurement, which will, it is envisaged, eventually be undertaken in a few regional 'shared back offices'.

Already buyers in many local government offices are buying commodity goods and services online from centrally negotiated contracts with national suppliers and this trend will gather momentum. Eventually smaller suppliers will find little work coming their way from the buyers in the local departments, unless they are specialist or niche suppliers or have found some other way to gain and retain business locally, possibly as part of a community project or as sub-contractors to a larger company.

So why bother with the public sector? Read on...

3. Why bother with the public sector market?

So if it's so hard to break into the public sector market, why bother?

3.1 *Because the public sector represents over half of the country's business-to-business trade*

In fact in some of the more deprived or isolated parts of the country, public sector purchasing is by far the most important economic activity – and in these areas the local supplier is likely to be more valued and better able to play a part in providing goods and services to the council, police, NHS schools etc.

3.2 *Because the public sector pays reliably*

Although working for the public sector often means charging less than a commercial customer would pay, you can rely on the organisation to pay its bills. And the perception that public sector organisations are inefficient and pay late is becoming a thing of the past as systems improve and 30-day payment terms are adhered to reasonably well. The increasing use of e-Invoicing and BACS can mean payment can be even quicker than this if appropriate.

3.3 *Because once you are an established supplier, you have a good chance of continued business*

If you can afford to invest the time and effort in this sector, it can pay off. Many suppliers who have managed to establish themselves in this market have managed to maintain and grow their business. It requires good account management, innovation and continuous improvement, all of which stem from being close to the customer and helping them address their issues and constraints.

Public sector buyers are rarely professionally trained – procurement has been devolved in most public sector organisations and, until recently, many organisations did not even boast a procurement manager. Even in the larger organisations, procurement managers were rarely qualified and did not have a place on the board. So in the past, skilled sales and marketing managers could find good opportunities to win and grow their business with low priced often low quality goods and services.

This is now changing and it is likely that you will now increasingly be dealing with a professionally trained Procurement Manager for the larger contracts, but for lower value work, it is still the local contracts manager in the buying department with whom you will need to build the longer-term relationship.

The 'cheapest wins' approach is beginning to be replaced by a more sophisticated 'best value' set of decision-making considerations – see 4.3 below – but you will still win more business in the public sector, as everywhere, if you can find ways to provide your goods and services at prices lower than your competition.

3.4 Because it should be getting easier to negotiate the hurdles

The modernisation of public sector procurement may bring a reduction in the number of suppliers and a more competitive market; it may also bring a more demanding regime for compliance to requirements; but it should also bring some benefits to supplier: greater use of the web will mean easier access to information and more streamlined paper-free processes for suppliers as well as purchasers.

There are already signs of standardisation between organisations, including pre-qualification and tendering procedures. Regional collaboration will mean that smaller organisations such as District Councils will become part of larger buying consortia and therefore more attractive prospects for suppliers. And the public sector is being allowed to pursue innovative partnership arrangements with private sector companies to address areas such as housing stock management, opening up new opportunities for suppliers.

Recent government guidelines have also improved the lot of smaller suppliers, including the requirement on prime contractors to pay sub-contractors promptly and the requirement on every public sector organisation to publish a "Selling to us" section on their website to guide potential suppliers through their organisation and rules.

So how do you go about winning public sector business? Read on...

4. Winning business

So how do you go about winning public sector business? Well, it's not so different from any market:

4.1 Finding your customer

Your first problem is that there are so many potential target organisations, it will take time and effort to pin down your likely customers. And they are all individual – there is almost no level of generalisation that will be of any value to developing a sales approach or engaging with them.

However they are all listed in published directories and although finding the right person in the organisation can be time-consuming, it is relatively easier to contact them and get a meeting than in the private sector. If you haven't tried selling to this sector you will be surprised by the openness of the culture - most of the information you need is available on the web or in the phone book and a few phone calls will always get you to the right person.

First, take a look at the organisation's website. There should be a set of pages under the heading 'How to sell to us' or something similar. This should identify what the organisation buys and any partnerships or outsourced services, where you may need to pursue the partner or prime contractor organisation.

Councils are always looking to improve the way they provide best value to their communities and this can mean local companies are given every opportunity to bid for business.

4.2 Understanding your customer

Public sector buyers complain that too many would-be suppliers try to sell them products and services without first really understanding their needs.

Most buying in public sector organisations, other than the big contracts, has traditionally been undertaken in the relevant Department by the person directly responsible for delivering the service – ie they are unlikely to be professional procurement managers. Where framework agreements have been implemented (see 6.2), usually for cataloguable goods and services such as stationery, furniture, printing, temporary staff and photocopiers, the ordering is carried out locally but the contract is placed by a central contracts or procurement manager

Because they are relatively easy to find, buyers are deluged with sales calls and literature, so there is a reluctance to being 'sold to' that will need to be managed down if you are to succeed. To win their business, you really need to start by finding out more about them and their needs. In the case of Local Authorities this means finding opportunities to meet Councillors (elected members who have influence and can dictate policy but do not manage the purchasing process) and Officers (the managers and staff who do the work) in non-sales environments. Luckily there are always functions and open meetings you can attend.

For central government and other agencies, it is also important to get to know the decision-makers and buyers in a non-sales environment but this can be more difficult. Some public sector organisations hold *Meet the Buyer* events, but in other cases it's a matter of getting in to see the right people or inviting them to come to an event or function that is relevant to their interests.

However you engineer the meeting, ask them about what they buy today and what is planned, what their problems and perceived risks are and what role a supplier like you can play in their being able to provide a 'Best Value' service to their 'customer' (which may be the community, or it may be another part of the organisation).

Look at the Council's website to find out whether they are buying the kind of goods and services you offer. If you are a smaller local company you are unlikely to be considered for the supply of the sort of commodity items listed above, unless you can add value in a particular way eg speed of response, specialist service, niche items that meet specific needs.

The areas where you can add value and where Councils are always looking for good quality suppliers include local delivery of services such as contract cleaning, food supply eg to care homes, cash collection services and specialist professional temporary staff eg surveyors, architects, social workers and teachers.

Be aware that Council buyers do not appreciate being bombarded with telesales calls or mailshots advertising your products or services. They are also sensitive to any approaches that could be misinterpreted, which can even include buying a Council manager a drink (he has to declare it!).

4.3 Providing 'Best Value'

The term Best Value has precise meaning in the public sector, relating to the way that the sector delivers services to the community and gives 'best value' to the citizen and tax-payer. The Local Government Act 1999 requires Local Authorities to continuously improve the way in which they buy goods and services and to choose the option or bid that offers "the optimum combination of whole life costs and benefits to meet the customer's requirement."

This impacts on the decision whether put work out to the private sector, criteria for selection of suppliers, the terms of contract and the basis for measuring the supplier's performance.

So the decision on what to buy, from which supplier and the process for procuring supplies and work is a lot more complicated than for a private sector company.

In one important respect, this is very good news for the supplier that seeks to provide added value, not just the cheapest goods and services. The move to Best Value in 1999 was a conscious effort by the public sector to get away from the 'cheapest wins' approach that had inevitably led to poor quality in the past. So although straightforward tenders for the supply of 'commodity' products and services are normally awarded on lowest price, tenders for more complex or higher value contracts will generally be awarded using a range of evaluation criteria, including price and quality.

This is known as the 'most economically advantageous tender' and can include anything that enables the Council to be more efficient, such as:

- total cost of ownership (or 'whole life' costing)
- track record of service delivery and quality
- technical capability
- after sales service
- innovative ideas.

Other factors can also play a part in the decision, especially for local authorities, such as local economic development targets, the balance of short-term and long-term costs and benefits and the relative risks of service failure.

So look at how your product or service offering can be positioned or improved to meet the organisation's Best Value needs before you invest in any significant sales and marketing effort. Much of the information you need should be available on their website.

If it all sounds like a lot of hard work before any prospect of sales, it is! But if we haven't put you off, let's move on to the nitty gritty of winning business...

5. Getting down to it

5.1 Finding out about opportunities

All public sector organisations have been tasked with putting information about existing and forthcoming tenders up on their websites by the end of 2004, so that should be your first port of call. However not all Local Authorities will achieve this target so you should also look in the local, trade and national press for Local Authority notices.

There are specialist publications that are commonly used by Local Authorities to advertise their tender opportunities such as Government Opportunities and Contrax Weekly (see: www.bipcontracts.co.uk).

If the contract is above a given value (see 2.2), you will find it advertised on the OJEU website – the free service is at: <http://ted.publications.eu.int/official/>

This is not very easy to use, but there are several commercial services that will search the OJEU database for you and alert you to opportunities. Check whether your Business Link or Chamber of Commerce has an arrangement to provide this service at a lower cost than you would pay direct.

5.2 Getting considered for work

You may have to go through a pre-qualification stage, submitting answers to a questionnaire in order to get on to a preferred supplier list or to be able to bid.

The questionnaire and procedure for getting onto preferred suppliers lists and pre-qualifying to be considered for below-OJEU work will vary between organisations although there are signs it is becoming more standardised.

One of the features of the more advanced public sector organisations is the development of a supplier portal on their website, where suppliers can put in their details and brief descriptions of their products and services as well as expressions of interest for specific tenders, so do check.

Failing that, you will need to establish with each organisation what their approach is; whether they hold a preferred supplier list for your category of supply; if not, what minimum pre-qualification requirements are likely to be expected of suppliers bidding for contracts.

5.3 Complying with public sector requirements

Pre-qualification for public sector business is a significant hurdle for all suppliers and it can be particularly off-putting the first time you encounter it. No two organisations seem to operate the same procedure and it may even vary between Departments within an organisation. So it means going through the process afresh every time you bid for a public sector contract.

However it is not all bad news: there is a positive aspect to be considered. As we saw, public sector organisations are not allowed to discriminate in favour of one company over another on any grounds other than pure commercial criteria. However they are allowed to factor into their terms and conditions and selection procedures some criteria that would not normally apply in the private sector, such as training and other 'best practices' that mean you are seen to be offering Best Value. Many of the pre-qualification requirements imposed on suppliers can thus be turned into opportunities for your company to differentiate itself on criteria other than price alone.

Despite the differences in the detail, most public sector organisations have similar pre-qualification requirements - see the detailed list in 5.4 below - so it is worth ensuring that you have found out about them and, where appropriate, taken the necessary steps in preparation for when you have to furnish evidence of compliance.

Some organisations operate a system where you are asked at the 'expression of interest' stage in bidding for a contract to tick whether you have the required documents. Proof would then be required at the later contract stage if you win the business. Others ask for the documents at the first hurdle. It is always best to overdo it and provide more evidence than the minimum specified in the tender requirements.

Note that some or all of the requirements may be waived at the discretion of the contracting manager where they are not appropriate or place too onerous a burden on the supplier. Don't count on this, though – they are laid down in the organisation's policies and more often than not managers will apply them religiously, irrespective of whether they are appropriate!

5.4 Typical requirements

a) Questions about finance/probity/insurance

- Details of incorporation
- **Financial statements/company trading accounts** – typically a minimum of 3 years accounts is required
- Customer/trade references
- **Insurance** - public liability, employers liability and, where appropriate, professional indemnity insurance cover – the required levels of each will vary between organisations.

b) Policy Statements

There are fairly standard formats for each of these – useful links are detailed below. In all cases your local Business link is a good starting point for more information and assistance.

- **Health and safety policy** - Any company with more than 5 employees is legally obliged to possess a comprehensive health and safety policy. Sole traders may be required to show that they have assessed Health and Safety risks. For a free guide, including two ready-made self-assessment forms for a risk assessment and a health and safety policy, go to:
<http://www.hse.gov.uk/smallbusinesses/index.htm>
- **Equal opportunities policy** – extensive guidance can be found online from the Equal Opportunities Commission on the legal requirements for:
 - equal pay
 - sex discrimination
 - race relations
 - disability discrimination
 - employment equality
 - maternity and paternity law

Download their guide at:

http://www.eoc.org.uk/cseng/advice/eo_is_your_business_too_gb.pdf

- **Environmental Policy** – We are all aware of the need to manage the impact we have on the environment. In business this can include:

- Hazardous materials
- Waste disposal and recycling (packaging, products, manufacturing waste etc)
- Energy conservation
- Water conservation
- Noise pollution
- Transport pollution and congestion

In larger organisations, environmental management systems have become an accepted part of good business practice. Smaller companies may not have recognised this as relevant to the way they do business but an environmental management policy can be no more than a simple written account of how you handle those day-to-day activities that have an impact on the environment and a set of goals to improve.

You can find out more on the Environmental Agency's website:

<http://www.environment-agency.gov.uk/netregs/?lang=e>

The recognised standard for environmental management is BS 8555. You can obtain the guide on how to implement a BS 8555 environmental management system from BSI at:

<http://www.bsi-global.com/Environmental/Management/bs8555.xalter>

It describes a six-phase incremental approach to implementing BS 83555 and provides guidance on the environmental criteria being set by public sector and major private sector organisations in their contract tenders. However, the document costs £86, so before buying it, do contact your Business Link first to see if they have a copy you can look at.

- **Quality system** – the European standard for quality management is ISO 9000 (a quality certificate shows it as ISO 9001) and this is widely used across all UK industry sectors, so your competitors may well be registered. Apart from the intrinsic benefits from improved quality, having this certificate is a definite plus when it comes to winning public sector business. You can find out more from BSI at: <http://www.bsi-global.com/Global/iso9000.xalter>.

However BSI's document charges start at £100 and the CD-ROM 'kit' is over £200. You might wish to have a look at 'ISO 9000 for Small Business, 2nd edition' a book by Ray Tricker, published by Butterworth-Heinemann. This is a good guide to help you draw up a quality plan that will meet the requirements of most councils and it only costs £19.99.

The government uses PRINCE2 as its project management methodology and if this is relevant to your business, you may need to have PRINCE-qualified project managers. Find out more on:

http://www.ogc.gov.uk/prince/about_p2/about_intro.htm#ogc_p2.

- **Training Policy** – Local Councils have started to look for suppliers who operate a training programme for their staff as part of the Councils' remit to improve skills in their local community and in order to ensure they are working with suppliers that take Continuous Improvement seriously and will therefore provide Best Value. The latter motive may also apply to other public sector organisations. If you already offer training and self-improvement opportunities to your staff, make sure that this is documented as a company policy. If you don't, consider whether it would improve your chances of gaining public sector business.

In addition to these policy statements, you may have to furnish evidence of qualifications relevant to the specific area of supply, for example IT skills, professional qualifications, certificates, police checks...

5.5 Are you e-Ready?

All UK public sector organisations have been set deadlines by government for setting up e-procurement systems that will allow them to trade electronically with their suppliers. Some are further advanced than others, but they will all be looking to their suppliers to be able to tender for business, take orders, provide invoices and accept payment, using email and the Web.

It used to cost quite a lot to set up a website with an e-commerce capability – ie with the features to let your customers find, order and pay for goods or services online. Well, not any more. There are e-commerce providers that will provide easy-to-use online facilities very cheaply and even setting up a merchant account to take the Government Procurement Card (a form of corporate credit card for smaller purchases) has come down in price.

It has also become much cheaper to move to Broadband, with several service providers offering good deals. This is useful as it gives you an online-all-the-time service which means no more dialling up and connecting. It is also quite a lot faster which is important when you have to ‘upload’ or ‘download’ documents – more of which later.

Some public sector organisations have got together to set up electronic marketplaces, where suppliers publish catalogues of the goods or services under contract, for staff to ‘click and buy’ online. Others are happy to use the suppliers’ own websites, usually with special access to contract prices – a facility most e-commerce systems can accommodate nowadays.

For complex goods and services, online catalogues may not be an appropriate way to trade, but there are other aspects of e-procurement that still apply:

- An electronic **Request for Quote** comes into the supplier as an email request and requires an emailed response, sometimes with a standard form that needs to be completed and returned as an attachment.
- An electronic **Purchase Order** will also come into the supplier as an email, possibly with documents such as terms and conditions attached, in Word or Acrobat pdf format. When you send your email agreeing to the order, that exchange of emails may be accepted as a contract for lower-value orders. In other cases an old-fashioned paper contract will need to be signed.
- If you are asked to provide an electronic **Invoice**, this can be output from many of the most popular accounts packages as an email instead of a printed document, provided you have an up-to-date version. That saves you time and effort as well as the customer, so it may be worth looking at the relatively small cost of updating your system.
- **e-Payments** are usually via BACS – that is an electronic transfer of funds into your bank or building society. No special software is needed at your end – you simply tell the Council your sort code and account details - but you might want to think about getting online access to your bank account to pay your bills that way too.
- **e-Tendering** – The supplier usually receives an email notice to go to a website to pick up the tender forms and documents and submits his bid by going back to the website to ‘upload’ the completed tender. Both procedures are simple and quick to do, especially if you have Broadband – more tedious for larger document files if you are still on dial-up.
- **e-Auctions** are occasionally used by larger public sector organisations or buying consortia to purchase bulk items such as paper or call-off contracts for consultancy. The e-auction is usually a ‘reverse auction’ (lowest bid wins) to decide between a number of potential suppliers who have already submitted bids and where all other factors apart from price have been factored into the ranking. No special software is required by the supplier to participate – just access to the auction website - but it is vital to have familiarised yourself with the process and have done the necessary preparation so that you know exactly how low you can bid without undermining your business.
- **e-Contract Management** systems automate the linked processes of supplier selection, tendering handling and evaluation, awarding the contract, monitoring performance and feeding back to the supplier. This is where public sector organisations should be focusing, as this is the only way they will be able to improve the speed and consistency of their procurement of services (85% of their spend) but the technology is in its infancy and it will be some time before most suppliers encounter such systems. When they do, there will be benefits in the improved response from the customer, but as always this will come with a more rigorous requirement for information to be provided promptly and using pre-defined forms.

6. The process

6.1 Tendering for business

Every public sector organisation has laid-down Standing Orders (rules) for managing their tendering processes – we have discussed the different levels of spend and formality in 2.2. These are different in each case but will share a number of common characteristics. They will all seek to achieve Best Value (see 4.3) and there will be a set of minimum corporate governance rules that buyers have to follow. These Standing Orders are the legal basis for Officers and Councillors to make their decisions and award contracts.

If a contract to be tendered exceeds the fixed amount laid down by the EU (currently £154,000 for products and services or £3.86 million for works), it must be advertised in the Official Journal of the European Union (OJEU) – see 5.1.

There are three types of OJEU notice:

Prior Indicative Notice – public sector organisations are required to publish their programme of OJEU-level contracts that they plan to tender during the financial year – of course, some of these may not reach tender stage for one reason or another, but this forward notice can be a very useful trigger to start your marketing activity.

The Contract Notice is the advert, written to a standard format laid down in the EU Procurement Directives, which seeks tenders or, usually, applicants to a select list of tenderers for a contract. This is where you will have to show that you comply with the Council's pre-qualification requirements. The Council will usually select a few potential suppliers and ask them to go on to submit a full tender.

The Award Notice - The regulations also require Councils to put an Award notice in the OJEU stating who has won the contract – a useful source of information if you are looking for sub-contract opportunities.

If the tender falls below the OJEU limits, an Invitation to Tender may be published or simply sent to selected companies. Your marketing activity should ensure that you know about relevant opportunities before they arise and that you are on the list of interested suppliers. All public sector organisations are supposed to be publishing their tender notices online but not all have got to the stage where lower value tenders are included in this.

Above a certain value, which is different for each contracting organisation, the tender may require a pre-qualification stage in the same way as for OJEU tenders, where you complete a set of pre-formulated documents. If you are short-listed from this initial exercise, you will then be asked to submit a fully specified bid.

If the value of the contract is below this level, the organisation will normally be required to obtain 3 written quotes – short tender responses which may still need to include the type of quality and financial information described in 5.4.

In any case, before you develop your response, do avail yourselves of the opportunity to ask questions and discuss specific aspects with the contracting authority. In formal tender exercises they are required to publish the answers, so your competitors get to see them too, but it can clarify issues and help you put together a relevant bid – or decide not to bother! This is particularly important if there is an incumbent supplier and you have the feeling that you may be being asked to bid simply to allow the buyer to comply with the rules.

6.2 Contract types

The public sector buys a very wide range of products, services and works programmes, so contracts can range in value from a few hundred pounds to tens of millions. There are three main types of contract:

For one-off purchases or simple services above the Discretionary level (different for each Council – see 2.2), buyers will normally ask for informal quotes and award a **Spot Contract**, often simply a set of terms and conditions attached to the Purchase Order. Increasingly they are being encouraged to group such small purchases together into a Framework Agreement.

A **Framework Agreement** provides an agreed set of terms within which buyers across the Council (or group of Councils) can place orders, thus enabling them to buy on more advantageous terms. The agreement will include an indication of the anticipated quantities of goods and services required over the period of the agreement, and the prices and other terms and conditions that will apply when buyers place orders. Note that a Framework Agreement is not in itself a contract to supply – buyers will continue to use Purchase Orders to place orders and these are the contractual documents.

That is the main difference between a Framework Agreement and a **Call-off Contract**, which is a legally binding contract for the supply of a specific quantity of goods or services over a given time period (although these also may be allowed to vary within limits under the terms of the contract). Buyers simply call off the goods and services they require, usually to a delivery schedule included in the contract.

These three types of contract are used to buy goods and services across hundreds of categories of spend so it should be no surprise that they vary quite a lot in their detailed terms and conditions.

6.3 Buying consortia

The public sector has traditionally worked together, informally and as a result of historical links (for example, relationships dating back to old political boundaries or organisations) as well as in 'clusters', led often by one organisation or individual and evolved over the years into a properly constituted legal entity, such as the Central Buying Consortium, which has over 20 local authority members or the Kent County Council-led Kent Connections, which includes all Kent councils.

Some of these simply negotiate and let contracts on behalf of their members, others have taken on additional roles such as leading the move to shared back-office administrative functions and collaborating to achieve efficiency across a region. Most consortia operate across a specific geographic area and most draw their membership from the sector from which they arose, such as local authorities or schools. However many have extended their reach quite aggressively and may now be used by other public sector organisations.

Buying consortia are an important part of the public sector procurement scene and you should find out which buying consortia operate in your area. If you are selling to a particular organisation, find out whether they are using a buying consortium for the products and services you offer.

Selling to a buying consortium is not much different from selling directly to any public sector organisation except that they only set up contracts and framework agreements when they identify a shared need or are asked to do so by their members, so you should make sure that you are aware of forthcoming contract opportunities but it is unlikely that you can influence their behaviour by marketing.

6.4 Sub-contracting and collaborating

Suppliers are likely to find that the move to e-procurement and aggregation of low value, high volume categories of public sector spend will mean fewer, higher value opportunities. Decision-making will increasingly be centralised and selling directly to local department offices and service units will become less fruitful. This will favour larger suppliers who can offer bulk pricing and the logistics to provide better service across a wider area. In these market conditions, you need to respond by:

- Establishing how far your customer (or potential customer) has gone in modernising their procurement and judge your position accordingly
- building relationships with the larger suppliers and offering your goods and services as a sub-contractor
- considering how else you can improve your competitiveness, such as developing relationships with other smaller suppliers to form consortium to bid collaboratively for specific contracts.

Local authorities will look favourably upon their local companies taking positive action to win business. Within the constraints of Best Value and the EC and Fair Competition rules, they are usually interested in being seen to be helping their local economy. You should approach them for information and possibly even assistance.

6.5 *Being awarded the contract*

It takes a public sector organisation much longer to award contracts than you would expect, so if you have not heard the outcome from a tender exercise, don't assume you have lost. However, they are not always very good at notifying those that did not win the business, so do check regularly.

6.6 *What you can do if you don't win the business*

Public Sector organisations are required to offer constructive feedback to suppliers who compete for contracts, whether they win the business or not, in order to help them to do better in the future. From January 2005 the Freedom of Information Act also comes into force, requiring public bodies to throw open their records to the press and public.

So if you did not get the contract you thought you had a good chance of winning, you can go back to the Local Authority and ask for a debriefing, which should include information about the criteria used to evaluate the bids and in which areas your bid fell short of the winning tender. Used well, this opportunity will enable you to keep yourselves visible to the buyers and improve your offer for future bids.

6.7 *Contract terms and conditions*

This guide cannot go into the complex legal and commercial issues you will need to address but suffice it to say that unless you are a major corporation, you will have little say in the terms and conditions imposed by the contracting organisation. There may be circumstances where you can negotiate a better set of terms – particularly where the standard terms have been used and are not relevant to your contract. If in doubt always ask, but don't expect that the organisation will act quickly or sensibly – their legal departments are notorious for long, protracted decision-making and very conservative attitudes. In fairness, unless there is legally tested and accepted precedent for non-standard terms, they have a duty to protect their organisation – and the tax-payer – from risk.

6.8 *Monitoring performance – KPIs*

KPI = Key Performance Indicators. These are measures of delivery performance that are agreed as part of the contract and used to assess whether you are giving the contracting organisation value for money. For larger, formally managed contracts, you will be expected to keep track of these and they form the basis for regular contract reviews.

Most public sector organisations have the resources to actively manage only their larger contracts so you may find that your delivery performance is not formally monitored or assessed during or after the contract. In such cases it is worth setting up regular client meetings where you are able to highlight any issues and hopefully demonstrate the excellence of your performance against requirements – taking the initiative to create a good customer relationship. Just because public sector buyers do not manage their contracts does not mean they will not be influenced by positive or negative feedback when it comes to renewal – and you want

to be actively managing that feedback as far as possible. Informal feedback occurs usually when things go wrong, which can distort a customer's perception of you.

Public sector management of contracts will become more efficient and will include lower-value contracts as the processes are modernised. Online contract management systems are being piloted in a number of organisations today and the improvement in efficiency is significant, so there is no doubt that this will eventually be taken up across the sector. However, it will take several years and you may not be affected by this change in the short term.

6.9 Invoicing and payment

All Local Authorities have a payment policy which states that they will pay within mutually agreed terms or within 30 days if such terms do not exist. Note that the time will start from the date the Council receives your invoice (so do make sure you are prompt in sending this in) or, if you are invoicing in advance, from the satisfactory receipt (signed-off by the buyer) of the products or services. If the Council wishes to dispute your invoice, they must contact you promptly.

Some Councils are moving to systems that will accept invoices via email and most are using BACS to make payments – see 5.5.

For low value purchases, including from an online catalogue, Councils are beginning to adopt a Government Purchasing Card, which is a corporate Visa credit card. You treat these the same as any credit card but you may have to be accredited by the Council procurement manager before their staff are authorised to use it with you.

7. Retaining business and acquiring more business

Once you are an established supplier to a public sector organisation of buying consortium, your chances of retaining their business and being picked by other organisations is high - provided that you carry out the necessary marketing work, of course!

- Establish excellent relationships with your buyer/s and end-users, build their trust and loyalty.
- Keep abreast of changes in the organisation's priorities, structure and political 'flavour' and future budgets – all these will shift and change over quite short periods. Budgets can be refocused or taken away at very short notice.
- Put forward innovative ideas and offer opportunities for your customer to improve their own performance and/or reduce their risk – these will establish your role as a 'strategic partner' rather than just a supplier.
- Use the relationship to provide you with marketing collateral that you can use with other organisations. Public sector managers will often talk to their contacts in neighbouring organisations or via their peer group networks to find out whether you are seen as a 'safe' bet. Encourage this – give the name of your primary contact to prospective clients.

If your company is involved in a project, you will be aware that most public sector projects are enabled by 'external' funding which may come from many different sources, UK and European. These are often secured at the last minute and in seemingly random ways! One 'guru' in this sector is famous for his single piece of advice: "follow the money"- make sure you know where potential and renewal funding is coming from and what is happening in those source organisations to shift priorities.

As for any sector, you will be offered many opportunities to be seen at events and exhibitions. These can be expensive and are often not worthwhile. Consider other, more targeted marketing activity, such as inviting clients to seminars (which you might be able to run with a few other suppliers), which might provide a better return on investment. However, if you are looking to expand your market share, it can be important to be seen as a key player.