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The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

Foreword

As the Minister responsible for social enterprise, I am delighted to be able to introduce the first procurement Toolkit to assist social enterprises across the UK to bid for and win public sector contracts. Its launch fulfils a commitment made in the Government's strategy: *Social Enterprise – a strategy for success*.



When Tony Blair asked me earlier this year to take forward the government's work on social enterprise, he recognised my longstanding involvement with social enterprises which deliver their social objectives as well-run, sustainable businesses. We want to make it easier for social enterprises to win public procurement contracts.

Historically, we can identify a number of innovative public services that were provided first by social enterprises and organisations in the voluntary and community sector, and which we now take for granted – such as local door-to-door recycling collections and new forms of care and play provision. Once established, such services are often then contracted out by conventional tendering procedures. As the social enterprise sector grows, there are more organisations present in more parts of the UK that could bid for many contracts let by the public sector.

The Toolkit cannot promise any instant recipe for success. Becoming a successful contractor can require fundamental changes of attitude and culture. It will be a real challenge and not without business risks. Hopefully, it will also be a stimulating, dynamic experience and a significant opportunity to develop sustainable income streams to serve your business and social goals.

The social enterprise field can be proud of an ever-increasing number of examples where excellent public services are being delivered by the sector. We hope this guide will help you to make an informed decision about whether or not to take the plunge. Use as much of the advice here as you think is for you – and then go out and win contracts and deliver services that you and your workforce are proud of!



Nigel Griffiths
Parliamentary Under-Secretary of State for Small Business and Enterprise
Department of Trade and Industry

October 2003

Outline of the Toolkit

This outline is designed to be a handy map of the Toolkit's contents. It will help you to navigate your way around and will allow you to access the information you need most. Below right, we introduce the key used throughout.

1 Getting public sector business – an introduction to the Toolkit

Section one sets out the parameters of the Toolkit. It explains why public procurement could suit many social enterprises, and shows the different ways the Toolkit can be used.

- The 'contract culture' challenge
- Getting the right mix
- Policy background
- How to use this Toolkit

2 Decision time – is public sector business for you?

Deciding whether to opt for procurement business is an important business planning issue. This section will help you decide whether public procurement is right for you.

- Issues for your Board
- Winning business – the basics
- The procurement marketplace
- Issues of scale and size
- What if things go wrong?

3 Understanding public procurement

Public procurement in the UK is governed by a range of political and legislative structures. Here, the Toolkit will give you the main elements.

- EC procurement rules
- What the Government says
- Scope to pursue social issues
- Understanding your customer
- National Procurement Strategy for Local Government
- The route through procurement

4 Doing the groundwork

Once you've decided to go for it, there's much you can do to ensure a winning result. This section looks at influencing contracts, building relationships and managing risk.

- Stakeholder dialogue
- Building relationships
- Researching the competition
- Assessing risks

5 Finding contract opportunities

What sort of contracts are out there? How do you find out and where do you look? Here, we help you seek out the right opportunities.

- Finding local and national opportunities
- E-Trading issues
- Opportunities in different sectors
- The devolved regions

6 Preparing your bid

The nuts and bolts of the bidding process, including how to sell your 'added value' and issues of performance, finance and law.

- Being understood as a social enterprise
- Financial, legal and workforce issues
- Consortium opportunities and sub-contracting
- A worksheet for bidding

7 Delivering your contract

Winning a contract is only the beginning. Now you've got to deliver! This section deals with issues such as cash flow, targets – and being proud of your product.

- Priorities and expectations
- Customer satisfaction
- Cashflow and targets

■ **Appendix** – further details on quality and impact assessment, including social auditing.

■ **Glossary** – look here for definitions and explanations.

■ **Further reading and references**

■ **Contacts**

★ Top tips

Key pointers and tricks of the trade. The things you must have or do to make the procurement process run smoothly.

📖 Case study

Stories from the people who have been through it and come out the other side. Where they did it right, and where they went wrong.

✓ Checklist

Tick off the points in these 'Checklists for action' to help you get things right throughout the procurement process.



This 'Signpost' icon shows you where to find further information on specific topics, reports or organisations.

1 Getting public sector business – an introduction to the Toolkit

Social enterprises are a diverse and creative range of organisations. Their social – and often environmental – objectives, combined with their entrepreneurial flair, can provide an excellent basis for the delivery of public services to their local community and to the wide range of public sector customers and users. Several enterprises have already gained business by delivering a variety of public services for local and central government.

This Toolkit has been written to give social enterprises across the UK access to the best possible information and advice on how to win government or public sector business. Many social enterprises have told us they would welcome a source of advice and experience on public procurement which is tailored to their sector. We hope the Toolkit will be useful to them, and to others in the voluntary and community sector, who may also be keen on meeting the challenge of public service delivery. The major differences in the devolved parts of the UK have also been taken into account.

The Toolkit aims to demystify and describe the procurement process and provide insight into the steps needed to prepare bids and win contracts. It sets out to ensure that those bidding for business have the best information available to choose how – and, indeed, whether – to embark down the route of public sector contract delivery.

The ‘contract culture’ challenge

Entering into the ‘contract culture’ is not for all. It can be challenging to win business in competition with many others trading in a similar field. This is especially the case for a small or growing organisation, where there are risks and obstacles.

Above all else, remember to talk to others who have gone down this road before, to hear how their organisations have delivered high quality public services through contracts that enable them to meet their social objectives.

Toolkit in brief

To help you on your way, the Toolkit explains public sector procurement rules, describes the way procurement by local authorities and others is typically carried out, and gives real examples from social enterprises of their experiences of winning – and losing – contracts as part of their business strategy.

Users will find ‘Top tips’ and case study stories from those who have faced a similar situation in the past. We also provide a series of ‘Checklists for action’ with all the key points to consider, as well as ‘Signposts’ to other sources of help and advice.

Policy background

Enabling social enterprises to compete effectively for government contracts is one of the priorities in *Social Enterprise: a strategy for success*, the Government’s strategy for social enterprise, published in July 2002.

The strategy demonstrates the Government’s commitment to the social enterprise sector, and sets out a vision of dynamic and sustainable social enterprise, strengthening an inclusive and growing economy. The strategy identifies three key ‘outcomes’ necessary to deliver this vision:



- create an enabling environment for social enterprise;
- make social enterprises better businesses;
- establish the value of social enterprise.

The production of this Toolkit meets one of the key commitments in the strategy.

Social enterprises are defined as: ‘Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.’

Getting the right mix

The mix of business approach with a social mission means that social enterprises often feel they come up against extra obstacles to becoming contractors. The Toolkit focuses on helping social enterprises make the most of the opportunities available. It encourages them to take a positive approach by demonstrating how their unique social objectives may offer real, added value in the delivery of public services. Voluntary organisations have long delivered services under contract, and whilst they may not define themselves as social enterprises, this Toolkit has also been written with their needs in mind.

This Toolkit reflects current procurement policies and processes. However, an important new development to improve the climate for suppliers is the *National Procurement Strategy for Local Government*, launched in October 2003, covered later in this Toolkit. The strategy is designed to help local authorities recognise the potential of more innovative procurement to improve service delivery. It has the potential to expand the scope for social enterprises to bid for and to win contracts.

Finally, we hope that by using the Toolkit, there will be opportunities for social enterprises to flourish and show new ways to deliver quality public services.

How to use this Toolkit

We hope that you will be able to use this Toolkit in the way that suits you best. It has been written to allow you to use it in a variety of ways.

What you should consider reading

- If you want a complete overview of the procurement process, you can read the complete document.
- If you are at a particular stage in the procurement process – for example, deciding whether public sector business is for you at all, or preparing a bid in response to a specific tender opportunity – you can simply refer to the relevant section.
- The Toolkit contains a series of case studies that will allow you to develop an insight into the experiences of existing and emerging social enterprises.
- There are Checklists for action throughout the Toolkit if you simply want to check that you have addressed all relevant issues. All the Checklists for action are also grouped together in the relevant section covering the Toolkit on the DTI Social Enterprise Unit's website, for easy reference.
- In the Outline at the beginning, you will see that we have given brief outlines of each section, as well as some navigation to help you find more detailed information that you might need.

Many of the examples and the language used in this Toolkit refer specifically to contracts awarded by local authorities, as it is in local government that many of the opportunities for social enterprises arise. However, most of the issues and advice given can be applied generically to opportunities across a range of other public bodies and even in utilities now in the private sector.

Our intention is to stimulate ideas for seeking contracts across a range of government procurement activity, including the health sector and other public sector agencies. Don't be shy of making inquiries to these bodies about the contracts available, too.

Learning from others

Opportunities and tendering procedures can vary considerably from sector to sector. You need to understand the specialist issues relevant to your sector – you may find it helpful to network and compare notes with others in your field.

However, this Toolkit aims to set out the most common procedures, illustrate typical issues and offer generic advice which, with the benefit of hindsight, other social enterprises have identified. We hope this will make your task easier, both on the first occasion you seek to win a contract and as you aim to get repeat business or extend into new areas of work.

You may decide not to follow all the advice given in this Toolkit. Some of the suggestions may not be of sufficient value for your organisation or you might not have the resources to see them through. There will be some aspects which apply more to smaller enterprises and other issues for those operating at a larger scale. Nevertheless, the Toolkit will help to stimulate your own ideas so that you can develop a strategy which is appropriate to your needs and scale.

Prepare for procurement

Bear in mind there are other ways you can research and prepare for dealing with contracts: there are a number of training organisations specialising in the procurement field, as well as professional and trade bodies for procurement staff to join.

There are also events specifically designed for the social enterprise and voluntary sector, which could offer valuable experience and opportunities for networking. Regional and local bodies often develop these. Look out for news and events in the many periodicals in your own field and in the social enterprise sector.

Top tips

- Don't be shy of making enquiries to public sector bodies about available contracts.
- Look out for news and events in the periodicals in your own field and in the social enterprise sector.

2 Decision time – is public sector business for you?

Your first, fundamental consideration as a social enterprise is to decide if public sector business is for you. This Toolkit is based on the premise that it represents a valuable business opportunity for many social enterprises.

Nevertheless, it remains an important first step to evaluate your developing business strategy, weigh up the pros and cons of contract delivery for the public sector and be clear about how it links to your social objectives.

Issues for your Board

There are challenging, strategic questions for a Board or Committee to consider if your organisation is considering the public sector contract route to business growth and development.

You will need to weigh up the benefits and risks involved in becoming a contractor to the public sector. For example, does it undermine or support your social objectives? Do you have the capacity for the contract processes, both for bidding and if/when you win one or more contracts? Will you need to recruit a suitable director/manager and other new staff for new business development and operation?

Implications for your organisation

Another issue to consider is whether the change in direction and culture of your enterprise may affect existing staff.

- Should there be attention to the training and development needs of the organisation?
- Will current and new staff need to be integrated while this process is underway and work demands change?
- The culture of your enterprise might need to change and its senior management may have to take on new tasks.

Business networking

Cultivating relationships with key business players is also crucial. Whether through the local Chamber of Commerce, or in other circles in your particular business field or locality, your contacts could have business to offer you or could collaborate with you to win public sector contracts.

Working together with a private sector firm or even the present incumbent of the contract – who may well be seeking your specialist expertise or contribution to social or environmental issues – is one option to consider. It can be an important first step into the field of contracting and a current contractor would have valuable data to assist with bids.

Consider the timescale you envisage for gaining new business and transforming the fortunes of the enterprise.

- Will the new business still be viable after spending time and resources on winning it?
- Have you thought through, and planned for, the potential risks to your organisation: over-expansion, performance failure, workforce issues and cash flow?
- How will you minimise the risks of 'contract dependency' after concluding a contract – can you diversify enough or win enough business to avoid this?
- Perhaps there should be plans for a flow of suitable alternative business to balance possible public sector contract activity?

The potential for growth

None of these questions is intended to put you off. What is important is that all the risks are carefully considered before going down this road. By doing so, you will substantially increase your chances of success.

You may, as a Board or Committee, need to develop your role in this initiative, by taking action to support your business plan. This might mean entering dialogue with senior political or management figures in the public sector (for example, local government members or officers) to bring to their attention your potential added value and to seek news and opportunities for bidding where such outcomes could be incorporated into contracts.

You could have a long-term input into, and influence on, strategic issues facing local authorities and other public sector bodies where you work. For example, you could seek to influence how and from whom they seek tenders, and whether they take social and environmental issues into consideration when placing contracts.

Long-term plans for the growth and development of the enterprise are also your concern, as well as day to day viability. As a Board, you will want regular reports on progress towards your new public sector procurement goals, to enable you to oversee the pace and scale of change and consider how this affects the viability of the organisation, including cash flow.



The Board members, who represent the wider community, must see that they appoint people with vision and the ability to realise that vision creatively and competently. They must then let them get on with the job, whilst remaining supportive and constructively questioning. The Board must keep the overview, not attempt to run the organisation themselves, and keep their nerve when things don't turn out as hoped; not everything 'works'. Looking one step ahead is essential, as is encouraging management to be innovative and imaginative.

On the ECT Board I do not expect to approve each bid for a contract, but I do wish to know how turnover and risk are being managed, and I expect to see how the

John M.V. Willmington
Chair, ECT Group Board

✓ Checklist for action by the Board

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ❑ Contracts may represent new business opportunities – consider where these will come from and what issues you will need to include in your business strategy. ❑ Weigh up the implications of bidding activity, taking potential benefits and risks into account and effects on your social objectives. ❑ Consider staff training and/or development/recruitment to ensure you have the necessary business development skills in the enterprise. ❑ Consider how the culture of your enterprise may need to change and how you will achieve this. | <ul style="list-style-type: none"> ❑ Follow progress with bids against a business plan for submitting bids and winning work at a suitable pace for the organisation to grow and deliver the services it promises. ❑ Enter dialogue with senior players in the field (local government and others like the Chamber of Commerce) to cultivate relationships and seek business. You may also, over the longer term, be able to influence public policy on offering business to social enterprises. ❑ Cultivate relationships with key business players with whom you may be able to collaborate to win public sector contracts. |
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Winning business – the basics:

Some of the issues you face as a contractor may be similar to those facing other small or medium sized enterprises, and the Government has already prepared guidance for SMEs seeking these business opportunities. In common with SMEs, you should consider the rate and scale of expansion on winning a large contract, the new pressures and obligations, and the risks of business stress from cash flow and teething problems. Of course, you should already be aware of the rewards and benefits you expect from the process so weigh up the two.

Part of the challenge is knowing what the 'public sector' actually is. The Small Business Service and Office of Government Commerce guide (see box, right) outlines the range of bodies which make up the sector, including central civil government departments and agencies; the NHS and its local trusts; the Ministry of Defence; the devolved administrations; local authorities; universities and colleges. A key message for prospective suppliers is that, whatever your business, there is almost certainly a market for it somewhere within the public sector, whether by contracting directly or by becoming a sub contractor. You will need to assess this as part of other market research you do to develop your enterprise (see Checklist, page 14).

Tendering guidance

Tendering for Government Contracts – A guide for small businesses has been produced jointly by the SBS/OGC. It offers a useful insight into the procurement process and will help you to decide if public sector business is for you.

▶ You can obtain a copy of this guidance through the DTI
Publication Order line: 0870
1502 500 (Quote URN01/1398)

The SBS/OGC guide also offers persuasive arguments as to why you should consider doing business with the public sector. Public sector organisations should be good customers: they have to be fair, honest and professional in the way they choose suppliers and in any dealings with them; they are also long-standing customers, and have to pay promptly and in line with the agreed contract terms (you will of course need to check these in terms of your cash flow).

Additionally, the guidance provides information on: procurement procedures; how small firms can find opportunities; a signpost to useful publications and information; and a comprehensive contact list of public sector purchasers.

The procurement marketplace

The size and scope of the public sector, and its importance in the economy, are such that in all parts of the UK there is business to be won. The Government spends over £13 billion a year on procurement.

Estimates of local authority procurement spending vary, depending on the definitions used. Total non-pay revenue expenditure (that is routine spending apart from salaries) by local authorities in England is estimated at £40 billion.

The range of central and local government contracts includes:

- smaller scale, daily supplies of goods and services (catering, cleaning, care services, grounds maintenance, vehicle maintenance, security, training, financial services, and so on);
- procurement of works and projects, such as routine building refurbishment, construction of new public and community facilities and infrastructure;
- specialist functions, such as regeneration initiatives and professional consultancy;
- new and innovative services, which may be the subject of a contract following negotiation with local authorities or other public bodies to define and create a new activity – this is how many now-established recycling services first began over the last decade or so, for instance.



“Start small and gain reputation and experience for moving gradually to larger work. You could diversify into related areas where there may be a gap in the market... Don't bite off more than you can chew – you will regret it if you fail to deliver. Grow in a manageable, controlled way and keep control of costs. That way you can keep delivering... We have turned down some work – with great regret – as we knew we could not really deliver.”

Patrick Denny,
Deputy Director, Supercare.

Drafting the contract

If the service is to be new and innovative, you will be developing something that may be unique and in this case a formal contract may be drafted specially. If this is so, be sure to get good legal advice and ensure that you are as flexible as possible to cope with outcomes you didn't expect.

You may already be conscious of business opportunities that are out there. But you may not have felt that the processes of bidding to win service contracts, or the pitfalls of entering the contract culture, are for you. **One message is clear from those who have followed this path before: the best course of action is to take one careful step into the field and to seek experience through a modest contract or sub-contract.**

Starting out with a specialist or 'spot' contract can be a valuable experience for a new contractor. You may, however, want to take stock of the way this affects viability and long term prospects if the main body of the contract – and perhaps the less problematic areas or parts of it – is not offered in a way for which you can bid. Assess exactly when in your business strategy you will consider making the big bid for a major, mainstream contract.

✓ Market research Checklist	
<input type="checkbox"/> List your strengths as a business – have you a unique selling point as a social enterprise?	<input type="checkbox"/> Judge the scale you can realistically operate at in future years assuming growth options.
<input type="checkbox"/> Identify competitors – how do you differ and how close is their threat to you?	<input type="checkbox"/> Consider where capital for expansion can come from.
<input type="checkbox"/> Consider future development options for the goods or services you offer – is there new technology, or a trend to follow.	<input type="checkbox"/> Are there private, public and social enterprise sectors to work in – are they exclusive or complementary for the business to grow into?
<input type="checkbox"/> Assess the size of the market.	<input type="checkbox"/> What risks are there in different scenarios – can they be minimised?

Case study

Practice makes perfect

It is important to consider the different routes to delivering a contract. Working Herts found that rehearsing a contract to improve security for elderly people highlighted risks that could lose money. A bit of practice prevented any loss, says Paul Watkinson.

"We were asked by a housing association and the local police to fit 5-lever mortice locks to the doors of elderly tenants.

We decided to train on a skipload of old front doors before signing any agreement to start fitting large numbers. We quickly found that most of our trainees, who had recently left school, had difficulty in handling chisels and hammers. Indeed, each time a chisel was driven through the face of a door we calculated "bang goes £300" had we signed the contract as it stood. In addition, some elderly tenants whom we had asked to visit our training room found difficulty turning the keys in the locks – especially those with arthritic fingers. We therefore sought an agreement to fit security rimlocks instead, those with a latch which you pull to unlock,

and renegotiated the specifications and the budget before starting on the street. The overall result of this due diligence was:

1. Streets of secure front doors, all pristine, none damaged.
2. We ended up with happier customers.
3. We could deliver at a viable price which would not have been possible to calculate without the pilot training exercise."

Paul Watkinson, CEO, Working Herts Ltd



Issues of scale and size – how big do you go?

Having a longer term strategy for growth may be important. Entering into some fields can entail a heavy start up cost. The full infrastructure costs may only be viable in the long run if you can grow your business and spread such costs over a number of contracts. Your strategy should assess what scale of business is necessary for your organisation to be financially successful in the long-term while retaining the key focus on your social objectives.

Common sense dictates that you should make a careful decision about how many bids to make, and for what, so that you can grow the enterprise without overstressing it. You may even decide to take the plunge and, after some bids are made, find it is not for you. This is a reasonable test on the

★ Top tip

- Management attention to daily service performance is crucial. In short, whilst there can be significant rewards from delivering public sector business, there are also risks, and you need to be confident that your business can meet the public sector's demands and remain viable.

way to business diversification, provided your strategy has been commensurate with the potential risks and rewards.

Depending on your field of work, you may have experience of working with a council using grants or under Service Level Agreements (SLAs – see Glossary), as many in the voluntary and community sector do.

The search for ‘sustainable funding’ for voluntary and community sector bodies has long been an issue, and with it the search for creative ways to maximise independent income, create trading activity and secure funding.

Advice for charities

The National Council for Voluntary Organisations (NCVO) has a sustainable funding initiative underway to assist groups with income generation.

The Sustainable Funding Project has a particular focus, believing that self-financing (trading goods and services) can be one alternative to the limitations of the current funding environment in which organisations compete for a limited pie of existing charitable resources and subsist on a staple of short-term, project-based grants.

 NCVO Sustainable Funding, visit www.ncvo-sfp.org.uk

What if things go wrong?

In public service, day in and day out, many services are a necessity and can even be essential for daily life. It is a legal obligation that certain services exist, and there are legal targets for local authorities, hospitals and others to meet. The contractor may well be under pressure to deliver, daily, with a monitoring process that counts customer calls and complaints to ensure quality and reliability.

Balancing risks

There are risks to reputation of any failure in the delivery of even the first, smallest contract. While you can celebrate your successes and maximise media coverage to promote your organisation, you must consider the implications of a bad news story in the media.

The implications can be directly financial too. There are costs involved in preparing bids that may not be successful. Managing a contract and the relationship with the client involves costs over and above the costs of delivering the service. If there are penalties for poor performance through fines, this can become a routine loss of cash that damages your financial viability.

There are also cash flow issues for contractors if your cost outlays are high in the early days of a contract. The best route is to prepare well and consider options for both capital and revenue, including ways to support any required overdrafts.



“At ECT we deliberately pursued a ‘growth at all costs’ strategy in order to spread our overheads and risks. Our recent London Buses contract will barely break even because the control infrastructure required for one bus route is the same as that required for half a dozen. Until we win additional routes we are unable to share these costs across sufficient operational activity.”

Stephen Sears, CEO, ECT Group

Case study

Assessing the risks

Not every contract will be lucrative for your organisation. Working Herts found a little due diligence unearthed an unacceptable level of risk.

“Early one springtime we were offered a contract to maintain 400 gardens – trimming the hedges and mowing the lawns. At £2,000 per week, it looked like a nice little earner.

We decided to do a physical risk assessment. Firstly, the high hedges meant that without a supervisor in every garden the risks of horseplay by trainees with a strimmer, or with a mower among the marigolds, made the project appear rather hazardous.

Next we made a cashflow plan to look at the business risks, equating income to the rate at which grass grew. A trainee taken on in summer would be idle by autumn. Given the risks to health and safety, the risk of high supervision costs and of cash flow drying up in November, the project would be unviable. Anyway, would this buzzy work have been

enriching enough for trainees who might want to find a job in horticulture?

We declined the offer, but expressed our gratitude for having been included on the bid list.”

Paul Watkinson, CEO, Working Herts Ltd



✓ Checklist for action

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <input type="checkbox"/> Evaluate your business strategy – weigh up the pros and cons of contract delivery for the public sector – this should be in the context of your market research in your field. <input type="checkbox"/> Consider carefully the implications of entering contract work – failure to deliver the standard can be damaging to your enterprise, so consider contingencies for any loss of reputation or from financial penalties. <input type="checkbox"/> Plan carefully before taking one careful step into the field in which you can seek experience through a modest contract. | <ul style="list-style-type: none"> <input type="checkbox"/> Consider your strategy for long term growth that could be needed to achieve a viable and cost effective business able to bear the full infrastructure costs and spread overheads over several contracts. <input type="checkbox"/> You are best placed to understand the specialist issues relevant to your sector – research contract opportunities in the field and speak to others in the same sector. <input type="checkbox"/> Measure your daily service performance and find ways to get detailed customer feedback – these are important management tools. |
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3 Understanding public procurement

This section of the Toolkit aims to help you understand the rules of public procurement, the basis on which local public services are now being provided, and the regulations that affect how contracts need to be advertised. Importantly, the section also highlights the opportunities for your social added value to be taken into account when you bid.

Public procurement processes – the nuts and bolts

Public procurement processes have sometimes been misunderstood. At the local level, some people in business and regeneration circles question why contracts cannot be handed out exclusively to local companies when the service is aimed at local residents and the product of the expenditure could be of additional benefit to the locality. Under public procurement law, however, the process of letting contracts must be open.

Tendering and letting contracts can be bureaucratic for various reasons. It has to be fully documented, to justify why the decision to choose one bidder above another has been made. It also has to be undertaken in a manner that can be scrutinised and shown to have been carried out with propriety.

There may be competition for the work from an internal Business Unit (known in the past as DSO or direct service organisation) part of the same organisation, which will need to be assessed on an equal basis with other bids. Any staff associated with such a bid will have to be outside the assessment procedure. Similarly, if your social enterprise is given support from public officers, they will have to remain outside the award process as well, whatever the organisation's commitments to support the sector.

EC procurement rules: the policy and legal framework

In the UK, public procurement has to follow the European legal framework. Public sector procurement contracts within the European Union are covered by the EC Treaty, regardless of their value. The Treaty sets down principles to prevent member states from discriminating against firms and restricting the free movement of goods and services.

The principles of the Treaty are backed up by a series of EC Procurement Directives, which have been implemented in UK Regulations. They apply to contracts above certain 'threshold values' (see box, right), and set out the procedures to be followed in conducting procurements and evaluating bids.

Almost all public procurement contracts for business worth more than the EC threshold must be published in the Supplement to the Official Journal of the European Union (OJEU) (See Further reading and References).

EU member states recently agreed changes to the EC public procurement directives, which at the time of writing are currently before the European Parliament. The objective was not fundamentally to change the rules governing public procurement, but to simplify, clarify and update the existing directives to reflect modern procurement methods and best practice. Within this, the new directives will clarify the scope to take account of social and environmental issues.

What the Government says

The procurement of goods, works or services by Government departments, including their executive agencies and non-departmental public bodies, must be based on value for money, having due regard to propriety and regularity.

Value for money is not about securing the lowest initial price. It is defined as "the optimum combination of whole life costs and quality to meet the user requirement".

When considering value for money, public sector organisations are looking to purchase goods at the:

- Right price/whole life cost
- Right quality
- Right quantity
- Right time
- Right place

EC procurement directives

For central government, the thresholds are approximately £100,000 for services and supplies and £4 million for works (such as construction projects).

For local government, they are approximately £150,000 for services and supplies and £4 million for works. Exact thresholds are shown on the Office of Government Commerce website at www.ogc.gov.uk/index.asp?id=397


This policy is crucial to the achievement of the wider objective of using resources efficiently and effectively in the delivery of public services, which benefits the taxpayer. In addition, by requiring that contracts are awarded to the companies offering best value for money, this policy should also contribute to the competitiveness of suppliers.

 You can access further information on public procurement rules from *Supplying to Government*: www.supplyinggovernment.gov.uk

Where social enterprise stands

The Government's cross cutting review of the *Role of the Voluntary and Community Sector in Service Delivery*, published in September 2002, attempted to identify the barriers faced by voluntary and community sector (VCS) organisations (including social enterprises) in the service delivery agenda. It also sought to understand the ways these organisations can be involved and develop an approach to tackling these issues that takes account of the needs and aspirations of a diverse sector.

As a result of this cross cutting review, the Government has allocated additional funding to help increase the scale and scope of service delivery by the VCS, including the social enterprise sector. In particular, the Active Communities Directorate in the Home Office now has a budget of £188 million over three years (from April 2003 to March 2006), and £125 million has been allocated to the Futurebuilders investment fund, which aims to overcome obstacles, modernise and increase the scale and scope of service delivery by the VCS.

 Details of the cross cutting review of the *Role of the Voluntary and Community Sector*, and guidance to the Futurebuilders investment fund can be accessed online at: www.hm-treasury.gov.uk

The cross cutting review has also led to attempts to improve the funding relationship between Government and the sector, including where services are delivered through contracts. Government 'Guidance to Funders' sets out a clear and accessible guide to good practice relevant to the payment of funding to voluntary and community groups and other bodies.

From grants to contracts

The *Government Guidance to Funders* should be of use to a range of funding and contracting bodies including local authorities.

In addition, the code on funding, which is part of the Compact agreed in 1998 between the Government and the voluntary and community sector, is also being revised to expand its application from grants to contracts.

Scope to pursue social issues in public procurement

Taking the various legal and policy strands of procurement together, there is scope to include issues such as social, environmental and workforce requirements in public procurement. But there are some important provisos:

- the requirements must be tested for need, affordability and cost-effectiveness;
- they must be relevant to the subject matter of the contract;
- they cannot undermine the need to secure value for money;
- they must be of benefit to the contracting authority and consistent with policy objectives, such as the principles of the local government 'Best Value' system (see next section), local authority community strategies, and corporate procurement strategies;
- they must be consistent with the EC procurement directives, and with the relevant Treaty principles, including transparency and non-discrimination.

Thus there is no need to exclude relevant social and environmental matters and work force issues, but they must be directly related to the subject matter of the contract. For example, a demonstrable need to work in ways that help achieve social inclusion may be entirely relevant to a contract linked to regeneration and renewal activity in a neighbourhood where the council has a published strategy to improve inclusion of different communities and groups.

You may want to enquire in your local council or other public bodies you may be working for about any policies to take account of social and environmental issues in awarding contracts; indeed you may seek to influence this possibility. Bear in mind that each organisation may make its own policy resolutions about the issues which it prioritises.

Policy drivers for procurement in local government

There are three main drivers that affect procurement in local government. One is EC procurement law, which has already been discussed. In addition, local authorities are subject to the requirements of Best Value. Finally there is the duty to work for local social, economic and environmental well-being through a Community Strategy in England (or equivalent in the devolved administrations of Scotland and Wales) which follows from the Local Government Act 2000.

NAPP network

The New Approaches to Public Procurement (NAPP) network of local authorities may be a useful contact point for further help and information.

The network aims to help participants address legal, policy and practice issues that have up to now been obstacles to achieving community benefits through contracts, in particular by maximising training and job opportunities for disadvantaged residents. See Contacts for further information.

Top tip

Enquire in your local council or other public bodies you may be working for about any policies to take account of social and environmental issues in awarding contracts.

The Best Value regime

Best Value is the framework that affects how all services are designed and developed. It includes:

- the need to consider what services should be delivered, according to customer needs;
- whether services are being delivered in the most appropriate way (for example, retained in-house, contracted out, shared across a wider area than one local authority, etc);
- the need to use fair and open competition wherever practicable as a means of securing effective and efficient services.

A sense of well-being

The Well Being Duty is a new and wider role for local government to provide leadership to the local community. It should lead to the development of more integrated approaches to delivery of services across local government and other public agencies and a gradual shift to more comprehensive action for local quality of life as better links are made between activities affecting different aspects of social, economic and environmental well-being.

There should be greater integration of cross cutting issues, like social inclusion, regeneration, community safety and sustainable development, into the diverse services of the local authority. In practical terms, we could see the gradual inclusion of so-called social clauses and other clauses into contracts in order to ensure they make a wider contribution to local goals.

There should also be a published Service Plan for the community setting out how the council is delivering its duties and working with others to improve the area. If you examine the Service Plan for an area you should see the public commitments of the council to service standards or specific improvements/targets set for each year.

Best value in a nutshell

With Best Value, local authorities must – within their procurement policies – make arrangements to “secure continuous improvement in the way in which their functions are exercised, having regard to economy, efficiency and effectiveness”.

The Best Value process is a formal requirement for local authorities and replaces the previous compulsory competitive tendering regime, as set out in the Local Government Act, 1999.

▶ Further information on Best Value can be found in the Glossary and via the websites of local government bodies such as the LGA (see Contacts).

Understanding your customer – the nature of local government procurement

Local authorities, by their very nature, are there to represent and serve the locality. Every council is different; it will have its own policies, procedures and priorities.

As democratically elected bodies, council members are accountable to the electorate – who may choose to remove them after a period in office.

At such times, as a council changes control, it will perhaps introduce new forms of governance, for example a switch to new cabinet or committee structures, or the introduction of an elected mayor (if an option). The departmental structures of councils and other parts of the public sector change their arrangements, management structures and processes periodically too, so make sure you are up to date on this.

Knowing the commissioning organisation

While these changes can be confusing for those outside, understanding the basics of the organisation can be invaluable for those seeking to win its business.

- Who manages the service you are interested in?
- Who is in charge politically – an executive in the cabinet or a committee chair?
- Check which decisions are delegated to senior management – does the local authority have a service director?
- Who has responsibility for day-to-day management?
- Is there a specific client or commissioning officer in charge of letting contracts or buying in services such as care provision, waste recycling or construction? You may want to research their current preoccupations and priorities, and those of service users too.

Different departments may be responsible for similar functions. For instance, different areas of open space may be managed separately despite their apparently similar requirements.

Take grass cutting and landscape management: one area may be looked after via the education service (or be in the hands of a locally managed school), one by a leisure service, another attached to a highways function. Similar construction work may be carried out separately by a housing service and by council property managers who look after public buildings.

Catering for schools, staff and users of public facilities may be separately let and with a different requirement. Unravelling the mysteries of this can go some way towards enabling you to understand which contracts are available and why they exist.

★ Top tip

Understanding the basics of the commissioning organisation can be invaluable to those seeking to win its business.

Case study

Housing in Sheffield – a local authority perspective

Local authorities are increasingly looking to the potential of social enterprises to deliver. Janet Sharpe, Capital Investment Manager at Sheffield Housing Service, spells out what her department is looking for.

“As Investment Manager responsible for the delivery of the Sheffield Housing Capital Programme, one of my roles has been to develop new social enterprises to undertake capital work. This has been one of Sheffield’s top priorities over the last few years.

The Housing Service since 1996 has been keen to promote and contract with social enterprises and works closely with a number of them. This has helped us enormously to promote and enable training and employment opportunities to be created in some of our most disadvantaged areas in the city.

We try to guarantee at least three years of work/contract so that social enterprises are not constantly chasing work to maintain their workforce. We provide business planning, contract management and financial support, site management training and some mentoring. We have also advised social enterprises on establishing their structure, and helped helped them with cash flow through special payment arrangements. Although we don’t have to do this we want social enterprises in Sheffield to be able to

contract successfully in the private sector so that they are not solely reliant on one client.

In my view social enterprises will always need support and this has to be understood from the start. If they had to rely on competitive tendering they couldn’t compete with large private sector building companies and could not survive long term.

Social enterprises have to be aware and feel confident enough to challenge bureaucracy and a lot of red tape. Local authority officers will be nervous about changing procurement practices. It often takes a great deal of time from the initial ‘idea’ to starting the project and this can be frustrating and one of the main reasons why so many abandon plans.

★ Top tips

- Start small and in one area, build up expertise and then move into other areas of work.
- Challenge bureaucracy and red tape.
- Finding the right contact in the local authority is paramount. This will probably be the lead manager responsible for procurement.
- Identify any local partnership boards or similar arrangements. Again target the lead officer.
- Be clear about what you want to do, how you would do it, where you would undertake the project, timescales, outputs that could be achieved etc.
- You must have a sound and coherent business plan that is deliverable and represents value for money.
- Once all of this is in place you should then seek support from local forums.



Buying with Byatt – modernisation of procurement in local authorities

Councils have been criticised in the past for the way procurement has taken place. Sir Ian Byatt’s report, *‘Delivering Better Services for Citizens’* (June 2003), examined the emerging opportunities for local authorities to develop and improve their procurement practices.

The ‘Byatt report’ is at the root of much policy work and practical activity to put in place new corporate structures which may streamline the procurement activity and lead to more economic benefits for councils – enabling them to spend money better to improve the value to the community. (Note this report is not applicable across all the UK but some issues may nevertheless be relevant).

The report set out 39 recommendations, directed to central and local government, private suppliers and private bodies. The following are some of the key points made:

It told local authorities to explore with potential suppliers:

- alternative ways of delivering outcomes to encourage imaginative solutions;
- trade-offs between better quality delivery and higher costs.

It added that they should draw up specifications:

- where relevant and to the extent possible, in terms of what is to be achieved for citizens or outputs;
- widely rather than narrowly, to encourage suppliers to be innovative in delivering outcomes.

Turning to suppliers, Byatt said they should:

- be ready to be open about costs, for example, by using open book accounting;
- be able to show capability for continuous improvement throughout the period of the contract;
- understand the priorities of service users and stay informed about changes in these priorities;
- be able to respond to changing requirements in long term contracts, including variations resulting from changes in political control;
- be adequately equipped, operationally and financially, to surmount any problems that arise;
- understand the regulatory, financial and political constraints that affect local authorities.

A good idea

You may choose to look into guidance issued by local government bodies. In particular the Improvement and Development Agency (I&DeA) for local government has issued guidance on sustainable procurement.

It can be helpful to be aware of official advice and best practice (for example, on taking social issues into account) when taking part in dialogue with a council you wish to work for. Remember that even neighbouring councils can have different priorities and practices, though Government policy and best practice guidance can influence the course of action.

The I&DeA website is at www.idea.gov.uk


 The Byatt report is available from tel: 0870 1226 236 (Quote O1LG 0420)

The response to Byatt

The July 2002 joint Government/Local Government Association (LGA) response to the Byatt Report fully endorsed these recommendations. It also announced the creation of a Local Government Procurement Forum. The first meeting of the forum, on 14 November 2002, set in train a process to produce a national strategy for local government procurement.

The practical outcome of Byatt was that many councils (the larger ones initially) started setting up corporate procedures and units to take charge of a range of procurement activity and bring in a common, council-wide approach. This resulted in a number of changes such as:

- provision of a clearer and more accessible list of major procurement opportunities – for example, through a council website listing the major contracts according to when they are to be let and the purpose of the contract;
- establishment of a common framework for buying a range of supplies for the whole council;
- use of similar routine paperwork and legal documents to let similar types of contract.

 The Government response to Byatt, *Towards a National Strategy for Local Government Procurement*, is available from tel: 0870 1226 256 (Quote 02LG 00443).

The National Procurement Strategy

The new *National Procurement Strategy for Local Government*, has initiated many more changes in England. It aims to show how to explore innovative ways to procure, work in partnership with others in a cost effective way, and enable services that will:

- better achieve community plan objectives;
- deliver consistently high quality services, through many and varied partners from other sectors;
- provide savings and better value for money;
- build social cohesion and promote equality of opportunity for all service users, businesses and local authority staff;
- be sustainable for the communities and areas served for the benefit of local citizens;
- support delivery of the e-Government agenda;
- enable councils to manage and assess risks of the market place and stimulate new ones;
- be delivered through different structures and in new forms.

National Procurement Strategy for Local Government

The procurement vision is of economic, social and environmental benefits, bringing value for money, a mixed economy, partnership, and world class procurement.

The strategy, published in October 2003, is aimed at getting decision-makers to take procurement seriously, to resource it properly and to improve the performance of their authorities. It includes the need for councils to obtain Best Value from all types of procurement and achieve continuous improvements in services, for the benefit of citizens. It also reflects the opportunities offered by social enterprises as well as other suppliers.

The strategy argues that “our vision for local public services can only be realised if councils adopt world-class practices in procurement and the management of contracts and supplier relationships”.

It states that the Government’s objective is that by 2006 all councils will be:

- delivering significantly better quality public services for all local citizens through sustainable partnerships they have forged with a range of public, private, social enterprise and voluntary sector suppliers;

- confidently operating a mixed economy of service provision with access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector suppliers;

- obtaining greater value from all categories of procurement expenditure, by putting in place an appropriate procurement strategy and the necessary resources for implementation;

- achieving continuous improvement in value for money by collaborating with partners at local, regional, national and European levels;

- realising economic, social and environmental benefits for their communities through their procurement activities;


- demonstrating improvement in equality and opportunity for businesses, service users and local authority staff;

- stimulating markets and using their buying power creatively to drive innovation in the design of services and surroundings.

See www.odpm.gov.uk and www.lga.gov.uk

The *National Strategy* reiterates that in the context of a procurement process, obtaining best value for money means choosing the bid that offers “the optimum combination of whole life costs and benefits to meet the customer’s requirement”.

This is not always the lowest price option and depends on local circumstances. The “customer’s requirement” can include social, environmental and other policy objectives, and is defined at the earliest stages of the procurement life cycle. The criterion of best value for money is used at the award stage to select the bid that best meets the requirement.

 The *National Procurement Strategy for Local Government* is available from: www.odpm.gov.uk

Primary legislation is also in place in the form of the Local Government Act 2003 which moves the policy context for procurement forward (see box, right). How these assist partnering and procurement is not yet fully tested, but where pathfinder procurement models already exist, there is interest in these new opportunities as a means of achieving service improvement and better value for money.

A role for social enterprises

The *National Strategy* specifically identifies social enterprise as one of the options, saying their social (and often environmental) objectives, combined with their entrepreneurial flair, can provide an excellent basis for the delivery of public services to their local community.

It adds: "Most social enterprises are SMEs that can offer the same advantages (as the voluntary and community sector). In addition, social enterprises may offer other benefits because of their closeness to local stakeholders and their focus on achieving their social objectives, which may contribute to an authority's sustainable development and community plan objectives."

Options for service delivery include:

- contracting with existing social enterprises;
- establishing a new, not for profit social enterprise, which could take on employment of local authority staff and deliver a service previously managed by the authority;
- supporting and developing the capacity in local social enterprises to take on a proportion of a service tailored to local needs.

One initiative is to create centres of excellence in procurement throughout the regions, which will enable training and learning from projects which pilot new approaches.

The *National Strategy* challenges all councils to prepare a 'Selling to the Council' guide on their website by 2004, with details of bidding opportunities. It also asks them to prepare their own strategy, suggesting that this should encourage, among other things, diversity of suppliers – including social enterprises – and optional community benefits relevant to the contract which could be priced separately.

Impact of Local Government Act 2003

The freedoms and flexibilities introduced through the new Act in relation to procurement include:

- a prudential capital finance system, which will enable councils to borrow for capital investment without central government consent, as long as they can afford to service the debt;
- power for the Government to authorise councils rated as 'fair', 'good' and 'excellent' in their overall performance to trade in relation to any of their ordinary functions;
- new powers for all councils to charge for discretionary services.

Case study

Winning the combined Somerset recycling contract

Kerbside recycling services throughout four districts in Somerset were combined to be let via a single contract. The combined value of the contract is worth in the region of £750,000 per year.

Four districts within the county worked together through the Somerset Waste Partnership. A tender was drawn up inviting bids to reflect a "matrix of service options tailored to demands of the individual districts".

The Partnership advertised for expressions of interest and invited prospective contractors to attend a meeting to discuss and clarify detail. A pre-qualification process required evidence of robust policies and procedures, financial security and appropriate insurance cover in line with the councils' standing orders. Those qualifying companies were then invited to submit bids with prices, method statements and background evidence to support the bid.

The Partnership was looking for first class services for residents regardless of who provided the service. This meant excellent value for money, services that were measurable and manageable and the ability to increase recycling performance in the future.

A panel comprising members and officers for each of the councils assessed the bids.

The tender was restricted to recycling services only, rather than including other waste collection services, and this attracted Avon Friends of the Earth to bid using its specialist experience in delivering cost effective recycling services. The not-for-profit environmental organisation was able to compete for the work against private sector companies and win a five-year contract.

The contract now serves some 120,000 households with kerbside recycling services, operating from local depots and employing some 45 local people in management and

frontline jobs. Employees are paid competitive wages and all services are fully resourced with a professional workforce.



Andy Cunningham, then Development Manager, negotiated the contract on behalf of Avon Friends of the Earth, and says signing on the dotted line is only the start. "The contract is monitored and reported on. The operations teams carry out self-monitoring checks against allocated work and feedback through management to the client officers. In addition, the work is managed and inspected and reported on at regular meetings between the client officers and operational directors and managers," he says. "The contract defines the scope and responsibilities therein. The meetings cover detail and progress in a practical and co-operative forum with both parties aiming to achieve the best possible outcomes with the resources available."

Andy Cunningham

- Since the contract was begun the business has transferred to be operated by ECT Recycling on the same basis.

The route through the procurement process

Understanding the procurement process is, of course, a key to success in winning business. It is quite logical and there are several specific pointers you can use to research and prepare for contracts.

There are several steps in commissioning a service or procuring supplies or works. Here is a summary of what they typically are and how they could affect you.

Action by commissioning body	Action by social enterprise
1 A review is undertaken to establish the need for a service or to consult on the case for a service.	This is the process that leads to a decision – you might have input into this as a stakeholder and prospective supplier. You could even suggest an innovative new service be delivered and make the case for a trial or test contract.
2 There is a decision to agree the business case for goods, works or service.	The commitment is made to spend public money, so a contract may emerge to deliver the outcome – be prepared!
3 The development of a specification is undertaken: how will the commissioning body meet user requirements within its budget?	You may be one of the organisations technically able to supply this.
4 To initiate a basis for contractor selection, a process begins to set criteria for a judgment to be made – at the same time expressions of interest are invited from those suitable to bid.	This can be your first step to becoming a contractor – have you become known as a possible contractor to get on the list for a ‘call’?
5 Officers set the award criteria: a judgment between quality and price, which is affected by budget issues, customer expectations and the need to deliver value for money.	The detail of this should be confidential, but if you judge it right you will make an appropriate bid – you can ask for a guide to the proportional split between quality and price and undertake research which gives a fair idea of what is wanted; for instance are you aware of impending budget cuts in this service?
6 Contract conditions are set – a combination of the organisation’s requirements and the written legal basis on which the offer is made.	Terms must be agreed on which basis there will be an appointment. If you have offered a method of delivery then this would become a binding part of the contract.
7 The contractor is appointed – success!	You may be asked to enter into possible voluntary agreements, for instance concerning local labour and training initiatives. Sometimes two or more companies are asked to combine forces to deliver the whole contract – did you explore this possibility in discussions with the organisation?

8 Debriefing is available to those not appointed, and even those who are.	Always take up the opportunity for a debriefing to see what you can learn from this, regardless of whether or not you win the contract.
9 The contract management process begins – this is the start of the delivery of the contract.	Your relationship begins with a client monitoring officer when you start work. Remember that for some contracts this must be a seamless continuation from the previous arrangements for the service users.
10 Customer service is monitored.	Are you prepared for a full inspection of your delivery to ensure complete compliance with the terms of the contract? Will there be complaints if something is missed?
11 Regular meetings with the client.	This relationship is critical as it is the interface with the public body that your staff on the ground and your service manager will have.
12 The planned improvements included in many contracts are monitored and reported.	The commitments to continuous improvements that may have been agreed will be subject to dialogue and – if missing – perhaps public debate; how is the investment and service development built into your business plan?
13 At some point, the service is reviewed for future re-tendering or revision.	Will your performance and suitability ensure a place on the shortlist again?

✓ Checklist for action	
<input type="checkbox"/> Research the appropriate council’s political and service structures through its website or the Town Hall – some may be set out in a regular newspaper for residents.	<input type="checkbox"/> Identify the social enterprise officer (if there is one) and also the council procurement officer – enquire about steps underway to integrate strategic objectives into contracts and the potential for taking account of social issues in the procurement process, as well as client officer for your chosen service(s).
<input type="checkbox"/> Find out who leads/manages council business covering: <ul style="list-style-type: none"> <input type="checkbox"/> Social enterprise <input type="checkbox"/> Procurement <input type="checkbox"/> Specific services you may be interested in seeking contracts to deliver. 	<input type="checkbox"/> Familiarise yourself with guidance issued by central and local government bodies.

4 Doing the groundwork

Once you have decided to prepare for winning contracts from the public sector, there are things you can do to lay the foundations for your future success.

This section of the Toolkit aims to:

- **give you some ideas for how you can influence the shape of public service contracts which will be advertised;**
- **offer advice on building relationships and generating publicity, so that you can put yourself in the best position to be invited to bid;**
- **summarise the need to assess and manage the risks associated with delivering public sector contracts.**

Participating in stakeholder dialogue

The local authority Best Value regime includes a requirement on bidders to consult service users. Guidance also suggests seeking the views of non users and potential users, as well as stakeholders. Those operating in the same sector may therefore be invited to join the process of reviewing current and possible future services. Other public sector bodies are also likely to engage in dialogue with local groups, businesses and others in the community.

Being well known and having a reputation for constructive input into local dialogue will help you get an invitation at an early stage to take part in any review underway. Taking part in this dialogue may be time consuming, but could give a valuable insight into opportunities for service delivery and the chance to influence the shape of public service contracts which will be advertised.

Even if you are not directly involved in any review, you may be able to input ideas via any non-profit, voluntary, community or small business group that has a role in the process. But it is advisable to weigh up whether sharing your thoughts may give other organisations the chance to take your concepts and gain their own advantage. If your ideas for innovations are precious to you then keep some back for yourself!

★ Top tips

- Being well known and having a reputation for constructive input into local dialogue will help you get an invitation at an early stage to take part in any review underway.
- If your ideas for innovations in the service are precious to you then keep some back for yourself!

✓ Checklist for action

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| <ul style="list-style-type: none"> ■ Search council websites, visit Town Halls or libraries, for information on the Best Value timetable: identify relevant service reviews and enquire about the documentation, consultation processes, and makeup of the review team. ■ Check if stakeholders are invited to become involved (how and when) in any public service review processes. ■ If you have a reputation for constructive input into dialogue, it could help get you invitations to key meetings about services. | <ul style="list-style-type: none"> ■ If you are not directly involved, talk to representatives of the voluntary and community sector or others on review team(s). ■ Be careful to weigh up what ideas you give out in front of competitors and others – you may need the most innovative ones for yourselves. ■ Consider getting in contact with service clients, commissioning officers or customer representatives. Ask whether there is a particular priority emerging in the service delivery or are there specific challenges to be tackled in future contracts? |
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Building relationships and reputation

Finding the announcements and being invited to bid is often a matter of building the right relationships. It may be a matter of ensuring you are known and kept informed by a few key local contacts. This would not amount to special treatment, but would help ensure you are kept informed where social enterprises had not been invited to submit bids in the past. Depending on your sector, key contacts could be found in your local authority, social service department, primary care trust, and so on.

Ensuring a regular flow of good publicity about your achievements can be an excellent investment to help attract business opportunities. Landmarks in the growth and development of the enterprise should be marked and celebrated. Partnerships with others can also make 'good news' community stories.

Visits from celebrities and dignitaries (such as the excuse to get the local Mayor to open a new facility) can all help build your image and reputation as a service provider, which can contribute to the local community while carrying out your business. Seek out publications that could be interested in running your stories but be aware that the media might also be interested in bad news stories that may occur as a result of mistakes or problems faced by a social enterprise running a contract.

Working with the media

It can pay dividends to get some basic press and media training. What sort of news releases will be picked up? Can you summarise the good news in the first paragraph for the journalist to get the message? Can you make sure there's a story about winning business and delivering services that's easy to pick up and use? Have you practiced how to get your message over in a 'sound bite' when interviewed? Remember too that the service promised must be delivered.

Case study

Building trust – Supercare



Supercare is a training and employment organisation for people with learning disabilities. It was originally developed in partnership with the London Borough of Ealing social services department, Age Concern, The European Social Fund the National Lottery Charities Board.

The enterprise works with Green & Clean, a social firm it has developed to deliver “reliable, value for money and quality-driven answers” to gardening, grounds maintenance or cleaning.

Historically, Supercare has not bid competitively for contracts. Its first experience of this was this year.

Previously, it had supplied cleaning and also gardening services through taking on business where other contractors had failed – for example, cleaning sheltered housing blocks. In taking this approach, it has been able to renegotiate contract fees where appropriate, and also suggested better ways to organise the contract more effectively, for example, by organising bin storage to reduce litter and costs of cleaning.

Patrick Denny, Supercare’s Deputy Director, says the organisation has focused on becoming known and trusted as a social firm

by client officers. “They value that we deliver quality and are committed to delivering the contract with reliability and maintaining standards,” Mr Denny says.

He stresses that the ‘bottom line’ in any successful contractual relationship is knowing your costs. “Price all your costs, including the management charge rate as well as workforce,” he says. “This is not always recognised in the voluntary sector.”

Patrick adds that Supercare has also been realistic about the volume of work it can handle. “We have turned down some work – with great regret – as we knew we could not really deliver.”



Patrick Denny
Deputy Director, Supercare

★ Top tips

- Don’t bite off more than you can chew – it will harm credibility if you fail to deliver.
- Grow in a manageable way; control costs, so you can keep delivering.
- There is a value from networking locally. It is worth being in the local Chamber of Commerce.
- Get help from suppliers such as cleaning materials companies on issues like equipment, chemicals, surfaces etc.
- You may be able to get help with training staff from the council.

Recording your achievements

Keep good records of all you achieve and how you fulfill your commitments to customers and clients. Remember that local councils or other public bodies will have their own particular priorities, such as in the local community strategy or community plan. You should work hard to show how your work and your core values can help the commissioning agency achieve its own objectives.

This can be your ‘added value’ above a private sector business as you deliver extra commitments based on your values, such as training, social inclusion, minority group involvement, or local economic regeneration.

Research the competition

You should also research the competition to your bid. Who is the current incumbent (if it is a continuing service) and what is their record?

If it is an internal business unit of a council or other public body, consider the political support they may have and their record locally. Who else is known to be interested in bidding? They may have made a visible profile for themselves in recent times locally and attended consultation meetings. Consider your strengths and weaknesses versus their advantages. How can your bid gain a competitive edge?



“On occasion we have lost a contract by being undercut by a competitor. You need good intelligence and strategy to win and keep work.

We want to know how desperate competitors are to win. It can involve looking at their accounts in Companies House, talking to their current customers, looking at their press coverage, and scanning trade publications for news.

Sometimes we follow them around on their rounds to see how they achieve an efficient service.”

Shaun Doran, Head of Commercial Development, FRC Group

✓ Checklist for action

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| <ul style="list-style-type: none"> ■ Make yourself known as a possible contractor to get on the list for a call. ■ Build good relationships with client officers, and cultivate some key contacts who can keep you informed of bids and meetings. ■ Ensure a regular flow of good publicity about your successes and contributions to the community – and have a contingency plan in place in the event of bad news. ■ Use opportunities to show how your enterprise is a valuable part of the community. | <ul style="list-style-type: none"> ■ Consider getting basic media training to deal with publicity – and practise the sound bite needed to get your message and core values across. ■ Assemble good arguments in favour of your bid(s): quality; value for money; additionality, in terms of a range of social or environmental commitments; measured successes in all your activities, especially those important to potential clients (for example, a local authority with a community strategy to achieve). ■ Research the competition and consider your approach to gaining an advantage over their bid. |
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Case study

Monitoring procedures and customer focus

Monitoring is crucial if you are improving your services. Working Herts found a way to make sure staff and trainees could learn from their mistakes.

“We receive about 25 customer satisfaction forms per week from households where our work-experience trainees have done their insulation and water conservation work.



Every form with valid comments or ideas for improving the service, is distributed to the team of trainees for discussion over their breakfast meeting. The trainees debate the issues and propose their own solutions so that the same mistake is never repeated again. Any real criticism and the team goes back immediately to rectify the work.

By this means, the trainees are learning directly from the customer and the quality of the service gets better, comment by comment, every day. We now record 97% customer satisfaction but more than this, by taking customers' ideas to heart our trainees have been able to introduce some cracking new improvements to the service. People do talk, and now, as if by magic, we seem to be getting offers of work without really trying “

Paul Watkinson, CEO, Working Herts Ltd

Assessing risks

Winning a major contract can be a testing time for a small enterprise. Commitments to deliver a reliable, quality service or complete major works to time and to budget are onerous. You could find all sorts of pitfalls along the way, from risks associated with equipment breakdowns to business continuity issues in the case of sickness or accident.

There are also practical responsibilities to bear in mind. You may be dealing with dangerous chemicals for cleaning or construction (for which you should have a COSHH assessment – under the control of substances hazardous to health, see Glossary). You may be reliant on equipment and plant, which need to be insured, and concerned about what will happen in the case of staff sickness or dispute – which can occur even in a social enterprise. It is wise to have carried out a risk assessment of operational and personnel matters – both from the health and safety point of view and from the continuity of delivery point of view. Any innovative services or products should also have an environmental risk assessment carried out. You should not underestimate the time and staff resource needed simply to manage the client relationship as well as the contract and the delivery process.

★ Top tips

- It is wise to have carried out a risk assessment of operational and personnel matters – both from the health and safety point of view and from the continuity of delivery point of view.
- Do not underestimate the time and staff resource needed simply to manage the client relationship as well as the contract and the delivery process.
- Carry out an environmental risk assessment for any innovative services or products.
- Consider if you can be paid by BACS to help cash flow.

Preparing a business plan

In scaling up to start a new contract you will want to prepare a detailed business plan including options such as whether to lease or buy new equipment. Consider how actual income and expenditure might be matched – prepare a discounted cash flow assessment to anticipate problems with payments and bills. This can often be an issue for smaller enterprises where the money you have earned does not arrive on time. The assessment of what cash you actually have and when (weekly or monthly) versus what you spend is the discounted cash flow.

With public sector contracts there may be less risk of bad debts and overdue payments, but you must still consider when you must receive what you are owed to avoid breaking overdraft or other credit agreements. This can be a critical time for a small business. One particular point to consider is whether you are going to be, or can be, paid by BACS (a banking system allowing direct transfer of funds) which will ensure immediate payment into your account.

Checklist for action

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ■ Carry out a risk assessment of operational and personnel matters, covering both health and safety and the continuity of service delivery points of view. | <ul style="list-style-type: none"> ■ While scaling up to start a new contract, make a detailed business plan including preparations and options. |
| <ul style="list-style-type: none"> ■ Carry out an environmental risk assessment of the goods and services you are responsible for. | <ul style="list-style-type: none"> ■ Remember that local and national sources of support and advice are there for you. |

Where to get advice

There is a wealth of advice available to you at the early stages of preparing a bid. With organisations such as those below available, you should not feel isolated during this time. Consider the mix of local and regional support available:

- **Small Business Service: Business Link** (see Contacts section at end of Toolkit);
- **Local and regional social enterprise support staff:** talk to support staff at councils and other public bodies. There may be events and training programmes available;
- **Health and Safety team:** from a local authority, if you are a small business, or else the larger scale regulatory role of the H&S Executive;
- **Insurers:** to advise on public liability insurance as well as employers' issues;
- **Trade organisations and suppliers:** for a whole range of professional and practical help;
- **Unions:** who will train members in factory and office health and safety, etc.

5 Finding contract opportunities

As already highlighted, finding the announcements about available contracts and being invited to bid is often a matter of building the right relationships. Ensuring you are known and kept informed by a few key contacts can be invaluable.

Finding local and national opportunities

Finding opportunities can sometimes be a question of subscribing to the relevant trade journal for your service area. Depending on your field, sources of information on contract opportunities also include:

- Constructionline (see box on right), which exists to promote standard contract letting for firms using common procedures for bidding for works;
- 'OGCbuying.solutions' is the buyer of many Government supplies and services. It is an Executive Agency of the Office of Government Commerce (OGC) in the Treasury, and seeks suppliers for goods, works and services which are pre-tendered at an agreed price.
- The OGC also jointly runs a website with Business Link, giving advice to businesses on selling products and services to Government in England, as well as contact points, where to find advertised contract opportunities and links to equivalent sites in Scotland, Wales and Northern Ireland. You can also get information on finding contract opportunities from *Tendering for Government Contracts* (see www.supplyinggovernment.gov.uk).
- The Official Journal of the European Union (OJEU). Invitations to tender for public works, services and supply contracts meeting specific threshold criteria must be advertised throughout the European Union. This is done through the Supplement to the Official Journal (OJS), which is published in two electronic formats (on- and off-line), called Tenders Electronic Daily (TED). The contracts could be anywhere in the EU or the wider European area, as well as aid and development projects beyond.

Constructionline

Constructionline is owned by the DTI and is the UK's largest register of pre-qualified construction contractors and consultants. Over 12,000 contractors and consultants are registered, covering the full spectrum of construction activities, from architecture to demolition, and ranging from small specialists to the largest contractors.

Constructionline's 1,500 plus clients range from large central Government departments to local authorities, further education institutions and NHS Trusts. They have direct access to the database and Constructionline helps them to achieve Best Value objectives. See www.constructionline.co.uk.

▶ OGC information can be found online at: www.ogcbuyingsolutions.gov.uk/
The joint OGC/Business Link site can be found at: www.supplyinggovernment.gov.uk
TED is available free of charge and is updated daily. <http://ted.publications.eu.int>

What sort of contracts are there?

There are many types of contract you may be faced with; which one(s) are right for you? Here is a cross section of the diverse types you may find on offer. They vary from small and short term to large and long term and are let in different ways. It may be that some suit your business plan, scale and means better than others.

Long-term contracts for local/public services

One example could be a term contract for the maintenance of property – such as a core contract to do an agreed cyclical amount of repair work over, say, five years. This could be let to a single body, to cover a set area of time and volume of work in a fixed programme, such as decoration.

Another example could be a recycling contract for an area, covering set materials to be collected and processed or sold in an agreed way for several years. Variations could simply cover changes to the number of properties served and the delivery of tonnage growth targets linked to a promotional programme.

Contracts from devolved and area-based units of a council

These may include housing, social services and LMS schools (that is, those schools with locally managed budgets). If these exist, they may be let separately by different bodies that appear to be the same organisation, but which in fact have some autonomy. You should consider to what extent this applies in your field, as there are many local models for

management of public services, including an increasing number of local boards and trusts such as New Deal for Community programmes.

Negotiated Procedures

Under these approaches there may be a process where a group of prospective contractors are brought together, to follow a development process which defines and develops the specification over time, towards an end point where an outcome is finally agreed and let.

Preferred partners

These can be identified through the strategic decision for collaboration with a group or enterprise to ensure the development of a service proposal in the light of local priorities and needs.

Frameworks

These are increasingly seen as a means of delivering large scale supplies, works or services of related nature across a council or other public organisation.

A framework agreement is an agreement with suppliers, which sets out terms and conditions under which specific purchases ('call-offs') can be made throughout the term of the agreement. Such agreements set out the terms and conditions for subsequent call-offs but place no obligations, in themselves, on the procurers to buy anything, although clearly the intention is that there should be a subsequent purchase.

'Meet the supplier' events

You may find that planned major, topical developments become the subject of special attention from a council's regeneration section, who will press for opportunities to maximise the business gained by local suppliers from large contracts. Events can be held to bring together the main contractor and local prospective sub-contractors and suppliers.

▶ A framework agreement (see above) is increasingly seen by some procurement officers as the right approach for particular goods, works or services to be purchased. OGC guidance on frameworks can be found on www.ogc.gov.uk/embedded_object.asp?docid=1000330

✓ Checklist for contract search	Type of work available/frequency	Scale of work appropriate	Location of work – implications for delivery	Technical issues checked?	Financial issues clarified?
Public bodies approached?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Council departments approached	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local letting units, such as housing areas, social services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Neighbourhood bodies and Boards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Primary Care Trust opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Autonomous units – such as locally managed schools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Case study

Building up the business – Newlife

John Montague recounts his company’s regeneration success story.



Newlife Regeneration Construction Ltd was formed in October 1999 as a wholly owned subsidiary of TREES (Training Regeneration Education Employment Sustainability Services Ltd.) an Industrial & Provident Society with exempt charitable status.

Its aim is to be a unique and integrated construction and regeneration company that responds to the social regeneration agenda. Through procurement and delivery procedures the company looks to maximise the community benefits gained through the capital investment of construction, far beyond the physical bricks and mortar improvements. It provides local employment and training places, and also supports and engages with small businesses, other social enterprises and education initiatives.

Initially, selling this added value to contract providers proved to be challenging. The initial workload was provided via a partnering agreement with Leicester Housing Association Ltd (LHA), which set up TREES.

The partnership provided 90% of Newlife’s workload during its first two years. Newlife still had to deliver at market rates. But the organisation admits that without this linkage with an organisation that had a similar ethos

and objectives then the company would not have survived.

Securing further clients presented several barriers. It lacked a track record; it had limited financial history; and the concept of social enterprise as a delivery mechanism was then poorly understood.

However, the third and fourth year saw these barriers starting to disappear as the company had projects to showcase. Once three years’ accounts were available for inspection by local authorities, Newlife became approved on all lists it put itself forward for.

Newlife is now being approached to deliver projects not on a competitive tender basis but through negotiation, even by local authorities. The reason for this is twofold: firstly, because they are on an approved list; and secondly, the company has put a lot of effort into understanding the wider objectives of local authorities and registered social landlords.

**John Montague, Chief Executive
Newlife Regeneration Construction Ltd**

★ Top tips

- Allow for contracts to take longer than expected; and make sure you fulfil insurance requirements.
- Remember you are no different from a start-up small business; do not expect to be treated or judged any differently because you are a social enterprise – you need to appear more professional than others in fact as the social badge can carry a ‘woolly jumper’ image.
- Understanding the client’s objectives/problems and delivering a solutions that requires minimal effort from them is a key component to an organisation’s credibility and success.

Case study

Believing in social enterprise – Tower Hamlets Council

Tower Hamlets Council in inner-London has sought to fundamentally change the way it relates to social enterprises through the development of a new commissioning framework and code of practice.

In the context of very high levels of deprivation and a diverse local population, the council believes that social enterprises – and other ‘third sector’ organisations – are uniquely placed to help deliver its ambitious programme of service improvements.

The council believes that at their best, social enterprises are better able to utilise local knowledge and expertise, gain the trust and

support of service users, move quickly to tackle emerging needs, deliver culturally sensitive services that are configured around individual needs, and secure innovative solutions to some of the most challenging issues facing inner-city areas.

The council has used its new framework to commission a range of different services, including innovative packages of social care, all their direct youth service provision, and a £5.5 million contract to deliver community recycling services.

Although Tower Hamlets recognises and values the contribution that social enterprises can make to wider regeneration, it is clear that the primary focus should be on securing excellent public services that meet the needs of its diverse communities.

This means that social enterprises still have to demonstrate that they can deliver the council’s service priorities more effectively than the competition. They must also participate in the council’s rigorous performance management arrangements.

However, the council offers a wide range of assistance to social enterprises wanting to bid for services, including a capacity building programme covering areas such as financial systems, IT, HR policies and governance. The council also gives advice and guidance and bidding, open briefings to potential service providers and offers support in forming consortia.

Tower Hamlets recognises that in addition to core service objectives, there are wider objectives – economic, social and environmental – in the procurement process. These are sometimes described as councils’ ‘powers of “well-being”’ and are being increasingly considered by commissioning organisations.



It is important that a bidding organisation should identify the ways it can contribute to these benefits, in a way that other organisations may be less effective. Equally, the council must also be clear about the potential contribution they wish to see to these wider benefits before they start a commissioning process.

Damian Roberts,
Head of Strategy, LB Tower Hamlets

★ Top tips

- Make an appointment with the most senior person in the organisation who has responsibility for a service you are interested in bidding for. This may be the service manager, director, contracts manager, commissioning manager or client manager. Don’t assume they know about social enterprise – give them this guide, and any examples of social enterprises developing similar services.
- Find out if the organisation operates any minimum standards for working with external organisations. This is often set out in a ‘pre tender qualification questionnaire’ or ‘Minimum requirements for funding’ documents. There may also be specific requirements for certain types of services, eg a requirement to hold a certain accreditation or quality assurance standard, or minimum training levels of staff.
- Find out what new services are likely to be commissioned in the near future, as well as their longer-term plans, including existing contracts due for renewal. Share what you think you can offer as this may influence their future plans.
- Where there is no track record for a particular service, suggest that you help them pilot your service delivery approach.



E-Trading issues

The development of electronic trading has the potential to alter access to contracts and their documentation, and to change methods of bidding. The Government is committed to supporting and encouraging the development of internet based methods of placing contracts as part of its goal to get public services familiar with modern information and communications technology (ICT). This links to the local government online (LGOL) project.

It is therefore likely that, in future, more work will be placed online, to seek initial expressions of interest and to follow the whole path from advertisement on the web through to submission and award by electronic means. Without the capability for ICT your enterprise may lose out. For instance, you may benefit from preparing your bid from a disc/file version of tender papers (which you might be sent or emailed – though not all public bodies offer these facilities yet!) so that all your answers fit neatly into the sections and boxes set out. The alternative could be hours of typing and inserting supplementary sheets into a folder. Remember that support with ICT in your business is available from the Government's Small Business Service, which can arrange for ICT advice.

You should look on local authority websites if you wish to seek contracts from any local councils. The larger ones should be taking steps to list major contacts on the web. Leeds is one council that already carries out online tendering procedures.

Note that the NHS purchasing and supply agency intends pursuing e-commerce for various reasons including the benefits of standardisation and efficiency, and to reduce the use of paper and emissions from documentation. The intention is that all transactions with suppliers should become electronic, NHS-sid (the NHS 'supplier information database') being the first part of the process and payment being the last.

You should also consult the websites of major trade journals (as well as printed publications). Examples include Constructionline and Contrax Weekly (see Further reading and references).

★ Top tip

- Without the capability for ICT your enterprise may lose out. Remember that support with ICT in your business is available from the Government's Small Business Service, which can arrange for ICT advice for small enterprises.

Case study

Linking council objectives – Leeds City Council

Tony Wiltshire, Head of Procurement at Leeds City Council, explains their approach to letting contracts.

Our approach has always been that procurement is far wider than pens, pencils and stationery. All we do is driven by and linked to the council's objectives set out in its corporate plan; in particular, regeneration, social inclusion and employment. Our annual spend of £650 million is packaged to ensure that small to medium local enterprises can bid for a significant amount of work.

We hold an annual supplier day every year in the Civic Hall, whereby existing and prospective suppliers can talk to all the relevant staff and raise issues with them. This has been phenomenally successful. We do presentations on 'hot topics' and we find that suppliers are on board with what we are trying to do. We produce a booklet titled '*How to tender for council business*'.

We have recognised that delivery by electronic means can be more efficient and save the council money. We have produced an E-procurement Toolkit for small business, launched at a series of seminars in the region. From a contractor's perspective, going 'e' enables them to do government business but also to operate in the global economy.

On our website are a series of documents to help contractors (no matter how small) to understand what is involved in working for the public sector and hopefully debunking some of the myths. We publish the council's capital programme and our Contracts Diary showing future contract renewals. We aim to include some simple, easy to use advice for any small business wanting to work for Leeds.

We have amended our selection criteria to enable start ups to get work with the Council. We do not, however, ring fence percentages of work to small businesses and we do expect them to compete on the level playing field.

The one important piece of advice that I would give to social enterprises is that they should regard themselves and operate very much as a business. They will be treated as such by the majority of the public sector. That means winning work because it represents the best bid, not the cheapest price – most local authorities are moving away from that concept.



★ Top tips

- Distinguish yourself from the competition.
- Operate very much as a business.
- Be customer focused – provide what the customer wants.
- Provide value-added services.
- Be innovative.
- Get Internet and e-mail compliant.
- Get a contact at the local authority and use it.

Opportunities in learning and skills

In May 2003, Department for Education and Skills Minister Ivan Lewis launched new guidance designed to improve the Government's relationships with frontline providers of post-16 training, learning and community-based programmes.

The guidance, *Getting Better Delivery*, is the culmination of the department's 'Getting the Best from Each Other' initiative – a three-year, interdepartmental project which has attempted to seek out and develop innovative ways of working that will make a positive impact on the relationship between the Government and frontline providers.

Opportunities in the health sector

There is a whole world of difference between the health sector and local government. However, achieving best value for money and efficiency and effectiveness of public procurement are at the root of activity in both.

The new structure of the NHS, and the opportunities for business from the Primary Care Trusts (PCTs), are areas for investigation if your enterprise is trading in the relevant fields. These may include both care professions and practical work that supports the operational requirements of the Trusts, such as their buildings, open spaces, and cleaning. If a PCT has successfully integrated its strategic aims into its contract activity then there may be opportunities for those who can, for instance, demonstrate social inclusion or green transport considerations in the delivery of the trust's services.

Improving access to NHS contracts

The NHS Purchasing and Supply Agency (PASA) has been involved in a number of initiatives towards helping new/innovative suppliers enter the NHS market, recognising that many innovative solutions come from social enterprises and small businesses.

The Agency has published a *Supplier Relations and Communications Strategy*, part of which is aimed at encouraging small businesses and social enterprises, many of whom do not have the necessary resources to service the entire NHS. A guide, *Selling to the NHS – a guide for suppliers*, is also available. It is aimed at helping existing and potential suppliers gain a better understanding of the NHS market. It is also aimed at helping suppliers, including social enterprises, with new and innovative ideas, products and services to gain access to this market.

DfES guidance

Those who act as frontline providers in the health sector – for example, by contracting directly with Government departments, the Learning and Skills Council (LSC) or Jobcentre Plus etc – will be interested in *Getting Better Delivery*. This guidance, which sets out 10 steps for effective working.

These highlight such issues as focusing on outcomes, consultation, access to funding and support, full cost funding, co-ordinated funding, timing of payments, end year flexibility, long-term funding, lighter monitoring and control, joined-up inspection and monitoring.

Copies of *Getting Better Delivery* can be downloaded from the Getting the Best from Each Other website: www.dfes.gov.uk/gettingthebest

▶ *Supplier Relations and Communications Strategy and Selling to the NHS – a guide for suppliers* are available at www.pasa.nhs.uk/suppliers/

National Health Service (NHS)

The NHS spends over £11 billion annually on goods and services. This means that it can have a significant influence over not only the type and quality of goods and services purchased, but also over local economies and the prospects for sustainability. By behaving as a Good Corporate Citizen, the NHS can help support a dynamic and sustainable social enterprise sector.

NHS trusts have their own procurement teams and budgets. Purchasing is through a combination of national contracts or framework agreements negotiated by the NHS Purchasing and Supply Agency (PASA) and local contracts set up by the NHS trusts themselves. Subject to compliance with public sector procurement rules, NHS trusts can buy goods or services locally or from a national provider.

The NHS needs an enormous range of goods and services to enable it to provide effective health care to patients:

■ Goods include food and utilities, pharmaceuticals, dressings and other clinical supplies, furniture, office equipment, vehicles and general supplies.

■ Services include agency nursing, catering, building maintenance, gardening, security, childcare and laundry.

Engaging with social enterprises

Through strategic development and the contracting process, the NHS Purchasing and Supply Agency encourages work with social enterprises, for example:

■ Groundwork Environmental Business Services, a social enterprise which provides practical support to companies on environmental issues, has worked with the NHS in Wirral on a pilot project towards improving the health and safety in SMEs that supply the NHS.

■ Cumbria Supply Chain Network Group was established to help regenerate the local economy through local businesses/industries/farming, offering advice on diversification opportunities, co-operatives, good procurement practices and training and education.

■ The North West Development Agency supports business development, physical regeneration, competitiveness, skills, employment and sustainability.

The Agency is working to facilitate local supply through the contracting process, allowing local/small suppliers to tender within their geographical capabilities, such as local sourcing in Cornwall.

Replication of effort in supplying information to the NHS is being reduced by a web based supplier information database (SID) and adopting a 'once only' approach so that systems are simplified. For instance, suppliers can register on the NHS PASA SID and this will store prequalification information. All buyers in the English NHS will then be able to view their data.

Social enterprises can also access NHS information through a variety of events such as 'Selling to the NHS', 'Meet the Buyer' and numerous industry specific conferences.

▶ Help finding information on events and conferences is available through the NHS PASA Purchasing Helpdesk, tel: 0118 980 8841.

Public procurement in Scotland

In January 2003, the Scottish Executive published a review of the Scottish Executive's policies to promote the social economy whose main findings included the following:

- social economy organisations can bring added value to the delivery of public services;
- the Executive should encourage the growth and sustainability of such organisations.

The Scottish Executive's strategy also urged public bodies to ensure that social economy organisations were considered in the procurement process.

There is no significant difference in the procurement framework in Scotland as compared to England. Where there are any differences in approach these will probably reflect some differences in emphasis given to aspects of Best Value.

The two main areas are firstly that there is an audit regime in Scotland as opposed to the inspection regime in England. The result of this will be that local authorities in Scotland will be a bit freer in how they implement Best Value. This might give them a more flexible approach to trading, meaning that the authorities' own service providers will be more in competition with voluntary sector providers. Secondly, in Scotland, Best Value also carries an obligation to contribute to the achievement of sustainable development, though in practice this has not yet had much impact.

There is no one point of contact in councils who would be able to give access to procurement by all the departments. A council might see procurement strategically as an integral approach to delivering Best Value (see guidance signposted right). Where the contract comes within the scope of EU Procurement Directives, the legal service department will have an overview.

The Scottish EQUAL Theme D 'Strengthening the Social Economy' Development Partnership (a partnership supported by the European 'EQUAL' programme) has established social economy zones where new forms of public/ social partnership are being developed. A key theme of these social economy zones is procurement opportunities.

 *A Review of the Scottish Executives Policies to promote the Social Economy* can be found at: www.scotland.gov.uk/library5/social/rose-00.asp
Scottish guidance *Making choices: A practical guide to best value, procurement and competitiveness* www.scotland.gov.uk/library3/finance/bvmc2-00.asp

Welsh Procurement Initiative

There is no significant difference in the procurement framework in Wales, although the National Assembly has a legislative requirement to support sustainable development. There is, however, a strong emphasis on cross-sector collaboration and the sharing of best practice.

The National Assembly for Wales has various devolved responsibilities, which include funding the majority of public sector organisations. A procurement review, *Better Value Wales*, published in 2001, identified that over £3 billion per year was spent by the Welsh public sector on external goods and services, representing over 11% of Wales' GDP.

In 2002 the National Assembly established the Welsh Procurement Initiative to act as

a catalyst for improvements across all the sectors. This initiative is unique in that it is the first time a single focus has been established to provide advice and guidance across all the different sectors, including local authorities, NHS, higher and further education and the Assembly-sponsored public bodies.

The initiative is focused on delivering 21 'Pathfinder Projects' which address various aspects which will assist businesses, including social enterprises, to work with the public sector. These projects include the creation of a national all-sector website which will host public sector contract opportunities as well as allowing suppliers to post their details, including accounts, enabling better communication and reduced administrative effort on the part of suppliers.

Opportunities in Welsh local authorities

The 22 local authorities and three fire authorities in Wales represent some 43% of public sector expenditure, spending an estimated £1,321 million. There is no single model for local government procurement. It may be managed as a defined function, with a high degree of professional support (for example, procurement manager, buyers and support staff); or might be managed as a function of devolved responsibility, undertaken by operational staff with a wider role within service units. There are four supplies organisations which co-ordinate a common catalogue for frequently ordered and easily handled goods.

 Better Value Wales can be found online at: www.wales.gov.uk

The National Health Service in Wales

The procurement service in the NHS in Wales is responsible for non-payroll expenditure of about £600 million per annum. There are 15 Welsh NHS Trusts who either retain an in-house procurement team or 'outsource' to a consortium. Currently, there are two consortia, the South & West Wales Trust Supplies Consortium, which serves five trusts, and North Wales Trust Supplies Consortium which serves four. Trusts also make use of Welsh Health Supplies, which provides a contracting and logistics service, including the areas of facilities, medical and pharmaceutical, power for the supply of utilities; large capital equipment, and major projects such as digital hearing aids and video conferencing.

Assembly Sponsored bodies

The 'ASPB' sector has approximately 20 agencies which greatly range in size. In terms of procurement activity, the role of the ASPBs is significant within Wales, with non-payroll expenditure of some £540 million per annum. Some organisations have developed procurement functions and within others it is managed by the finance function.

Northern Ireland

Public procurement in Northern Ireland is governed by the policy agreed by the Northern Ireland Executive in May 2002. This extends to procurement carried out by Government departments and their agencies, public corporations, local authorities and non-departmental public bodies including Health and Social Services Boards, Education and Library Boards and Health Trusts.

Each year public bodies in Northern Ireland spend over £1.6 billion in procuring works, supplies and services. Within a spend of this magnitude there are bound to be opportunities for social enterprises to provide goods and services and fulfil works contracts. To compete and win in this market, enterprises need to research the marketplace and identify those areas of need within public bodies which they are capable of delivering; have at their disposal the necessary skills, experience and resource; consider sub-contracting where the tender is too large or complex; or, to gain experience, offer to become a sub-contractor to a competitor; above all, do not overstretch resources and fail to deliver.

 To find out about the Public Sector in Northern Ireland, and for detailed advice on how to go about tendering for their requirements visit the joint Enterprise Ireland, InterTradeIreland and Invest NI directory – www.go-source.com – Doing Business in the Public Sector.

Northern Ireland procurement policy

The primary objective of the procurement policy in Northern Ireland is to achieve best value for money through the application of 12 underlying principles covering – Accountability, Competitive Supply, Consistency, Effectiveness, Efficiency, Fair-dealing, Integration, Integrity, Informed Decision-making, Legality, Responsiveness and Transparency. This approach allows for the inclusion, as appropriate, of social, economic and environmental goals within the procurement process. In Northern Ireland, the NI Procurement Service is working with the Department of Enterprise, Trade and Investment and with the Social Enterprise Network to increase knowledge and awareness of both parties' respective needs.

The procedures for awarding contracts are the same throughout the UK and are regulated by Statutory Instruments, which implement EC Directives. The Regulations apply to contracts

for supplies and services valued in excess of £100,000 in the case of departments and agencies and £154,000 in all other cases. For works contracts this threshold rises to £3.86 million in all cases.

Whether regulated or not, the process from the suppliers perspective is the same. Social enterprises wishing to do business with the public sector must identify the needs of the various bodies and how to gain access to this market whether by public advertisement or by invitation in the case of low value purchases (under £20,000). On identifying opportunities, enterprises can seek tender documentation, analyse the requirements and prepare and submit a tender. If the tender is successful the enterprise must ensure that it meets or even exceeds the requirement and if unsuccessful should seek a debriefing from the public body on where the tender fell down.

✓ Checklist for would be contractors

- Talk to the commissioning organisation at the earliest possible stage, even if they have not given any indication that they are going to commission services that you may be interested in.
- Get hold of their key strategic documents, eg Strategic Plan, Corporate Plan, Community Plan, and consider how you could assist them in delivering the priorities contained in these documents.
- Identify your organisation's strengths, and unique selling points to demonstrate that you are more likely to secure the outcomes that the organisation needs than the competition.
- Make use of any examples or case studies of similar service delivery approaches used successfully elsewhere to support your case or proposal.
- Councils publish their main contracts in relevant trade journals. However, this is a very late stage to get involved with a bid as there are usually very tight deadlines to comply with and no opportunity to influence the specification or the way the service might be packaged.
- Find out about service demand. There is a considerable amount of potentially valuable information available via the web, such as Census data, ward level data, population trends, consultation results etc. This includes information held on central Government and local Government websites.
- Get hold of information about the services you would like to deliver. eg. relevant local strategies or plans, budget information, the outcomes of any audits, reviews or inspections. Much of this is available from the organisation's website.
- Maintain regular contact with key officers or key stakeholders.
- Search council web site for procurement pages or visit Town Hall or library: is there a list of contracts published or is one planned?
- Keep watch in the specialist press for contract news.
- Look for local contracts in devolved/neighbourhood parts of the public sector, as well as central departments.
- Get familiar with modern information and communications technology and consider training for e-trading.
- Look out for 'meet the supplier' events where new work in major projects can be offered, to encourage and enable local supply chain links.

6 Preparing your bid

Being a social enterprise can mean encountering some common misunderstandings about what exactly you are and why you are operating with primarily social purposes. Having this status may not be appreciated – indeed it may seem to lead to added caution by the commissioning agency than where an organisation is trading in the private sector.

Being understood as a social enterprise

It can be helpful to rehearse and explain the basis for being a social enterprise. Where it helps, you can draw on the definition, explanations and arguments in the Government's strategy for social enterprise. The Government believes that social enterprises are often well placed to be able to deliver good quality, cost-effective public services, demonstrating innovative new practices and increasing the participation of staff and users in service delivery.

Social enterprises can address a number of public policy goals, and as having an important role to play in service delivery – for example, in delivering contracts let by health and care authorities, as well as in education and training fields.

Social enterprises also have a key role to play in regeneration, and in the promotion of social inclusion. Development Trusts are an example of community-based enterprise. They bring goods and services into areas where others may not want to or be able to operate. Through doing this they help to encourage sustainable economic activity. Since they are often so close to their customers, they can also really help to add to local wealth creation. They provide employment and training opportunities in supportive business environments for hard to reach groups that mainstream businesses cannot – or will not – employ, including people with mental illnesses or disabilities, homeless people and the long-term unemployed.

★ Top tip

It can be helpful to rehearse and explain the basis for being a social enterprise. Where it helps, you can draw on the definition, explanations and arguments in the Government's strategy for social enterprise.

Having confidence

Be aware of these arguments and be realistic but confident! Rehearse the positive messages, and make sure you present them to others in a relevant way for their roles and duties. Show how working together can be of mutual benefit. And cite success stories elsewhere in the contract field. Also prepare for the arguments against and identify the ways these can be overcome – it could help you win business.

As a social enterprise you can also make a point of documenting your social (or environmental) objectives and how effective you have been in delivering them. In this regard a social audit can be helpful to demonstrate independently verified accounts of how the values and commitments have been fulfilled.

▶ See Bulky Bob's case study, later on in this chapter. Also see Appendix: Quality, Social Clauses and Multiple Objectives.

Financial issues

How do you total up your real and full costs of delivering a service? If you get this wrong you could lose money – and fail to fulfil your social objectives if you do not survive.

Getting costs right is always a challenge, but could be even more so for a social enterprise. If your background is in the voluntary and community sector then you may have had advice on this. The guide used by many in the voluntary sector for assessing costs is the ACEVO (Association of Chief Executives of Voluntary Organisations) publication *Funding Our Future II: Understand and Allocate Costs*. This includes a template for allocating costs. Projections based on your commitments made and your historical cost data will be needed to model the service for which you are bidding. The principle of full cost recovery from contracts between the Government and voluntary sector has been subject to a Compact which sets out how the Government and the sector should work together.

You will also want to anticipate matters like the payment regime of the organisation you will be working with. How often and exactly when will you get paid? Is this acceptable and viable for you, in view of your payroll and other costs and the bills you will face? It may be a matter for negotiation before the contract starts if the frequency or delays are not helpful. The public sector should follow good practice in paying bills but the actual timescales to process payments could be a consideration for you. Reasonable changes may be possible if agreed in advance.

Setting your costs

When costing the service, remember to take account of:

- all operational costs from daily or lifetime activity related to the contract, including any snagging costs (to deal with any problems or things that need time to settle in, such as when a service is overstaffed to start with due to uncertainties about exact requirements) and completion costs (to ensure the contract is completed to the client's satisfaction);
- occasional and routine costs from equipment, staff, management and facilities which can be attributed to the contract (though might be reduced if there were in future more contracts);
- client liaison costs, customer service matters, complaints, etc;
- every commitment you have made in your bid, which will form part of the contract.

▶ *Funding Our Future II: Understand and Allocate Costs*, ACEVO, can be found on the web at: www.acevo.org.uk

You will also need to consider matters like VAT in cases where you are either paying amounts of VAT that you wish to recover, or where you will be required to charge VAT for services. Get advice on this from a suitable VAT accountant.

Legal Issues

It needs to be clearly understood that as you are entering into a contract you should make sure that you have good legal advice about the commitments you are being asked to make (in the tender documents issued) and what you are bidding in return (in your submission). Get advice from a contract lawyer familiar with the field or your sector – preferably someone who comes recommended by another similar organisation or a company in the same field.

Ensure you consult a contract lawyer and a VAT accountant about your commitments and how you charge for services.

Workforce issues

There are many issues in contracts about equal opportunities and employment legislation which need to be taken seriously. You will usually find that this area is looked into in detail by a local authority in pre-tender stages. Evidence of compliance with areas including race relations law, equal opportunities, and accident records may be sought.

There are implications if you win a contract which involves inheriting an existing workforce. You should be aware of the TUPE (transfer of undertakings and protection of employees) legislation, which protects a workforce on the transfer of a service to new owners. If you were unable to comply with this then it would damage your ability to consider winning a contract where the existing workforce would be inherited. There are though ways to resolve such issues through negotiation, which can ensure workforce interests are protected as well as your own plans.

It is increasingly recognised that promoting equality through procurement can improve competition, value for money, the quality of services, satisfaction among users and community relations.

★ Top tip

Ensure you consult a contract lawyer and a VAT accountant about your commitments and how you charge for services.

Tendering guidance

The CRE guide sets out how the duty to promote race equality affects council's policies and practice, and how councils should take account of it at each stage of the procurement process. The Commission also publishes *Race Equality and Public Procurement*, which is of interest in wider Government procurement circles.

The guidance also outlines how many social enterprises and voluntary and community sector organisations have adopted equal opportunities policies and procedures, tapped into the benefits of a diverse workforce, and recognised how understanding and working for equal opportunities can help win contracts.

▶ Further details of TUPE can be found in the Glossary and on the DTI website: www.dti.gov.uk

The Commission for Racial Equality has produced some guidance on *Race Equality and Procurement in Local Government*, which focuses on race equality and the statutory duty councils now have under the amended Race Relations Act. This duty reinforces commitments made by many councils to equal opportunities as part of their core values and corporate objectives (see box on 'Tendering guidance' on previous page).

▶ To obtain a copy of *Race Equality and Procurement in Local Government*, see: www.cre.gov.uk

Strength in numbers – consortium opportunities for a smaller contractor

It is sometimes assumed that public policy has been unfavourable to smaller businesses and contractors due to the search for economies of scale and the trend towards aggregation of smaller contracts into larger ones. There are often good business reasons for the aggregation of a host of similar, smaller contracts into a larger, more economical one for a major organisation like a council or Government department. The management of dozens of smaller contracts can be expensive and unnecessary. But if you are seeking work from a local council or public body, this can be a barrier to gaining business. If a service is uniform then you may be deemed to be unable to deliver it across a whole area, or in a host of locations simultaneously, if you are small.

However, if a bid is received from a group of contractors perfectly able to deliver the complete service to the required standard, quality and price, then there may be no obstacle and you should pass the 'fitness test' in the pre tender assessment. Bear in mind that dialogue with the authority letting the contracts is essential at an early stage if you wish to clarify that such opportunities exist, and that the structure of the contract and basis on which it will be monitored does not exclude this option without good reason.

Partnering with others – whether in the private, social enterprise, voluntary or public sector – can provide opportunities. But it can also involve additional work. Again you may need your own legal advice (as well as any that the consortium may get).

Sub-contracting

Becoming a sub-contractor can be a helpful for gaining experience. This can include contracting with a larger private sector firm who may lack the expertise you have, for example, with specialist issues and requirements, or one which seeks to demonstrate it can deliver social objectives through partnership with a dedicated organisation like yourself.

However, there are disadvantages, of which you should be aware. In the ECT Group case study on the following page, for example, it is pointed out that as a sub contractor there may be restricted opportunities to operate long-term or to get adequate remuneration.

At some point, one body may take over from another. Both main contractors and sub-contractors can withdraw from a contract. You may be looking for a time to stand on your own as a main contractor after a period of working in a junior role. Consider the preparations for the conclusion of the relationship and how your enterprise will be strong enough at this time.

Case study

Starting small and thinking big – ECT Group

ECT Group's first successful bid came in March 1994, for a single vehicle recycling pilot scheme in Ealing. The contract was worth about £60,000 per year. Since then it has made more than 50 bids, with a 'win rate' of around 30 percent.

ECT Group consists of five separate companies: Ealing Community Transport, ECT Recycling, ECT Engineering, ECT Bus and Lambeth Community Recycling. The group employs more than 550 staff and provides recycling and community transport services for eighteen local authorities, half of them outside London. In the mid 1990s it had a turnover of £1 million. In 2003 it is more than £20 million – and the group provides services to one in four Londoners.

ECT Group's first successful bid came in March 1994, for a single vehicle recycling pilot scheme in Ealing. The contract was worth about £60,000 per year. Since then, it has

made more than 50 bids, with a 'win rate' of about 30 percent. This year it won its first contract to deliver a London bus service. But some bids have been unsuccessful; various recycling contracts have been lost on price, for instance, and in some cases, they didn't even get a letter to say they had lost.

The process of bidding has not been simple. In the beginning, it has sometimes meant working as a subcontractor – for ServiceTeam, for example. Being a sub-contractor is not something to be recommended, says ECT Group chief executive Stephen Sears. 'It is an unequal relationship and could mean being ripped off.' Bidding in a 'consortium', however, is more equal. ECT has partnerships with both the private sector and social enterprises.

The true value of some tenders can also be difficult to assess; some might take a month to prepare and fail and others could be much quicker and lead to more work.

The most challenging problem has been offering quality while keeping prices keen, especially against PLCs who can cut price and offer penalty charge refunds. But ECT realised it had to change from being a small enthusiastic body to large industrial, reliable organisation. This meant being realistic about the demands of being a robust business, but maintaining the organisation's social values.

Once a contract has been won, there's then the sticky problem of how to win more. ECT advises that as part of this process it is important not to be tied to one particular council. Bidding elsewhere in the UK is more likely to help an enterprise prosper.

Stephen Sears says any applicant bidding for the first time or expanding the number of contracts they deliver for the public sector should not give up if they fail initially. It is also worth looking at variations in the bid – ECT has sometimes won a 'variant bid' after the tender was originally issued.



The social objective is fundamental to company, alongside its environmental goals. However, managing director Andy Bond stresses that ECT does not count on its social objectives helping to win contracts, although references from clients do help with bids.

Andy adds that the workforce is paid well, including the management – and ECT believes it is vital to retain staff rather than taking profits. It is also considering asset lock-in, perhaps using the new Community Interest Company structure when available to protect against a takeover.

In the meantime, ECT is planning to follow other enterprises in doing a 'social audit' report. This will verify its performance on a number of levels. The organisation has been credited with ISO 9000 (a quality standard) and is going for ISO 14001 (the standard on environmental management). It aims to start a staff welfare programme soon, helping with issues such as literacy and benefits take-up. It is also initiating a grants programme from its surplus.

"Entering the contract culture, requires you to change your attitude of mind, step up a gear, have confidence, and prepare for some pain. It's hard, it's risky, there's a level of business stress.

Be prepared to play the game, answer the questions asked, provide the information needed. You can offer an alternative way of doing the work at the bidding stage. ECT wins many contracts on the basis of our variant (not conforming) bid, although some councils will not consider a non conforming bid on the basis that it is unfair to the other bidders."

Stephen Sears
ECT Group Chief Executive

★ Top tips

For organisations seeking to win contracts:

- Be robust – it can get quite adversarial in a contract culture.
- Be businesslike – deliver what the client wants.
- Don't count on winning any specific contract.
- Watch out for some competitors who may bid low to win and then pay default payments when under performing.
- Be confident – it will be hard and risky but play to win and have an entrepreneurial mindset.
- Aim to grow, not stay small.
- Diversify and spread the risks – ECT diversified into recycling, as well as their original service of community transport.



A worksheet for bidding

A specific tendering procedure is often preceded by a pre-tender process. At this pre-tender stage, you may be required to include information and documentation on a number of issues, to demonstrate that you qualify in terms of fitness and technical ability. These would typically include:

- Three years of annual accounts (though this requirement need not always apply now, it could still be in council standing orders)
- Evidence of company legal entity
- Insurance for public liability
- Proof from bank of a Performance Bond (see box on right)
- CVs of directors and managers
- Quality management system/customer service records
- Accident book records
- Environmental management system
- Technical qualifications eg appropriate institutional or training certificates for social care, wastes management, construction, or whatever
- References from other similar public sector bodies you supply.

Preparing the above can be too demanding for some first time contractors. You may lack some appropriate references and experience. Ask early on if the authority may waive some criteria for smaller scale or 'start-up' enterprises to assist them the first time. Make sure you know early on in what form you will have to fill in the tender documents (for example, are they available on disc?); the timetable; and whether interviews will be likely too.

The questions you are likely to be asked during a pre-tender process are summarised at the end of this chapter as a worksheet for you to use.

When the final opportunity to bid arrives, there may be more specific issues to be covered:

- Price – this could be a very high proportion of the award decision, for example, 50-90% (ie all other matters being equal and satisfied, this may be the main final consideration)
- Quality of what is proposed

Performance Bonds

Performance bonds are typically required as a guarantee in the event that the organisation fails to deliver – a bond provides the local authority with a fund to rescue the service, which may require immediate replacement.

For a small organisation, without suitable credit lines and capital or security, performance bonds are a major obstacle in their own right to making a direct bid for a contract. It has, however, been possible for some social enterprises to negotiate an alternative. You may need to pursue this from an early stage in the bidding cycle.

For instance, the assets for local recycling services were left in the title of the local authority by the social enterprise Mid Devon Community Recycling so that the council was reassured that it could arrange to resume the service with their own staff if the delivery failed.

★ Top tip

Make sure you know early on in what form you will have to fill in the tender documents; the timetable; and whether interviews will be likely.

■ A request for a method statement for the procedures being proposed – you may be asked to describe in detail how you propose to deliver the service or carry out the works. Are you ready to give a realistic and convincing account that will meet the users' needs and the public body's requirements? Your business plan can be requested for examination to verify its suitability as part of 'due diligence' by the officers.

If accepted and awarded to you, then these details will all form part of the contract.

The questions you are likely to be asked during a pre-tender process are summarised here as a worksheet for you to use:

✓ Checklist for contract search				
	Available?	Allocated to staff member for preparation?	Due date?	Ready for Submission?
3 years' annual accounts*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evidence of Company Legal Entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insurance for public liability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proof of a Performance Bond	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CVs of Directors and managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer service records and procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details of Race Relations Act compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Equal Opportunities records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality management system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accident book records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental management system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technical qualifications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
References from other similar public sector bodies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* NB: the three year rule has now been relaxed by OGC and is not essential for supplying Government so clarify what the organisation itself requires eg due to local authority standing orders.

Case study

Being strategic and competitive – Bulky Bob's

Bulky Bob's, one of the FRC Group businesses, based in Liverpool, has contracts with several local authorities in the north west for bulky household waste collections.

These usually include a specification for collection of the waste from homes, as well as a recycling and reuse target. Some contracts are based on an annual sum, up to a ceiling of the number of collections included; others are on a per collection basis. In some cases the Bulky Bob's contracts ask for staffing to include a defined number of trainees (say 25 percent) delivering the service alongside full-time employees.

The outcome of these contracts includes a percentage of trainees going into full time employment. FRC Group has an excellent record: ensuring 89 percent of trainees do enter full-time employment (some with FRC). There are penalty points if this is not achieved, however. In one case, there was a cash back penalty due to not reaching the target by the due date in the annual return.

FRC Group markets to a wide range of people in key positions in local authorities – both senior elected members and officers. When targeting a new council they include the Leader and Chief Executive in a presentation. They believe having a social audit shows they

achieve what they claim. When it gets to the detail of actual bidding, Head of Commercial Development Shaun Doran says winning is a matter of “whoever is best at giving the customer (the local authority) what they have asked for.” He adds: “When filling in the tender forms we have to deal with the reality of the contract questions. All customers do want to know about the price.

“It can take days or weeks to research the answers to new questions – creating a business plan for what is to be delivered in a specific service. Leave enough time and then some more to check your answers, and to ensure whoever you need to ask for information is actually available.

“Quite often the process involves a question and answer session. My advice is to do your homework – for 30 minutes they will be probing what you have offered and how effective you will be at delivering the service. Send the right staff and perhaps role-play beforehand to rehearse your answers. Officers need to be convinced and it involves creating a level of trust.”

★ Top tips

- The top three reasons why FRC Group is not successful in bidding for contracts are “Price, Price and Price”.
- The bidding process differs immensely from one local authority to the next.
- Send the right staff to see the local authority and rehearse your answers.
- Do not anticipate any advantages being given to you simply because you are a social enterprise.
- A quality system is essential for any company – especially those tendering for large LA contracts.



✓ Checklist for action

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| <ul style="list-style-type: none"> ■ Be 'customer focused': sell your clients what they really want / need. ■ Be prepared to explain your purpose and values as a social enterprise and how this can bring advantages in the delivery of public services. ■ Ask early on if the authority may waive some criteria used in pre tender assessments of prospective contractors to support small scale or 'start-up' enterprises. ■ Ask for a guide to the proportional split between quality and price, and research issues that may affect what is wanted – eg budget constraints or customer wishes. ■ Can you make a fully realistic bid describing the methods you will use to deliver the contract, meeting users' needs and the public body's requirements? ■ Make sure you know your real and full costs of delivering a service. ■ Seek information early on to see if you can make alternative arrangements to placing a performance bond. ■ Can you, or must you, comply with TUPE legislation if you win the contract? ■ Develop your ideas for how you can demonstrate your contribution to local social, economic and environmental well-being in your bid. ■ Could you undertake a social audit to test and assess your delivery of your social objectives? | <ul style="list-style-type: none"> ■ Can you enter voluntary agreements to recruit local labour and train unemployed residents if this is sought by the public body. ■ Will collaboration increase the chances of winning a contract – due to price, skills, quality, or added value? See if this will remove any obstacle to smaller enterprises passing the 'fitness test' in the pre tender assessment. ■ Does the tendering body agree to consider joint or consortium bids if they meet the service goals for the contract? ■ You should evaluate carefully what the purpose of the collaboration is – is it to win the contract, or to learn from others and gain a track record, for example? ■ Assess fully the strengths and weaknesses of each partner and what they bring to the collaboration – will the benefits be equal or acceptable? ■ Get independent legal advice outside of any joint advice on contract liabilities and issues. What is the basis of the collaboration in law? What about financial shares and liabilities? Have you anticipated all risks? ■ Check if you or the other party could terminate the agreement without liabilities at any time. |
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7 Delivering the contract

Winning a contract is only the beginning; delivering the contracted service is the long-term task. Beyond that, it will be important to plan for the enterprise to have other work into which to diversify, for the simple reason that there is no guarantee of keeping the same contract a second time, even into an agreed optional extension period after the minimum timescale is completed.

Above all, if you become a contractor you will have to satisfy the wishes of your customer. Make sure your Board agrees who this is. The public sector buyer is an obvious priority if they pay the bills and monitor the contract – remember their desired outputs from the contract and key performance indicators that will be judged (note: these indicators tend to drive the local authority/public body as a top priority).

Service end users – what do they expect?

Make sure the whole of your organisation is clear who your priority groups are and that you meet their needs without damaging the organisation or its social objectives. It can be a balancing act if there are occasions when satisfying both the public sector buyer and your end users might conflict, but managing this will be far easier if you have a clear view and are able to prioritise when decisions are needed.

Delivering the contract is a serious undertaking; ensuring day by day that service and standard are delivered, and that deadlines and targets are met. The implications of a shortfall in this can be directly financial too – there are usually penalties for poor performance. Be aware that this is sometimes the way a service gains income from poor delivery, by making routine fines a source of revenue.



“Don’t have all your eggs in one basket. Prepare to diversify into related fields; for example, ECT diversified into recycling, as well as our original service of community transport and have gained more business as a result.”

Stephen Sears,
CEO, ECT Group

Customer satisfaction

Customer service is crucial. The number of calls and complaints and the level of customer satisfaction will be monitored by the client officer. Do complaints come direct to you – or will a meeting with the client officer be the first you have heard of any problems?

You should carry out your own customer service work, to ensure that you can answer any questions from the client officer and that you can maintain or increase the level and standard of service over the life of the contract.

Remember that just maintaining this relationship with the client is one of your business activities and costs. Take these dealings seriously and try to see past any personality issues to the role being taken by the client officer. He or she is there to ensure value for money and effective delivery of the service. Consider how you could propose any ways to make the relationship work better or to schedule more effective meetings – maybe on site visits or taking turns to attend each other’s premises to see the story from the other’s side.

Cashflow and targets

You will need to monitor your costs and of course any trends that help with business planning and development. In addition you will need to keep a close watch over cash flow at all times. While agreed payment regimes are fixed once the contract starts you will need to make sure that the money does arrive in the manner agreed. Discounted cashflow (the actual rate and amount that money due does really arrive to help pay costs and bills) can, as said earlier, be a key issue for smaller enterprises with a limited overdraft facility.

Take stock of the targets and any improvement requirements included in the contract. Ensure you are on track to fulfill the requirements of the described service. If at any time there are problems then do not put off seeking advice and help. Make sure that the relationship with the client office is as effective as possible – to ensure you are warned about any issues that arise and given the best chance to remedy any problems.



“FRC Group has an excellent record: ensuring 89% of trainees do enter full-time employment (some with FRC). There are penalty points if this is not achieved, however. In one case there was a cash back penalty due to not reaching the target by the due date in the annual return.”

Shaun Doran,
Head of Commercial
Development, FRC Group

Case study

Caring about 'added value' – Carers Direct SW Ltd

This co-operative care firm in South Devon was set up in 2002 by a small group of professional carers who had become dissatisfied with the way some private agencies operated. The carers own and run the business. Any surpluses are used to develop the business or provide training. The co-op has grown from four to 38 carers in a year, with an annual turnover of £300,000.

Carers Direct prides itself on delivering a full, holistic service. Sally Richardson, Co-ordinator, explains: "What we provide is independent living support – we are all registered nursing auxiliaries and there are both men and women in the co-op. Unlike many care agencies or social services departments, we don't have a narrow band of services we are able to provide; it's more holistic than that and we can be more flexible. For example, if we think that someone is feeling a bit low, we can suggest they get their hair done, make the appointment and accompany them there.

"We can help with any number of issues because we all have so much experience. You see, a lot of people don't know where to go to get things like talking newspapers or adaptations for their home and we can offer advice and signposting."

Unlike agencies that will not pay carers for the extra travelling time, Carers Direct is willing to take on rural clients. Sally says the rural element is very important. Statutory service carers provide 15-minute visits, but cover wide areas, so spend much of their time travelling. In contrast, the co-op's carers do minimum one-hour visits. She believes that 15-minute visits are not cost-effective in rural areas where travel times and distances are great, because they provide a poor service and give little satisfaction to the carers, who become disillusioned. Consequently, she argues, this promotes high turnover of statutory service and agency care staff.

The co-op's strategy of delivering 'added value' appears to be paying off – so far, networking and recommendations have provided all its work and carers, with no need to advertise.

However, Sally says council procurement staff have found it difficult to understand social enterprises. One authority even told her it did not want to employ 'fly by night' carers, and that it required all carers to have an NVQ 1 qualification. Most of the co-operative carers were actually much better qualified than that as some were trained nurses. Nevertheless, the council initially still seemed to expect their carers to undertake the lesser qualification.

Sally adds that the new system of direct payments, where money is put into the client's bank account and then paid out for their care, is used by few social workers because they find it time consuming to set up. This is unfortunate, she says, as it means that Social Services generally use spot contracts for one-off visits to clients or block contracts for more visits. Payments must then come from the local authority itself, which can take at least six weeks to arrive. This has serious financial cash flow implications for a small social enterprise.



Be proud

As the contract continues there may be others you bid for and start. Think about issues like retaining key staff; ensuring new starts do not disrupt existing work; and keeping sight of the priorities as time goes on.

Consider how you can report regularly to all stakeholders on your regularity, quality, reliability and effectiveness. This can be useful as a management tool, but also helpful for publicity and progress reporting. In the first instance you need to know that everything is on track against contractual requirements and targets. You will need to prepare well for regular meetings with the client officer, and any other liaison planned – for example, periodic meetings with users of the service or partners.

Finally: make the most of your opportunity to deliver public contracts. Be proud to be meeting the needs of residents and service users – and to be contributing directly or indirectly to public service! Ensure the whole workforce and all your stakeholders (including suppliers, sub contractors, and supporters) are aware of this important contribution. Keep them involved and informed of progress and achievements and celebrate your successes and the way you are achieving your social and other goals too!

★ Top tips

- Carry out your own customer service work.
- Ensure you are on track to fulfill requirements and if there are problems then seek advice.
- Be proud to be meeting the needs of residents/service users, and contributing to public service.

✓ Checklist for action

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ■ Be prepared for a full inspection of your contract delivery – can you ensure complete compliance with the terms of the contract? ■ Be thorough about carrying out your own customer service reviews – it will help both business performance and assist in your relations with the client officer. ■ Monitor all your costs and trends in these to avoid problems. ■ Consider how you might diversify or avoid trouble when a contract nears its end. | <ul style="list-style-type: none"> ■ Don't be shy of seeking advice or assistance from intermediaries and business support organisations at any time to help you manage the issues for your enterprise when delivering contracts. ■ Are there staff you depend on who need support – retention can be an issue. ■ Above all: celebrate your successes and have pride in delivering public services – keep all your workforce and stakeholders informed of this too! |
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Appendix: Quality, Social Clauses and Multiple Objectives

Earlier in the Toolkit we referred to the possibility of public bodies seeking to award contracts which deliver social and environmental objectives beyond their other purpose, provided this does not breach procurement regulations. There is growing interest in the scope to incorporate social clauses into contracts – that is, clauses that challenge the tendering organisation to demonstrate that they can deliver social benefits and outcomes while carrying out the work contracted. This could give you an opportunity to bid, in the knowledge that your ability to offer these could be a significant advantage.

Multiple Objectives are possible if a body has found a way to link different goals and funding streams to combine in one contract. In future, more complex contracts may be likely as the 'well-being' agenda – which seeks to ensure progress on social, economic and environmental agendas – develops in local government. Local authorities now have the power to promote local economic, social and environmental well-being. As local authorities start to deliver their well-being agendas they may increasingly ask for partners who can help maximise this in all they do.

You may want to consider how to promote your contribution to local well-being in any bids you make, whether or not this is requested. A useful place to start will be a local authority's Community Strategy. But be warned: if not sought then it may not be a consideration of the formal award process.

Incorporating social issues

The best stage for authorities to incorporate social issues is in drafting contract specifications. This is the stage at which you are best advised to influence decisions. You will not have an opportunity to influence authorities to take social issues into consideration after the procurement has begun. All councils have to engage in the Best Value review processes. If you are able to input into this stage, you will shape the

service that is actually tendered for. If your social enterprise has set out to achieve particular social and environmental benefits, then it will be important to demonstrate how and to what extent they are achieved.

The DTI Social Enterprise Unit is supporting the Social Enterprise Partnership (GB) Limited (SEP) in looking at ways to help the sector prove and improve its impacts. A website will be set up with details of different kinds of measurement tools. More details of many of the tools discussed below will also be on the SEP website.

Look out for SEP's web details on the DTI website www.dti.gov.uk

Social auditing

One methodology for measuring your overall impact is through social auditing (or social accounting). This provides a framework for engaging with your stakeholders and measuring your social and environmental impacts. Social auditing helps you choose indicators that focus on your aims, and helps to get the feedback of your stakeholders.

The so-called 'ImPROVEit' agenda (in which social enterprises are encouraged to measure their performance in social, environmental and financial terms, both to prove their worth and improve their services) has made clear the case for taking stock of stakeholder views and measuring social outcomes against goals, so it is worth considering to what extent your organisation can demonstrate how it delivers these objectives alongside any service or works it carries out as its trade.

A social audit can show to what extent you are delivering social goals, and can help you to manage the process of delivering these better. However, experienced social enterprises stress that, although social objectives are important, it is equally important not to count on these when trying to win contracts.

In the case of environmental outcomes, a few key issues could be included in a wider social report, or you could produce a fuller environmental report, which is increasingly common in some sectors. If it is directly relevant to technical ability to deliver the contract under consideration, local authorities may ask candidates at the selection stage if they have an environmental management system in place (see 'Further quality tools' box later in this chapter).



"At present we doubt most private sector firms can compete with us to deliver the social objectives and targets, but in future they might be able to compete and win some of these contracts back. We can use our Social Report to promote our added value and the triple bottom line achievements we can show we have measured and reported."

Shaun Doran
Head of Commercial
Development
FRC Group

★ Top tip

If you are able to influence councils on social issues during the Best Value review, you will shape the service that is tendered for.

Case study

Social accounting and audit – it gets us business

Debbie Stewart, Director of the Exeter co-operative Community Enterprise Unit Ltd, reveals how social accounting has been a valuable tool for improving the business.

CEU Ltd is a social enterprise in the form of a small, not-for-private-profit, worker co-operative with primarily social objectives. Our team has known for a long time the benefits of social auditing since being trained by John Pearce, author of the new Workbook and CD Rom in Social Accounting and Audit, in 1997.

Since that time we have delivered numerous training days to other organisations in social auditing but wanted to practice what we preach. As a result we have just completed our first set of social accounts which were audited by John Pearce, along with representatives from The Learning and Skills Council, Devon and Cornwall and Devon County Council's Economy and Regeneration Team – two of our main funders.

The stakeholder consultation has provided us with invaluable feedback on our services and how we communicate what we have to offer. It has also provided us with a rich source of testimonials, which we have been able to quote in presentations for new work, which we have been successful in securing. We are building the findings of the process into a summary, which will be our primary marketing material for the future.

In essence social accounting will be our key tool for checking that we are continuing to supply what our market wants from us and demonstrating how we do just that!

With regard to contracts, we have secured some training development and delivery work for community enterprises and community based organisations. The client is an Objective 1 Partnership in Cornwall. We were able to use a number of quotes from previous trainees to demonstrate how highly they value our training courses and our

particular approach. These views were gathered as part of our on-going quality assurance measures and our social accounts.

Recently, we were successful in securing a Service Level Agreement (SLA) to provide social enterprise support to Somerset County Council. We used information gathered during the social accounting process to help inform our presentation to the panel. We are also already delivering two social accounting training programmes in Somerset which have linkages to some of our likely clients under the new SLA.

We have also secured a contract to lead on the evaluation strategy for a rural Sure Start programme in North Devon. Whilst we did not secure this on the basis of CEU's social accounts, we advocated social accounting as the tool to use, and were able to demonstrate that we were 'walking the talk' – that is, in the process of producing our own accounts. Feedback from the interview panel confirmed that they were enthused by the social accounting idea and the fact that CEU take it as a given that stakeholders should be included in any monitoring and evaluation.



Social audit tools and indicators

There are many 'quality and impact' tools and indicators that have been developed in recent years. The key question for a social enterprise to ask is how these can add strategically to both their business and social aims.

An organisation should make use of the tools indicators that are most relevant to its own practice. These can be chosen with stakeholders, as outlined in the social auditing framework. Sector wide indicators may be appropriate – for example, the UK co-operative sector is developing a set of key performance indicators.

Another way of bringing together a useful but manageable set of indicators is to use what is known as the 'balanced scorecard' approach. This is an effective strategic tool in which four perspectives are considered – typically that of financial, customer, learning and growth, and internal business processes. There are a number of websites available on this; although most seem to be aimed at the corporate sector, it is not too hard to get the basic idea and make changes to make it work for you.

Much has been written in recent months about quality and impact tools. A very useful round-up, with explanations and a list of contacts for further information, is contained within the Social Audit supplement sponsored by the DTI Social Enterprise Unit, and prepared by Social Enterprise magazine in partnership with The Cat's Pyjamas (a best practice and training organisation set up by the FRC Group), the New Economics Foundation (NEF) and others.

Another good starting point is the CBS Network website (see Signpost, right) which contains a guide by the social audit expert John Pearce. Other useful guides to social auditing are the New Economics Foundation's Social Audit Workbook and CBS Network / Social Enterprise Network Social Audit and Accounting Manual (can be ordered from the site above). Both are aimed at smaller organisations.

The Institute for Social and Ethical Accountability (usually known as AccountAbility) has created a standard for social and ethical accounting called AA1000. It can be useful when working through one of the social audit workbooks above to supplement with AA1000.

Finally, there is Ethical Explorer, an online tool being developed to help organisations engage with their stakeholders and practice social reporting.

Tendering guidance

The Social Audit supplement covers tools such as NEF's LM3, which helps measure the impact of organisations on local economies; Sigma, a sustainability management system; the Quality and Impact Programme sponsored by the European Social Fund and involving a partnership of Social Firms UK, Co-operatives UK, the Development Trusts Association, Social Enterprise London and New Economics Foundation. It also includes a run-through of the social accounting process, written by John Pearce.



Information on the Balanced Scorecard can be found at: www.balancedscorecard.org
The Social Audit supplement is available for download via the Social Enterprise magazine website: www.socialenterprisemag.co.uk
The CBS network website is at: www.cbs-network.org.uk/SocAuditing.html
NEF's Social Audit Workbook can be ordered from Central books, tel: 0845 458 9910.
The AA1000 standard can be downloaded from: www.accountability.org.uk
To receive information about Ethical Explorer, you can add your name to the mailing list at www.ethicalexplorer.org

Further quality tools

Quality standards

The Quality Standards Task Group at the National Council for Voluntary Organisations assists non profit organisations in achieving quality in outcomes. It is currently identifying how the main 'off the shelf' quality systems can be most effectively used in the voluntary sector and running regional events on quality improvement. Contact: 020 7520 2540 or email qstg@ncvo-vol.org.uk.

ISO 9001 and 14001

The International Standards Organisation (ISO) is the recognised body for developing and endorsing such recognised systems.

The larger the undertaking the more useful the established quality management system ISO 9001 will be, which helps businesses maintain and manage quality and consistency and document it.

As an enterprise gets larger then it becomes practical and often necessary to demonstrate compliance with the established environmental management system ISO 14001, which puts in place an environmental policy and a system to bring an organisation up to full compliance with legislation and beyond.

EMAS

The Eco Management and Audit Scheme (EMAS) of the European Union incorporates ISO 14001 and also provides a basis for a published environmental report. This additional requirement can appeal to public bodies and environmentally committed organisations as it is a demonstrable commitment to accountability and openness of performance. It will be more essential (and valuable) for those delivering environmental services and those with a risk of compliance breaches such as ground or water pollution. See Glossary and www.defra.gov.uk.

Environment Agency Net Regs

The Environment Agency (England and Wales) has prepared a service called Net Regs to assist smaller and medium sized businesses to deal with regulations on the environment and wastes. For information on Net Regs, see www.environment-agency.gov.uk/netregs.

- Generic management guidelines help you comply with key environmental legislation that may apply to aspects of your business, from raw material inputs through to wastes.

- Sector-specific guidelines tell you the practical measures to keep your business sector compliant with the law.

There are a number of things to be aware of when using the various tools at your disposal:

- it is important for an organisation to know what it is seeking to do, to pick the tool most relevant to its needs;
- the use of a tool needs to be embedded into an organisation, otherwise it may have limited success. Sometimes the tool needs to be modified to fit into an organisation's existing practices;
- experience shows that organisations working together in clusters can support one another through the process;
- Different public bodies have different attitudes. Some procurement officers will not have heard of some tools; some may be encouraging and knowledgeable; others may be uninterested. You may need to educate them.

Top tip

You may need to educate some procurement officers about the value of impact measurement and quality standards in relation to what you are doing.

Glossary

Best Value – the performance framework for regulating local government and health services, which includes the need to consider whether services are being delivered in the most appropriate way, and by whom, and the need to secure continuous improvement.

Business unit – formerly known as DSO or direct service organisation – a trading unit within a council that delivers services or consultancy work on a similar basis to outside contractors. It is covered by legal requirements to make a surplus.

COSHH – control of substances hazardous to health (regulation) – the term often applied to the need for COSHH assessments of chemicals and processes. It can be used to reduce exposure to these substances by identifying lower impact alternatives with less risk. Suppliers should usually offer a COSHH data sheet for each chemical or substance that assists with compliance information.

EMAS – Eco Management and Audit Scheme of the EU which incorporates ISO 14001 (see EMS) and also provides a basis for a published environmental report. This can appeal to public bodies and environmentally committed organisations as it is a demonstrable commitment to accountability and openness of performance. Information on EMAS and contacts are found on the emas.org.uk web site and EU pages at http://europa.eu.int/comm/environment/emas/index_en.htm It will be more essential (and valuable) for those delivering environmental services and those activities with a risk of compliance breaches such as ground or water pollution.

EMS – environmental management system – a systematic process to assess environmental impacts and liabilities and to put in place documented procedures and plans to reduce breaches of regulations and lower the impact of the organisation or plant. An EMS is usually developed on a site by site basis for industrial organisations and starts with adoption of an environmental policy. The usual standard applied is ISO 14001 and sometimes the wider European EMAS regulation.

LMS schools – state schools which are directly funded by Whitehall and have the ability to opt out of local authority services in many ways (that is, run by the school governors and head teacher/ management). This means not necessarily using the services of the local authority for cleaning, grounds and building maintenance, catering, and security, for example.

Method statement – account of the procedures being proposed in a service.

Performance Bonds – Performance Bonds are typically required as a guarantee to the ultimate service provider (for example, the local authority) in the event that the contractor fails to deliver – a bond provides the public authority with a fund to rescue the service, which may require immediate replacement. It has been possible for some social enterprises to negotiate an alternative though you may need to pursue this from an early stage in discussions about bidding.

Service Level Agreements (SLAs) – are the agreed level of service provision that will be provided in return for a grant or other funding; for example, a given level of

community care support, community transport provision, or other activity.

Social Accounts/Social Audit – a method of measuring an organisation's social performance, taking in stakeholder views and measuring social outcomes against goals, to enable an organisation to demonstrate how it delivers these objectives alongside any service or works it carries out as its trade. A social audit is an independently verified account that shows to what extent you are delivering social goals, values and commitments, and can help you to manage the process of delivering these better.

Social Clauses – there is growing interest in the incorporation of social clauses into contracts – that is, clauses that require the contracted organisation to demonstrate that they can deliver social benefits and outcomes while carrying out other work described in the contract. The use of social clauses entails multiple objectives being delivered if such clauses are not the primary purpose of the contract. They may be funded by a separate part of the organisation which has the agreement to incorporate such outcomes alongside other services or works in the contract.

Threshold values – the size limits for contracts under European law which then have to be advertised in OJEU (see Further reading and references).

TUPE – the transfer of undertakings public employees legislation which gives rights to the current workforce of an operation in the event that the service is transferred to new service providers. This can mean taking on the incumbent workforce, although securing their interests through redeployment can fulfill the obligations.

Value for money – the optimum combination of whole life costs and quality to meet the user requirement.

Whole life cost – the total of all costs in a project including capital and revenue implications such as construction, maintenance and running costs and ultimate decommissioning/disposal.

Further reading and references

Byatt report – *Delivering Better Services for Citizens* is available from tel: 0870 1226 236 (Quote 01LG 0420). The Government's response to Byatt, *Towards a National Strategy for Local Government Procurement*, is available from tel: 0870 1226 236 (Quote 02LG 00443).

Constructionline – is owned by the DTI and is the UK's largest register of pre-qualified construction contractors and consultants. Over 12,000 contractors and consultants are registered, covering the full spectrum of construction activities, from architecture to demolition, and ranging from small specialists to the largest contractors.

The register's 1,500 plus clients range from large central government departments to local authorities, further education institutions and NHS Trusts. They have direct access to the database and the register helps them to achieve Best Value objectives. www.constructionline.co.uk.

Contrax Weekly – Contrax Weekly provides a gateway to new business opportunities for companies, large and small, who wish to compete for public sector contracts, either as a prime contractor, or as a sub contractor. www.govopps.co.uk.

Funding Our Future II: Understand and Allocate Costs – produced by the Association of Chief Executives of Voluntary Organisations. Includes a template for allocating service costs. www.acevo.org.uk.

Getting Better Delivery – the culmination of the DfES's 'Getting the Best from Each Other' initiative; can be downloaded from: www.dfes.gov.uk/gettingthebest.

OJEU – Almost all public procurement contracts for business worth more than the EC threshold must be published in the Supplement to the Official Journal of the European Union – available in reference libraries and on the web as Tenders Electronic Daily, which is available free-of-charge online and is updated daily. <http://ted.publications.eu.int>.

Race Equality and Procurement in Local Government – this guidance from the Commission for Racial Equality is available on the CRE website: www.cre.gov.uk.

Role of the Voluntary and Community Sector in Service Delivery – published by the Government in September 2002. Details at: www.hm-treasury.gov.uk.

Social Audit supplement – this publication by *Social Enterprise* magazine, prepared in partnership with the DTI SENU and The Cat's Pyjamas training organisation, has a useful round-up of the range of social audit tools. It can be found on the *Social Enterprise* magazine website: www.socialenterprisemag.co.uk.

Supplier Relations and Communications Strategy – part of which is aimed at encouraging small businesses and social enterprises, many of whom do not have the necessary resources to service the entire NHS. A guide, *Selling to the NHS – a guide for suppliers*, aims to help existing and potential suppliers gain a better understanding of the NHS market. It is also aimed at helping suppliers, including social enterprises, with new and innovative ideas, products and services to gain access to the

this market. Both publications are available at www.pasa.nhs.uk/suppliers/.

Supplying Government – a website dedicated to opening up and explaining how to supply Government and win public contracts.

www.supplyinggovernment.gov.uk.

This site, produced by OGC and Business Link, gives advice to businesses on:

- selling products and services to Government in England;
 - contact points in Government organisations;
 - where to find advertised contract opportunities;
 - contact details and links to equivalent sites in Scotland, Wales and Northern Ireland.
- It also has useful publications, including:
- Smaller supplier... better value? (booklet);
 - Smaller supplier... better value? (video);
 - The Government Procurement Code of Good Practice for Customers and Suppliers;
 - Supplier Financial Assessment Guidance;
 - Tendering for Government Contracts.

The website also includes information on the Ethnic Minority Business Forum and other such organisations, as well as a 'How Government Buys' page; and a helpful 'Increase Your Chances' section that reminds you of the key things to get right when tendering.

Tendering for Government Contracts – A guide for small businesses

This guide has been produced jointly by the Small Business Service and the Office of Government Commerce. It offers a useful insight into the procurement process and will help you decide if public sector business is for you. Order through the DTI Publication Order line: 0870 1502 500 (Quote URN 01/1398).

Contacts

Association of Chief Executives of Voluntary Organisations (ACEVO) – www.acevo.org.uk.

Business Link in England –

Business Link is the national business advice service, offering support and advice to small businesses. The website provides straightforward information on business needs and access to a wide network of business support organisations. It includes a Business Support directory of Government grants and schemes and advice on starting a small business.

0845 600 9006;

www.businesslink.org.

CIPS – Chartered Institute of Purchasing and Supply, www.cips.org.

Commission for Racial Equality – for guidance on race equality and procurement. www.cre.org.uk.

DTI regional – information on the regions, including links to all the Government offices', Regional Development Agencies' and Devolved Administrations' websites. www.dti.gov.uk/regions/index.htm.

Improvement and Development Agency (I&DeA) – the Improvement and Development Agency is the body promoting best practice in services development and delivery for local government in England and Wales. It works with elected members and local government officers. Through the organisation's website you can get access to publications such as *Sustainable Procurement Guidance* and other useful documents. www.idea.gov.uk/procurement.

LGA – the Local Government Association represents all the local authorities in England and Wales.

www.lga.gov.uk.

New Approaches to Public Procurement (NAPP) – the New Approaches to Public Procurement (NAPP) network of local

authorities aims to help participant address legal, policy and practice issues that have up to now been obstacles to achieving community benefits through contracts, in particular by maximising training and job opportunities for disadvantaged residents. The network enables participants to share information on their policies and practice, and supports them in developing pilot procurement projects to achieve community benefits. For further information, contact the NAPP secretariat on 0121 200 3242.

NHS – the NHS holds events such as 'Selling to the NHS', 'Meet the Buyer' and numerous industry specific conferences. Assistance is available through the NHS PASA Purchasing Helpdesk on 0118 980 8841; www.pasa.nhs.uk/suppliers/.

OGC Buying Solutions – this is an Executive Agency of the Office of Government Commerce in the Treasury and the buyer of many Government supplies and services. It may be a place to offer your services. www.ogcbuyingsolutions.gov.uk/.

Small Business Service – the Small Business Service offers a comprehensive service to SMEs. The website includes useful advice on sources of funding; regulations which can affect small businesses; advice on exploiting innovation and improving efficiency, and a variety of statistics, papers and studies. 0845 600 9006; www.sbs.gov.uk.

Social Enterprise Coalition – the Social Enterprise Coalition (SEC) is an alliance of social enterprises from across the UK. It aims to provide a national voice for the sector; to promote the sector; to build capacity through information sharing, and to encourage co-operation. 020 7968 4921. www.socialenterprise.org.uk.

Social Enterprise London – aims to promote social enterprise in London and the suburbs. SEL's website includes a database of postgraduate courses; a discussion forum about the Social Economy Framework for London; background to the policy issues SEL is involved in, and background to business courses equipping you to run a social enterprise. 020 7704 7490; www.sel.org.uk.

Sustainable Funding Project – project run by the National Council for Voluntary Organisations. www.ncvo-sfp.org.uk.

Northern Ireland

ALANI – Association of Local Authorities in Northern Ireland; 02890 249 286.

Department of Enterprise, Trade and Investment (DETI) – aims to create a balanced, competitive, innovative, knowledge-based and fast growing economy where there are opportunities for all. Its 2002-2005 Corporate Plan identifies the social economy as a priority area. DETI's Social Economy Branch is responsible for promoting a co-ordinated approach to the social economy, working with other NI Departments, the public sector and the Social Economy Network. DETI is represented on the DTI Interdepartmental Group for the UK Social Enterprise Strategy. www.detini.gov.uk.

Invest Northern Ireland – 028 9023 9090.

Wales

Community Enterprise Wales – network for organisations and individuals committed to developing community enterprise in Wales. It includes grass-roots groups, which are operating or planning to establish community businesses, plus bodies who support them and the movement in Wales. Its main aim is to promote the development of community enterprise in Wales and to encourage expansion and co-ordination of resources for community business. www.communityenterprisewales.com; 01685 376490.

Business Connect Wales – 0845 796 9798.

Scotland

Business Information Source – 01463 715 400.

Communities Scotland – has a key role within regeneration and social justice. www.communitiesscotland.gov.uk.

Community Enterprise in Strathclyde – Glasgow-based social economy support organisation. www.ceis.org.uk.

COSLA – Convention of Scottish Local Authorities; body for local government in Scotland. www.cosla.gov.uk.

EQUAL Development Partnership – for details on social economy zones, contact Pauline Graham, 0141 221 0030.

Scottish Council for Voluntary Organisations – scvo.org.uk.

Scottish Social Enterprise Coalition – contact Claire Brady on 0131 229 7257 for details.

Small Business Gateway – 0845 609 6611.

Social Enterprise Development Initiative – run by Forth Sector. Contact Ursula Pretsch. 0131 539 7374; www.sedi.info.

Social Entrepreneurs' Network Scotland – covers a network of social enterprises operating in Scotland. 0131 220 4104; www.senscot.net

Social Firms Scotland – based within Forth Sector. 0131 539 7374; www.socialfirms.org.uk.

Social Investment Scotland – contact Scott Anderson, Chief Executive. 0131 315 8101 www.socialinvestmentscotland.net

Prepared by the Social Enterprise Unit, DTI

The Unit:

- acts as a focal point and co-ordinator for policy-making affecting social enterprise;
- promotes and champions social enterprise;
- takes action needed to address the barriers to the growth of social enterprises;
- identifies and spreads good practice.

The Social Enterprise Unit is a policy unit and does not have a budget to provide grants for social enterprises. A selection of useful sources of information on finance for social enterprise is available on the website.

www.dti.gov.uk/socialenterprise

For publication orders:

To order a printed copy of this Toolkit or the Strategy, please order online by using the 'order now' button on www.dti.gov.uk/publications.

Copies can also be ordered via the DTI's Publications orderline on 0870 150 2500, quoting URN 03/1362.

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For general information or enquiries:

Email: socialenterpriseunit@dti.gsi.gov.uk

Tel: 020 7215 0397

Fax: 020 7215 5698

Post: V4121

Social Enterprise Unit

Department of Trade and Industry

1 Victoria Street

London

SW1H 0ET