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The Development and Adoption of a New Joint Bidding System for Public Contracts in Wales

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Abstract. The paper describes the adoption of new SME friendly collaborative procurement processes in Wales and reports on some early successes. In 2012 the Welsh Government commissioned a team to research how SMEs could collaborate to access larger public sector contracts. This led to the publication of the new Joint Bidding Guide in 2013. The Guide leads both the selling and buying side through the procurement process ensuring joint bids are assessed in a fair and transparent manner. In 2014 the team was commissioned by the Welsh Government to advise leading procurement professionals in Wales on the adoption of the new Guide and map progress on up to 12 demonstration projects. The demonstration projects total more than €200 million in value.

Keywords: Joint Bidding, Procurement, Public Sector, project management.

1 Introduction

A major challenge for both micro businesses and Small to Medium sized Enterprises (SMEs) is how to grow efficiently. One possibility is through winning and delivering larger public sector contracts as consortia, often termed Virtual Organizations (VOs), to access higher value contracts than they have historically been awarded individually. There are significant reasons for SMEs and micro-organizations wanting to create VOs [1]. In the context of public sector work, the main advantages are that:

- a) in most of the developed world, public sector contracts offer a wide range of opportunities for SMEs to grow;
- b) there is a high degree of transparency on the tender and selection process;
- c) public sector contracts tend to be financially more secure and less volatile than private sector contracts demanding strong internal and external governance for the VO which can minimize the risk of potential conflict [2];
- d) in many countries public bodies offer strong contract management and align payments to delivery of results either by effort (time) or outcome (success);
- e) well run VO contracts provide good references for future opportunities; and,

- f) public bodies want the best value they can from the supplier base and recognise the high levels of service and innovation that SMEs can deliver.

The paper describes some of the challenges and findings of a three year programme for the design and implementation of a new toolkit for buyers and sellers to the public sector called the Joint Bidding Guide [3]. It demonstrates a practical approach to bidding and awarding larger contracts to VOs working as consortia in Wales.

1.1 The Economy of Wales

Wales is a country within the United Kingdom of Great Britain and Northern Ireland, an EU member state. Its population in 2012 was 3,074,067 and Wales has a total area of 20,782 km² [4]. Its population density of 148 people per square kilometre is therefore relatively low compared to the more congested areas of the United Kingdom, most notably the South East around London and the major industrialised cities in the Midlands and North. The majority of the people live in a series of coastal conurbations along the M4 corridor in the South East, together with its hinterlands often known as the Welsh Valleys, and the A55 corridor in the North. Rapid growth of the two corridor communities in the 19th and 20th centuries centred on the abstracting, processing and export of coal, steel and the production of slate mainly for roofing. From the early 1980s some sectors of the Welsh economy have been reinvigorated with advanced technologies in electronics, motor manufacturing, creative and green energy. More recently financial, ICT and support services centred on Cardiff and Swansea have seen rapid growth. The Welsh Government and its agencies have played a major part in encouraging inward investment and created seven Enterprise Zones in Anglesey, Cardiff, Deeside, Ebbw Vale, Haven Waterway, Snowdonia and St. Athan-Cardiff Airport. They are focused on power generation, business services, advanced manufacturing, low carbon development and aerospace.

Employment density is a function of the location and skills availability of the people. The largest companies working in Wales are mainly based along the two economic corridors. Local supply networks tend to be based close to these centres of operation. This means that large areas of Wales remain rural and semi-rural with historic 'market towns' whose economies are traditionally centred on agriculture and tourism. The rural economy makes the most of the countryside and its areas of outstanding natural beauty such as the two national parks: the Brecon Beacons and Snowdonia. Recent advances in high speed broadband and new transport investment will enable more rural and remote economies to participate in the nation's future success.

The Welsh Government plays a major role in the country's economy. Its 2015 budget is €21.4 billion which funds health, education and many public services. Funds are also distributed and spent via local government, the National Health Service and a variety of agencies. The annual spend on external suppliers who contribute to the delivery of public services is €6 billion (28%). Thus getting more of this delivered by VOs helps grow regional and national employment within SMEs. SMEs share innovation and best practices creating a Welsh Virtual Breeding Environment (VBE) [5] capable of more rapid VO configuration and positioning for future opportunities.

1.2 Small Businesses in Wales

99% of indigenous businesses in Wales are classed as SMEs (up to 250 employees) of which 95% are micro businesses (less than 10 employees) [6]. The Welsh Government provides advice and support for small businesses as they are seen as potential catalysts for innovation, growth, new jobs and apprenticeships. A publically funded organization called Business Wales helps train owners and managers of small businesses in a variety of subjects including bidding for public sector contracts. However, the awarding of public contracts is traditionally dependent upon a bidder's revenue, track record and capacity. Hence, working together as extended enterprises, configured as consortia of VEs, can increase the volume and value of opportunities for members to win work from the public sector.

2 Development of Relevant Policy Guidelines

In 2012 the Welsh Government realised that it needed to create a more supportive tendering environment in order for more businesses to be eligible to bid and win larger contracts as collectives of VOs termed consortia. One of the recommendations of the Welsh Government's 2012 Task and Finish Group on micro-businesses was that the Government should encourage micro-businesses to consider consortium approaches to public sector procurement. In 2008 the EU issued a code of practice on improving access for SMEs to procurement contracts [7]. It explicitly refers to the benefits of joint bidding, keeping selection criteria proportionate, and allowing sufficient time for drawing up tenders. These goals are reinforced in the superseding Directive 2014/24 on Public Procurement [8]. The UK Government is an early adopter of the Directive through its Public Contracts Regulations 2015 [9].

Sustainable Development and Sustainable Procurement are vitally important and recognised as the best practice approach by the Welsh Government, ensuring that 'maximum value is achieved for the Welsh pound by delivering the maximum social, economic and environmental benefits'. In its 2012 Procurement Policy [10] the Welsh Government stated that in carrying out procurement activity the public sector will:

- a) Define 'value for money' as 'the optimum combination of whole-life costs in terms of not only generating efficiency savings and good quality outcomes for the organization but also benefit to society and the economy, whilst minimising damage to the environment.' (Principle 3)
- b) Ensure that the 'delivery of added value through Community Benefits policy must be an integral consideration in procurement.' (Principle 4)
- c) Continue to embrace all the principles of Opening Doors - the Charter for Small and Medium sized Enterprises [11]. 'Public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain.' (Principle 5)

Until 2013 there were limited practical guidelines and advice available for small organizations, not-for-profits and charities on how to track opportunities, team up

with VO partners then prepare joint bids for higher value public sector tenders. Procurement teams had also experienced challenges in prequalifying and assessing tenders from joint bidding teams. The challenge was how to design, test and validate a new approach to help smaller organizations create effective consortia. They could then access more of the Welsh public sector's €6 billion annual external spend.

3 Joint Bidding Guide Research

Three sponsors from the Welsh Government's team at Value Wales, the Wales Co-operative Centre and the Wales Centre for Voluntary Action (WCVA) came together in 2012 to commission research and analysis in order to produce a guide to joint bidding. The 2012 Wales Procurement Policy Statement [10] refers to consortium bidding as a 'means of increasing access to procurement opportunities'. This was a priority issue for the sponsors because:

- a) They had identified that procurement processes can often work against organizations attempting to set up VO consortia to bid for contracts.
- b) In some instances, public money that had previously been awarded as grants was being spent via competitive tendering.

In mid-2012 the Sponsors identified that there was no detailed guidance available that addressed the challenges set out above. Therefore they prepared a joint specification and project budget. This reduced their collective procurement costs and demonstrated practical collaboration between the public and third sectors. A second requirement was to modify the Welsh Public Sector's *SQuID* (Supplier Qualification Information Database) question set [12] and guidance to make it more suitable for consortia bids.

In September 2012 the Sponsors selected a specialist Cardiff based body with expertise in collaboration, virtual working and alliances to carry out the work. The Sponsors created a Project Board to liaise with the the ServQ Alliance. Over five months the programme consisted of: desk research; creating a research database; interviews with successful and unsuccessful consortia; review of best practices, including standards on collaborative business relationships; report drafting; sign off, eventual translation and publication in Welsh and English, in compliance with the Welsh language standards and regulations. The updates to the *SQuID* system were then cross-referenced into the new guide. This created a series of new templates for consortium design and working than both the buying side and the bidding VOs could adopt building a climate of trust and understanding between the respective bodies.

4 Design of the Joint Bidding Guide

The Joint Bidding Guide addresses the technical, organizational, and financial hurdles faced in procurement by both the buying and supplying sides. It is an example of a Wales-based innovation that has potential for widespread application both within Wales and elsewhere, especially within the European Union. It comprises of 18 short chapters with supplementary checklists and assessment tools, a technical glossary, further reading and a set of case studies for reference.

Some examples of the innovations within the Guide are: an evaluation checklist of procurement policy; alignment to BS11000 [13] the most current internationally

available standard for collaborative working; a new Procurement Assessment Model (PAM) for Joint Bidding with worked examples; methodologies for measuring 'hybrid' financial reports for consortia; capacity modelling; advice on the relevant timescales needed to encourage more consortia bids; design systems for creating viable consortia; acceptable legal structures for contract, including compliance with competition law; checklists and assessment models to enable potential consortia to score the tender opportunity against 'market position, bidding resources, delivery competence, commercial standing and risk'; configuration and leadership behaviours; trust measurement and due diligence; governance, compliance, intellectual property and asset management; a new approach to integrated risk assessment and planning for consortia with stage gates (see Fig. 1); advice on estimating and pricing for consortia including target pricing and how to share risk and profits; bid planning templates; how to review joint bids, analyse tenders and objectively interview consortia. The entire document was ultimately published on the Welsh Government website on a dedicated Joint Bidding Guide home page [3].

A critical issues raised by both the procurement teams and the VO's potential lead members was how to professionally plan and manage risks. Fig. 1 shows the process.

5 Demonstration Projects

The Joint Bidding Guide was formally launched by Jane Hutt AM, Minister for Finance and Government Business for the Welsh Government in October 2013. At the launch the Minister announced that a set of Demonstration Projects would be established to test the Guide's processes. Two such cases are listed below.

Having a high quality guide was the first part of the implementation challenge. It was also critical to promote its use to procurers and consortia bidders. Awareness raising started in 2013 and the Demonstration Programme implemented between mid-2014 and 2015. The key lessons learned from the programme to date are as follows:

- a) *More consistent planning.* Procurers need to configure contracts suitable for VO consortia at the outset. They use the Procurement Assessment Model (PAM) for rapid appraisal of a contract's suitability for consortia working.
- b) *Some modifications to terms of contract are needed.* These are traditionally written based on a lead contractor and its sub-contractors.
- c) *Document review.* Examining tender and specification documentation to ensure it is appropriate for VOs using the updated *SQuID* is critical.
- d) *Allow more time for potential VO consortia to be configured.* Not all potential consortia exist at the time of advertising Prior Information Notices (PINs). Hence signposting the potential of VOs at events is important.
- e) *Provide bid support facilities.* For new VOs bid support is needed to help them through the necessary planning and consortium bid writing processes.
- f) *Best practices, innovation and sustainability.* Additional documentation has been created including a new web site jointly created with the Institute for Collaborative Working [14]. A handbook was written with processes designed using swim lanes following the path of both procurer and VO.

- g) *Promotion outside of Wales.* The Minister highlighted that the best practices were transferable outside of Wales at the Guide's launch. For example, the guide has been referenced at UK national conferences and major events.

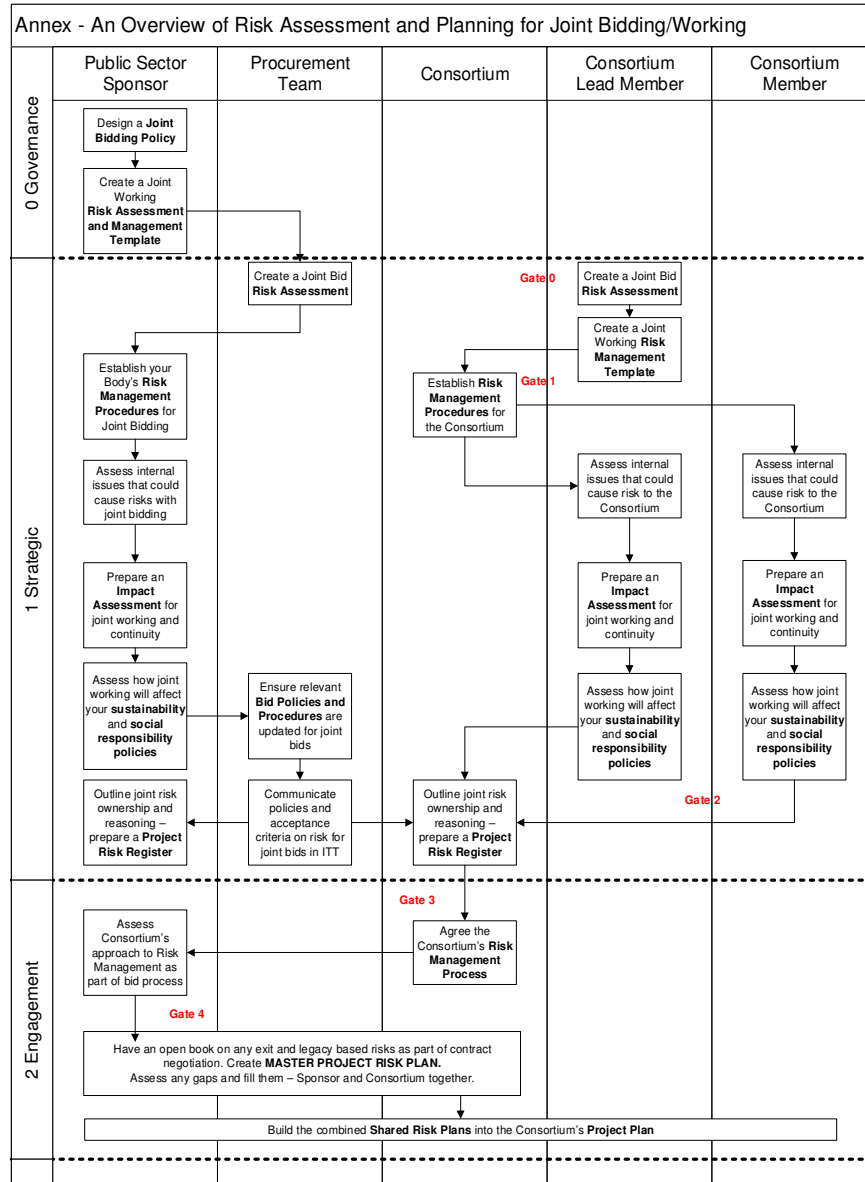


Fig. 1 An Overview of Risk Assessment and Planning for Joint Bidding/Working

5.1 Demonstration Project Case Study 1 in Carmarthenshire

In 2014 Carmarthenshire County Council used the Guide to plan the procurement of a new €3 million framework. Consortia of public and private/third sector organizations needed to work together to design and run an integrated support service called Families First. The contract was awarded in early 2015. Alan Aitken, the Procurement Director was an early advocate of the Joint Bidding Guide. His views are as follows:

“The Welsh Government’s Joint Bidding Guide offers practical and straight forward advice to both parties. In Carmarthenshire we have embraced the approach. We were the first Welsh Local Authority to pilot the Guide. From the earliest stages of the project, we could identify clear benefits and a very positive market response to the new Guide. This positive response was confirmed when two consortiums were formed using the Joint Bidding Guide, with the assistance of the Wales Co-operative Centre, in order to specifically bid for the work. It was rewarding to see both consortium bids win business and be awarded contracts as part of the exercise.”

5.2 Demonstration Project Case Study 2 in Caerphilly

In 2014 Caerphilly County Borough Council started to procure suppliers for its External Works construction framework agreement. This is a five year agreement with an estimated spend value of €30 million starting in 2015. The works had been tendered in two lots, one lot for works packages below €1 million and one lot for works packages above €1 million. Twelve contractors were accepted on each lot starting in 2015. The Council used the Guide to prepare its tender and a new VO consortium used it to plan its bid. The VO was then awarded a place on the larger value lot. The proposed consortium worked with the Wales Co-operative Centre and Caerphilly County Borough Council’s Supplier Development team to ensure a good quality compliant bid was submitted. In line with the latest EU procurement regulations, the successful consortium will be legally constituted as part of the conditions of tender/contract. This is similar to the Italian model [15]. A pathfinder project is being used. Caerphilly’s procurement team won a Welsh National Procurement Award in 2015 in part for their innovative work supporting consortia.

6 Conclusions

The paper described the challenges for micro and small to medium sized businesses in accessing larger contracts from the public sector in Wales. From 2012 to 2015 a series of reports, field research and case studies helped shape a new set of processes to help both the buying side (procurers) and the selling side (bidders). In 2012 the Welsh Government and two other sponsoring organizations commissioned a new integrated approach to planning and managing bids from VOs working as consortia. The processes were published as a new document called the Joint Bidding Guide. After its launch a practical follow up project was commissioned to support the public sector and the VOs of micro business/SMEs through a series of demonstration projects. The projects are a mix of national and local procurements with values ranging from €3 million to more than €100 million. They range from large volumes of lower value

products such as motor vehicle tyres and hire services, through to large value contracts in construction.

An informed and enthusiastic Steering Group, with expert researchers and practitioners has managed the successful roll out of the Guide. The Guide is strengthened with the 2014 EU and 2015 UK Government procurement regulations. It is tailored for the needs of both the public sector and SMEs to access larger contracts. The Guide is a dynamic document that can change with lessons learnt from the demonstration projects. Updates can be incorporated to maintain it as a practical, well researched toolkit that can help SME's win more business working as VOs in Wales.

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