

Stop Selling, Start Collaborating: How to do business with the Public Sector

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Are framework agreements worth the effort?

In theory, framework agreements are an efficient mechanism for the public sector to cut down procurement costs and benefit from economies of scale. In an era of collaboration, they are also becoming more prevalent as the budget cuts force public sector bodies to achieve savings in almost all areas.

They allow multiple smaller organisations to join together and share the buying power of a bigger virtual group, whilst also allowing suppliers to consolidate bidding activity into fewer, but more financially attractive, high quality tenders.

The reality however is somewhat different. There are a number of reasons cited by some as to why frameworks do not always work, and why they are actively discouraged in certain environments. From the buying side this includes factors such as loss of control, lack of flexibility and a fear of job losses associated with the centralisation of procurement processes. On the supplier side the concerns include the cost of bidding versus the stated or actual value of business likely to be secured. Additionally, they tend to be centred on commoditised products and so margins are very low and based on open book accounting, thereby preventing any profit growth. This can actually



become an unsustainable cycle of ever decreasing margins as organisations compete for high volume, low margin business to the point where companies are starting to walk away.

So is it that simple? Are framework agreements good in theory, but in practice suit neither buyer nor supplier? In short, the answer is no. It is true that a number of framework agreements that have been set up do not provide anywhere near the publicised value, with the actual spend as low as 10% of the published total contract value in one known case. However, in the current economic and political climate, we would recommend that businesses assess framework agreements on a case by case basis rather than rule them out altogether. As with other types of tender, engagement and pre-qualification are vital. Other than representative bodies and direct contact, Knowledge Hub (www.khub.net) offers a great forum to discuss possible procurement channels and determine what approach is likely to create the most value for all parties involved.

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And framework agreements are moving beyond basic commoditised items and starting to cover various solutions and more bespoke services. To get momentum for any shared procurement will require collaboration and engagement far before any tender that is published, but this should generally be considered a good sign.

A good place to start your research on existing framework agreements is the Crown Commercial Services website, <https://ccs.cabinetoffice.gov.uk/>. Although predominantly used by central government, the CCS (part of which was previously the Government Procurement Service) is the commercial function of the Cabinet Office. Although it is designed for the entire government and United Kingdom public sector, including health, local government, devolved administrations, education and not-for-profit organisations, there has been a relatively poor take up by those outside of central government.



Crown
Commercial
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Frameworks agreements in central government are becoming more commonplace and actually now policed quite vigorously. This may seem unnecessary, but rogue spend outside of framework agreements can damage the credibility of the programme and have quite serious legal implications. Outside of central government, we are starting to see an increase in higher education frameworks, although these tend to be less coordinated and regional rather than national. In some circumstances there are several frameworks trying to achieve the same thing. This inefficiency can be confusing for buyers and suppliers alike, and is something that needs to be addressed going forward. Again, control and protectionism exist even when a decision to join or create a framework has been taken.

Nonetheless, when deciding whether joining a framework agreement is worth the effort, it is important to know the full facts before embarking on your journey. By following these three key steps

you should be able to qualify the opportunity and determine whether it offers an adequate return on investment.



Research

Carry out your own research into what framework agreements already exist in your particular field. Consider the fact that multiple frameworks could cover what you provide and remember that these will not all be listed through the Crown Commercial Service. Established frameworks exist in local government, defence, and the NHS, and should also be thoroughly researched.

Pre-Engagement

Once you have established whether a suitable framework exists, or whether there is a gap for an additional one, it is time to properly engage with all stakeholders. Knowledge Hub (www.khub.net) is one way of doing this, but also consider representative bodies and the procurement teams themselves. At this stage you are looking to create a matrix of ways to engage and supply your chosen market. You need to satisfy yourself that you feel you can build a suitable relationship with the buying organisation through whatever channel you choose.

Qualification

Once you have determined the most suitable channel for you to supply your goods or services through, you still need to make a qualification decision. At this stage you should be able to tell what faith you have in the advertised contract value and how that has been reached in the first place. You should also be able to roughly estimate the cost of bidding, whether the framework is policed, whether the size of opportunity will grow, and what

the cost associated with continuing to engage with it is (i.e. you should be able to calculate your expected return on investment before starting the process). Based on these assessments you should be fully equipped to make a qualification decision.

Once you have qualified an opportunity, you will then need to tender for the business and get short-listed. It is possible for a single organisation to be on a framework although typically you should expect three or more. They tend to last up to four years and will include mini-competitions throughout that period. You will need to equip yourself with adequate resource to engage in this process over that period. The workload for each tender will be less than the equivalent open procurements although should not be disregarded. If you are going to go to the effort of joining a framework agreement, then the true value to an organisation comes from maximising its potential.

As a postscript, more and more frameworks are now being managed online, which has the added benefit to the buying organisation of restricting and controlling spend to certain levels or individuals. This added financial control is an extra barrier for individuals to pass when trying to procure goods or services, which can be extremely beneficial to the buying organisation in terms of reducing spend levels. The knock-on effect to suppliers though is that the actual spend through these agreements is often much less than the published figure. As mentioned before, with proper research and pre-engagement though, this should not come as a surprise. For more information or to comment please join the conversation online by joining Knowledge Hub at www.khub.net.

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