

Taking tendering to task

Colin Cram, Managing Director of Marc1 Ltd, charts Buying Solutions' framework agreements and asks why some organisations are not taking advantage...

Is public sector procurement returning to 1981? Those working in central government 30 years ago may recall that civil central government procurement was done almost exclusively by autonomous buying organisations. The central government estate was managed by the Property Services Agency (PSA), which was responsible for any construction (including procurement), maintenance and buildings related services. HMSO was responsible for stationery and publications and for all the related procurement and, strangely enough, toilet rolls, which, for reasons that are now totally obscure, were classed as stationery. The Central Communications and Telecommunications Agency (CCTA) was responsible for all central government IT and telecoms, both the technical side and procurements. Finally, pretty much all other non-specialist procurements were handled by The Crown Suppliers (TCS). This included office furniture, cleaning materials, protective clothing and almost anything one could think of. Departments handled their own procurements of consultancy, but this was small beer compared to nowadays. The use of these buying organisations was mandatory. TCS was allowed to provide services only to the 'Crown' (ie. to central government), not the rest of the public sector.

These procurement organisations were perceived not to provide value for money. PSA was undermined by allegations of corruption, some of which were proved, and was subject to the far reaching Wardale review. CCTA was perceived to be out-of-date in its approach – something that was confirmed when one of its most senior people assured me in 1981 that we would never have telephones without cables. TCS provided poor service, long delays and not always good quality products. When I visited one of their stores, I concluded rather tongue in cheek that one of the reasons service was so poor was because the store was so full that they couldn't get the products out of it.

The role of these organisations was undermined by the report on public sector procurement, commissioned by the Thatcher government in 1984 and reported in 1985, which led to the foundation of the Central Unit on Procurement at the end of 1985 – the forerunner of the Office of Government Commerce.

The poor performance of these organisations has led people to argue that mandatory use of central buying organisations should not happen again. However, times



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were very different. In 1981 the National Audit Office had only a 'tick and turn' role, it did not acquire a value for money remit until 1983 and it then took several years to adjust to this new role. There was no Office of Government Commerce to provide oversight of performance. Measurement, whether of value for money or service, was almost completely absent. Also, promotion of personnel was to a significant degree based on 'Buggin's turn'.

The solution to these issues was drastic and included government departments being given the ownership and responsibility to manage their property, yet few had the expertise to do so. TCS was broken up, the stores were shut, and a fairly small rump of it, which let framework agreements for call-off by government departments, was retained and renamed The Buying Agency.

Mandatory use ceased, so the future looked bleak. However, the business started to grow through a much greater focus on providing value and improving service quality. The range of procurement framework agreements increased, as did business accordingly, and it was a logical step to incorporate it into the Office of Government



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Commerce. It was renamed OGCBuying.solutions – a nod to the frenetic and rather ill-founded race to e-procurement at the time – and expanded its operations to the public sector outside central government. Its rapid growth has led to greater independence from the Office of Government Commerce, with ‘OGC’ dropped from its title.

One benefit of Buying Solutions’ framework agreements is that suppliers are evaluated as meeting certain criteria related to capability and value for money. No public sector organisation needs to repeat this.

A second benefit is that the terms and conditions of contract have been considered in detail and been checked by lawyers.

Thirdly, no public sector organisation need go through a full EU tendering process. Whilst ‘mini-competition’ remains a requirement, if done properly, a large part of the cost of tendering should be eliminated. In the most extreme cases tenders can cost the public sector several million pounds to undertake, and even the cheapest and simplest tender is likely to cost several thousand pounds – the saving can therefore be significant. One well-known supplier suggested to me that such framework agreements can reduce tendering costs for both parties by between 20% and 50%. Only on rare occasions should any public sector organisation run its own tendering exercise.

Fourthly, following Buying Solutions’ guidance on the use of the agreements should ensure that there is no legitimate challenge to any contracting authority under the Remedies Directive.



The new Payment Card Solutions and Associated Services agreement, commonly known as the Government Purchasing Card (GPC), and the Management Consultancy and Associated Services Framework highlight the range of Buying Solutions’ framework agreements. The new GPC arrangement covers a variety of payment cards, including ones specifically for travel and foreign currency.

The GPC has traditionally had a mixed reception. Some organisations, such as the research councils, Value Wales and some local authorities have adopted it in a whole-hearted way. It is being promoted in Scotland, where eProcurement Scotland has been specifically designed to support its use. Other organisations have adopted it in a half-hearted way, allowing it for relatively few procurements and low value ones only. My experience at the research councils was that, whilst it was intended for repetitive transactions, typically of less than £5,000, it could be used for individual procurements of tens of thousands of pounds.

So why have many organisations been so slow in adopting it? There are guarantees against its fraudulent use, more than one gets with any finance system; there is a whole



range of management information that can be produced, far more than one obtains from typical finance systems; suppliers get paid immediately, supporting government prompt payment policy; and there are strict controls over its use – by whom, with whom and maximum spending limits – determined by the body using the cards for individual procurements and for prolonged periods.

The system is far tighter than that which exists in most organisations that choose not to use it. It is also more efficient as it saves labour. There is no charge to users and there is actually a small rebate related to the value of spend in a given period. This means that the public sector pays slightly less than the face value of what it procures. So why wouldn't anyone want to use it?

The reason is probably an innate conservatism amongst financial personnel and auditors. Certainly the approach throughout the public sector is inconsistent. However, in the coming times of financial straightjackets, there seems little justification for not adopting it, except for those organisations that have introduced fully automated and electronic purchase-to-pay systems.

Even more bizarre is that some public sector organisations do their own full tendering exercise for procurement cards rather than use the Buying Solutions agreement. Why should anyone wish to reinvent the wheel, particularly if they do not have the purchasing power of Buying Solutions? Rather than use an existing tendered agreement, they incur cost both for themselves and for suppliers and do not necessarily achieve the same safeguards. There seems to be a lack of public accountability that enables financially hard pressed organisations to waste public money in this way. Perhaps it is time that public sector organisations should be required to justify to their stakeholders whenever they fail to adopt relatively simple, proven efficiency and savings measures such as the GPC.

The Management Consultancy & Accounting Services framework provides for business strategy advice appropriate for all public sector organisations and variations specifically tailored for the healthcare and local government arenas. It includes the development of high-level business strategies, presented to senior level decision-makers and embraces:

- The development of strategic capability and a strategic approach to policy-making;

- Strategies for internal organisation and operations, or the delivery of outward-facing core organisational activities or public services;
- Strategies for both organisation-wide application or strategies specifically designed for a particular function such as IT, HR, procurement, finance, estates and property, marketing and communications.

The framework also includes organisation and change management consultancy and support, again shaped for a broad range of organisations and with bespoke versions for healthcare and local government.

Other specialisms covered by the framework include:

- HR consultancy;
- Procurement consultancy;
- Programme and project management consultancy;
- Marketing communications consultancy;
- Financial and economic consultancy;
- Accounting advice and services;
- Audit and assurance advice and services.

Each specialism has about six suppliers. Access to smaller organisations can be secured through most of the larger ones, so there is plenty of business available for SMEs and regional suppliers. This agreement should be the first choice of any public sector organisation.

Buying Solutions has its critics and it will need to address some of their points. It has been criticised for being too procedural and needing to engage better with the supply chain, both up and down, and work with suppliers to take out cost. Some non-central government public sector bodies feel that the organisation needs to increase its efforts to improve its work with potential customers to best understand them and their needs. Some agreements may be too complex for many non-procurement personnel to understand, some have questioned forecasts of volumes of business, whilst others have pointed out that framework agreements can freeze out new suppliers from rapidly changing markets.

It seems only a matter of time before use of Buying Solutions' procurement agreements becomes mandatory for central civil government. The checks and balances in place would ensure no '1981' scenario. Taking on much of the role of NHS PASA, with the consequent increase in business, will put it in a powerful position to rapidly increase its business with other parts of the public sector. Vigorously addressing the issues raised, whether perceived or real, should ensure its success.



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