

# Procurement Regulations & Framework Use

Framework arrangements  
Getting value for money  
Ensuring quality

**LHC**

**Neil Barker**  
Divisional Manager, LHC

## Framework arrangements

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The Public Contracts Regulations (PCR) definition:

“ an agreement or other arrangement between one or more **contracting authorities** and one or more **economic operators** which establishes **the terms** (in particular the terms as to price and, where appropriate, quantity) under which the economic operator will **enter into one or more contracts** with a contracting authority in **the period** during which the framework agreement applies ”

## Framework arrangements

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- **Now widely accepted as a procurement route**
- **Quicker, compliant procurement**
- **Can deliver very good results**
  - Prices
  - Quality
- **But frameworks can also fail to deliver required outcomes**

## What do best value procurement solutions look like?

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## Getting value for money

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Definition of best value has changed now from price quality to:

Under the Duty of Best Value authorities should consider overall value, including economic, environmental and social value, when reviewing service provision.

From DCLG Best Guidance

## Getting value for money

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# Social Value

- As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves.



## Framework arrangements

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### Use of a pre-tendered framework arrangement

- Requires a suitable scope of works to meet needs
- Requires a suitable quality specification to meet specific requirements
- Requires suitable suppliers to be available
- Requires method to demonstrate Value for Money



## Let's talk about cake....!

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## Getting value for money

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## Getting value for money

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- You can cut a cake only in a limited number of ways. The same goes for the Value for Money (VfM) equation: the more pieces you have, the smaller some will become.
- The VfM equation has two prime components: price and quality, expressed as a proportion of the whole. A balanced equation is 50:50 price:quality.
- Determine the weighting of the two components to be applied to the specific project.
- This is quite straightforward. It becomes more complicated when these two elements are broken down into exact requirements. This is when things can go wrong.



## Getting value for money

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## Getting value for money

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- More often than not, price is evaluated at the point of purchase when, in reality, what social landlords need is price at the point of delivery.
- This may also mean assessment of various price scenarios. Of course, the more price scenarios, the more diluted the impact of each is in the VfM calculation.
- In terms of quality, the subdivision can be endless, so to avoid slicing up the cake into measly portions, a focus on key requirements is critical.

## Getting value for money

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### Determining best price:

#### a) Include price mechanisms in the framework terms:

- Indicative price comparisons
- Schedule of rates
- Product price lists
- Contract scenario pricing
- Overheads and profit percentages



# Determining best price:

## b) Allow for best market rates to be achieved at call-off

- Indices for price movements
- Flexibility for discounts
- Options for fixed pricing/cost certainty
- Opportunities for value engineering
- Robust mechanism for approving variations



## Ensuring quality

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# Define the levels of “fitness for purpose” in the framework terms

- **At call-off stage:**
  - Clearly define your needs in relation to the framework
  - Conduct value engineering exercise within the scope
  - Establish key quality criteria which can be validated during the project



# Selecting the best companies from the framework at call-off

- **Mini competition (or direct award)**
  - Establish 'capable' companies
  - Clearly communicate exact requirements
  - Be consistent with all companies
  - Allow sufficient time for companies to respond
  - Evaluate precisely in accordance with exact requirements



### Project delivery

- **Good project management techniques still apply**
  - Use a recognised project management system
  - Identify and assemble project resources
  - Establish strong supply chain relationships
  - Use a form of contract that fits your project needs
  - Establish and monitor desired outcomes

## Ensuring quality

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Assessing price on a whole-life cost basis introduces quality elements into the price calculation.

Methodologies for calculating social outcomes of projects are now in use that relate the cost element to social and environmental value.



Thank you

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