

SINGLE SOURCE EVALUATION

The importance of a robust process

When is single/sole source procurement used?

Single and sole source terminology is often confused. Noting that references differ globally, in the UK sole sourcing occurs when there is only one supplier who can provide the required solution, whereas single sourcing is where a particular supplier is purposefully chosen by the buying organisation, even when other suppliers are available.

Whilst there is no competitive option with regard to sole sourcing, the decision to take a single source approach is usually made at strategic level, for varying reasons such as:

- ❖ the order is so small it is not worth dividing it; concentrating purchases leads to price/cost reductions
- ❖ an ongoing long-term relationship
- ❖ the supplier can offer unique or outstanding quality
- ❖ meeting urgent requirements
- ❖ for reasons of national security or to develop, manufacture and support a sovereign capability.



Regulations governing Single/Sole Source procurements are largely comparable globally - they aim to strike a balance between achieving value for money on government expenditure and fair and reasonable prices for contractors, by subjecting qualifying contracts to price control and by requiring suppliers to provide an increased level of transparency.

What are the buyer's considerations?

However, it seems that anticipated savings are often not realised and, in the absence of competition, value for money is being questioned as buyers may lack leverage at the point of purchase and when costs escalate or delays occur. Constant price increases, a decreasing standard of quality or delivery, a slowdown in delivery and/or innovation and a generally weakened negotiation position are all downsides of dependence on a single supplier. The reality is that the Authority doesn't have much option for negotiation other than to beat the supplier up over their costings.

For the procurement to be effective, it's critical that the Buying Authority has clearly defined requirements (whilst leaving room for innovation) and that the scope of the procurement/contract is very well-defined – more so than on a competitive procurement because the Value for Money pressure isn't there. The buyer must also understand how tradeable the requirements are and to have an idea what each should cost in order to track and measure the impacts of negotiation. A position on risk must also be established early on (i.e. how much risk the Authority is willing to hold and how much they want to push back onto the supplier) - this impacts the level of profit the supplier is able to make, and agreeing this in principle early on will set the supplier's parameters.

Essentially, in order to achieve the best possible value for money outcome from a single/sole source procurement, it's imperative that a robust process is followed. In short, the process that is followed by buyers for a competitive procurement, with a couple of added considerations to account for the single supplier.

Our recommended approach

In effect, the buyer is running a negotiation with a single supplier. In order to do this successfully they need to understand the value of the supplier's offered solution/position - exactly what competitive procurements do by developing evaluation strategies (including Value for Money calculations). Our advice is to approach a single source procurement in much the same way as you would a competitive one:

- ❖ You still need to confirm that the supplier has understood the requirement and complies with it, and that the proposed solution will do what it needs to do
- ❖ You need to ensure that there is confidence that the procurement will deliver the best possible outcome
- ❖ There is therefore still a requirement for an effective criteria set to achieve the above - robust and defensible, but flexible enough to allow for innovation and creativity and to assure delivery of the best possible solution
- ❖ The proposal should be evaluated as usual - it may be too low quality or too high price
- ❖ There is a need to prove Value for Money – show that your Willingness to Pay threshold is being met, or how the tender Value for Money has improved through negotiation
- ❖ The supplier needs to give assurance that requirements will be met while retaining the VFM expectations set out in the tender
- ❖ It's particularly important to show that you have followed due process when there is only one supplier and the contract award is open to scrutiny
- ❖ You need robust assurance and tracking of all decisions, from the setting of procurement strategy through to the evaluation and contract award
- ❖ Most importantly, negotiation points will be drawn from the evaluation

AWARD[®] assures the best possible outcome

Through the use of AWARD[®], project teams can show that a robust, value for money and transparent process has been followed. We work with customers to ensure that:

- ✓ The supplier has clearly understood the requirement and complies with it, and that the proposed solution will do what it needs to do
- ✓ Evaluation strategies are in place that clearly lay out how the assessment of the proposal will be carried out, informing both the industry partner and internal stakeholders
- ✓ A robust set of evaluation criteria is produced to ensure the proposal is assessed rigorously and delivers best value
- ✓ The evaluation model is fair, transparent and justifiable (internally and externally)
- ✓ The industry engagement, bidding, evaluation, negotiation processes are executed robustly & defensibly
- ✓ There is confidence that the project will deliver the best possible outcome
- ✓ The evaluation confirms whether the proposal is too low quality or too high price
- ✓ Value for Money is achieved, and it can be demonstrated that your Best Value threshold is being met
- ✓ The bidder is providing assurance that their proposal provides value for money in technical & non-technical domains

For more information, or to arrange a call with one of our experts, please get in touch