

# Expert public procurement consultancy for Buyers and Suppliers at your service



## PASS Consultancy

BiP's Procurement Advice and Support Service (PASS) provides organisations with access to experts in public procurement practices and procedures, thus helping you develop and deliver effective and efficient procurement/tendering. Our team offers a range of services to meet your specific needs. Whichever area you would like evaluated and improved, we have the experts to help.

The PASS consultancy's mission is to help you deliver the best in government procurement/tendering through:

- Practical solutions to improve performance
- Innovative approaches to knowledge transfer within government
- Procurement manual and strategy
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by e-government
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best-practice procurement training

## PASS Health Check

The PASS service can help your organisation examine its current procurement/tendering organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed PASS Mark Health Check Outcome Highlight Report (OHR) that outlines areas of strength as well as those requiring further attention, and provides an outline Project Initiation Document (PID) designed to deliver a more effective and efficient procurement/tendering process that will help you achieve optimum performance.



## PASS – Helping You Meet Key Objectives

The key objective of public procurement professionals is to ensure that the most suitable supplier is selected to provide goods and services on terms which are likely to offer the best value for money. The PASS service helps you meet this requirement and deliver contracts that offer best value-for-money terms with suppliers who will execute them efficiently.

## PASS Training

Our consultants can provide you with bespoke training packages to suit your needs. Consultancy and training is available for the following: environmental purchasing, partnering, evaluation, e-government, supplier debriefing, UK legal processes and precedents, contract management, EU-compliant tendering, tender writing and much more.

## PASS Online Guidance

The PASS service provides online guidances on all aspects of the public procurement/tendering process and legal requirements: [www.bipsolutions.com/html/briefing.php](http://www.bipsolutions.com/html/briefing.php)

## PASS – CAPS Service

Introducing CAPS – the public sector's guardian through the EU public procurement process, helping you to quickly access in-depth, authoritative EU public procurement procedure assistance. We are now pleased to offer your organisation access to this vast knowledge base as and when required, through subscription to BiP's new Contract Administration & Process Support (CAPS) helpline service. The CAPS service level agreement aims to answer 99% of your enquiries within one working day and 85% of these within one working hour.

## PASS In-house Presentations

PASS consultancy can provide you with in-house presentations suited to buyer or supplier as appropriate. Each presentation will be tailored to your requirements, whether they be with regards to improving your tendering practices or your procurement strategy or processes. Contact: [pass@bipsolutions.com](mailto:pass@bipsolutions.com)



# GUIDANCE 06a

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## SMEs AND GOVERNMENT CONTRACTS – LATEST DEVELOPMENTS

### PART ONE OF TWO

**In the UK, there are around 3.75 million small to medium-sized businesses of which 1.5 million are sole traders. This represents around 99% of UK businesses. At the start of 2000, the sector accounted for 50% of UK turnover.**

The Government is keen to encourage the participation of small and medium-sized businesses (SMEs) in the government marketplace. This is on the basis that achieving a greater degree of participation will bring wider benefits to the economy, and promote competition and innovation in government procurement. However, SMEs as a group are often overlooked within public sector procurements.

A review conducted by the Better Regulation Task Force (BRTF) and the Small Business Council (SBC) found that SMEs often encounter greater barriers than other companies. Key barriers include lengthy and cumbersome procurement processes and the perception that engaging SMEs is risky. In May 2003, the review made 11 recommendations to eliminate and address the obstacles that may prevent SMEs from participating in the government marketplace.

### ETHNIC MINORITY BUSINESSES

In parallel with this review, the Ethnic Minority Business Forum (EMBF) has provided focus on the higher barriers perceived by ethnic minority businesses (EMBs) and promoted a greater emphasis on diversity issues.

To address some of these issues and work towards reducing the barriers faced by SMEs and EMBs, the Office of Government Commerce (OGC) and the Department of Trade and Industry's Small Business Service (SBS) are conducting two pilot projects. One targets the West Midlands and the other, Haringey.

A wide range of organisations are involved in delivering the pilot project including Advantage West Midlands, the Government Office for West Midlands, the Small Business Service, the Office of Government Commerce, Birmingham Chambers of Commerce, West Midlands Minority Business Forum and many more.



### IMPROVING COMPETITION AND CAPACITY PLANNING

The Chancellor's Pre-Budget Report in November 2002 stated: "The Government has welcomed the Competition Commission's recent recommendations to improve competition in procurement and has asked OGC to consider what further steps can be taken to increase competition and long-term planning in markets where the Government possesses significant purchasing power."

### OGC KEY PRIORITY

A key priority for the OGC in 2004 is to develop and have agreed with Ministers plans to increase competition and improve long-term capacity planning in markets where government has significant purchasing power.

The OGC prepared a report *Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place* that was accepted by Treasury Ministers in October 2003. The OGC team comprised Sir Christopher Kelly, formerly Permanent Secretary at the Department of Health, and a small team of OGC officials from the Government Market Division.

Participants in the review included 21 departments, agencies, non-departmental public bodies and UK embassies and 21 suppliers. An advisory group comprising officials from HM Treasury, the Department of Trade and Industry and the Office of the Deputy Prime Minister was established to steer the work.

The Action Plan announced on 10 December 2003 in the Chancellor's Pre-Budget Report aims to fulfil the recommendations of the OGC report. The overall intention is to make the public sector better at planning its procurements and communicating its needs to industry in a

The PASS Mark Health Check is a process-based evaluation technique that helps identify how your company can develop more effective processes when tendering for public sector contracts.

For further information on the PASS service, contact our Customer Services Team on 0141 332 8247, email [pass@bipsolutions.com](mailto:pass@bipsolutions.com) or visit [www.bipsolutions.com/pass/](http://www.bipsolutions.com/pass/)

way that best uses available capacity within markets and enables industry to respond effectively, innovatively and at an affordable price.

## LOCAL GOVERNMENT – STIMULATING MARKETS AND ACHIEVING COMMUNITY BENEFITS

In the National Procurement Strategy for Local Government the objective is set that councils should:

- Engage actively with suppliers.
- Use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.

Where relevant, all councils shall consult staff during procurement projects and build employment considerations into procurement processes and contracts, including compliance with the Local Government Act 2003, Circular 03/2003 and the associated code of practice.

Every council should publish a 'Selling to the Council' guide on its corporate website together with details of bidding opportunities and contact details for each contract.

All corporate procurement strategies should address:

- The relationship of procurement to the community plan, workforce issues, diversity and equality and sustainability.
- How the council will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.

Every council should build sustainability into its procurement strategy, processes and contracts.

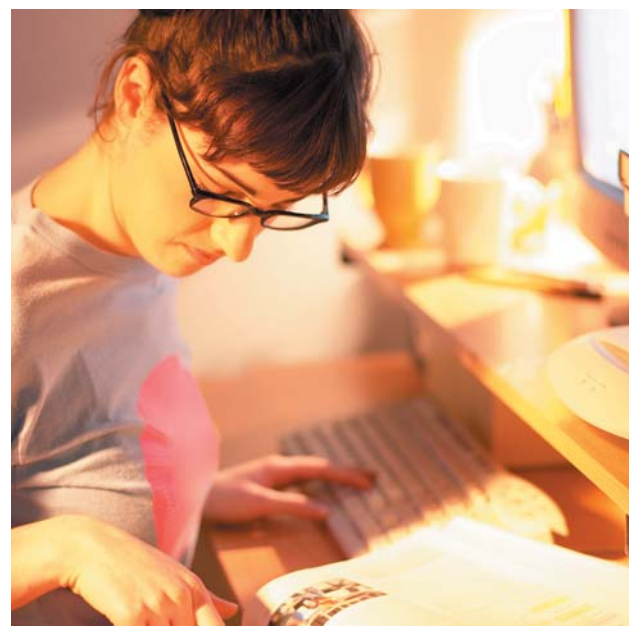
Every council should conclude a compact with the local voluntary and community sector.

Procurement processes for partnerships should include:

- Issuing an information memorandum to prospective bidders setting out the background to the project, the council's objectives and an outline of the procurement process and timetable, with roles and responsibilities made clear.
- Inviting bidders to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small firms; this should continue to be examined as part of contract management.

Every council should include in invitations to tender/negotiate for partnerships a requirement on bidders to submit optional, priced proposals for the delivery of specified community benefits which are relevant to the contract and which add value to the community plan.

Every council should by 2005 have signed up to the national concordat for SMEs.



## WHAT IS MEANT BY STIMULATING MARKETS AND ACHIEVING COMMUNITY BENEFITS?

Councils need to encourage a mixed range of suppliers to help stimulate a varied and competitive marketplace. This includes understanding the supplier's perspective and marketing the council to suppliers. Councils also need a diverse and competitive supply base to help improve value for money and to develop suppliers to meet new or emerging requirements.

Collectively, councils have significant buying power. They can use that buying power creatively to stimulate innovation. By working with suppliers councils can encourage the best to gear their business planning and research and development efforts to the needs of local government.

Under the Local Government Act 2000, councils are required to prepare a community plan (Community Strategy as defined in the Act) and have powers to promote the economic, social and environmental well-being of their communities. Provided that there is compliance with EU public procurement regulations and Best Value, councils can work with suppliers to realise 'community benefits' of this kind through their procurement activities.

## WHAT SHOULD COUNCILS BE DOING?

### Stimulating Markets

- 1 Publish a 'Selling to the Council' guide. Councils should publish guidance on their website for suppliers on how to do business with the council, together with details of forthcoming bidding opportunities and contact details for each contract. Councils should have policies in place for choosing publications in which to advertise to encourage greater diversity and competition. Provision of an information and publicity service, including use of printed material, posters and development of the council's website, is an effective way of communicating with the diverse population living and working in the area.
- 2 Market the council to suppliers. Increasingly suppliers pick and choose where they bid. Councils need to understand how suppliers view them (including supplier surveys and pre-procurement market sounding) and they need to market the council to suppliers proactively.
- 3 Promote a diverse and competitive market. Councils should develop diverse and competitive sources of supply, including procurement from small firms, ethnic minority businesses, social enterprises and voluntary and community organisations.
- 4 Develop a local compact with the voluntary and community sector. This should include protocols for grant funding and contracts.
- 5 Sign up to a 'concordat' for small and medium-sized enterprises in the community. The Steering Group of the Local Government Procurement Forum has agreed to take forward the development of an SME-friendly procurement concordat, with input from the Small Business Service, an executive agency of the DTI. The Forum will agree the terms of the concordat and encourage councils to sign up.
- 6 Develop supply chain partnerships. Councils should work with strategic partners to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. This should continue to feature as part of contract management.
- 7 Develop suppliers. The market will not always be able to respond to the council's requirements. The council may need to encourage existing suppliers to enter a new market (eg by encouraging consortium bids) or develop new suppliers (eg by working with the voluntary or community sector). Sometimes there will be a need to attract suppliers from abroad.
- 8 Use buying power to stimulate innovation. This would include creating markets for recycled materials and better designed learning resources for schools. It would also encompass promoting better designed urban spaces and public buildings through procurement.

## NEW ACTIONS IN PLACE TO CUT RED TAPE IN GOVERNMENT PROCUREMENT

Companies bidding for contracts will face fewer bureaucratic hurdles and more transparency as the Government recently launched a set of

key actions aiming to cut red tape in the government procurement process across departments. These are outlined in a joint report from the Regulatory Impact Unit's Public Sector Team and the Office of Government Commerce.

*Making a Difference: Reducing Bureaucracy in Central Civil Government Procurement* is aimed at commercial activity in government, much of which is essential to the delivery of vital public services. The report commits government departments to deliver improvement actions in a series of milestones over the next two years. This report can be accessed at: <http://www.bipsolutions.com/html/reports.html>

Five key areas have been identified and specific actions put into place for each area:

- 1 Speeding up the procurement process and reducing costs.
- 2 Improving leadership and client capability.
- 3 Improving communication with the market and in government.
- 4 Focusing on successful project outcomes.
- 5 Achieving more consistent use of Best Practice.

Douglas Alexander, Minister for the Cabinet Office, said: "Improving public services is one of the Government's top priorities. Much of the public service delivery depends on bought-in services, so effective procurement is at the heart of the Government's Delivery and Reform agenda."

## REVIEW RECOMMENDATIONS

### Recommendation 1

The DTI should ensure adequate resources for the 'Supplying Government' web portal project. The portal should advertise lower-value contracts from across central government and include information on future opportunities. There should be a named contact for each advertised contract. The portal should be set up and piloted by spring 2005.

### Recommendation 2

The Office of the Deputy Prime Minister and the Local Government Association should encourage local authorities to develop 'selling to the council' websites by 2005. Websites should include information on contracts for tender, forthcoming contract opportunities and guidance on how to do business with the council. There should be a named contact for each advertised contract.

### Recommendation 3

Within the context of small business support, the Small Business Service should provide advice and training for small and medium-sized enterprises on how to do business with central government and local councils. The Business Links Operators should deliver this by spring 2004.

### Recommendation 4

Regional Development Agencies should ensure by spring 2004 that, as part of the supply chain development work for which they are already funded, they work with prime public sector contractors to develop opportunities for small and medium-sized enterprises.

### Recommendation 5

The public sector should develop a common core pre-qualification information document for lower-value contracts so that businesses do not have to put together different information in different formats to get past the Expression of Interest stage. The Office of Government Commerce and the Office of the Deputy Prime Minister working with the Local Government Association should develop and pilot this by spring 2004.

### Recommendation 6

The Small Business Service should publicise the mechanism for reporting non-compliance with the Office of Government Commerce 'Government Procurement Code of Good Practice' that firms can use to ensure that they receive adequate debriefing.

### Recommendation 7

The Office of Government Commerce and the Office of the Deputy Prime Minister with the Local Government Association should consider how to promote the wider use of the Government Procurement Card,



recently extended by the Office of Government Commerce, to include local authorities and other non-central civil government bodies, in order to improve prompt payment by the end of 2003.

### Recommendation 8

The Office of Fair Trading should carry out research to identify the characteristics of those markets where it is important to ensure that small and medium-sized enterprises are able to compete to ensure competition, particularly where this may have an impact on innovation and value for money achieved by public sector procurement. Within this, it should also assess the impact of framework agreements and contract aggregation on small and medium-sized enterprises. This research should be carried out by the end of 2003.

### Recommendation 9

Where public procurers opt for prime contractors, they should ensure that their business case for doing so in those particular markets brings value for money.

Public sector procurers should ask prime contractors during the procurement process to demonstrate their track record in achieving value for money through effective use of their supply chain – including use of small and medium-sized enterprises. This should also be examined as part of the ongoing contract management. Public sector procurers should ensure that prime contractors pay subcontractors on time and that when paying progress payments to prime contractors the payments flow down through the supply chain.

In order to make subcontracting opportunities more transparent to small and medium-sized enterprises, government departments and local authorities should list details of prime contractors and contracts on their websites.

### Recommendation 10

The Local Government Procurement Forum, with input from the Small Business Service, should develop an SME-friendly procurement concordat. All local authorities should be able to sign up to this by 2005.

### Recommendation 11

The Office of the Deputy Prime Minister and the Local Government Association should encourage local authorities to set out in their procurement strategies the steps they are taking to engage with small and medium-sized enterprises by the end of 2003.

Government departments should include in their procurement policy statements the steps they take to engage with small and medium-sized enterprises by the end of 2003 or publish this information in their annual reports.