

Public Sector Procurement  
and Small and Medium-Sized Enterprises  
in the London Boroughs of Haringey and Enfield:

# Final Evaluation and Report for Trade Local and Haringey SME Procurement Pilot



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## **I. INTRODUCTION**

The belief that small and medium-sized enterprises (SMEs) need to be more fully used in the public procurement process has become pervasive. Given the significance of public procurement the question of how SMEs can develop and maximise opportunities is of considerable importance for local, regional and national economies. Underpinning this debate has been a number of drivers, such as the need to achieve efficiency savings highlighted in the Gershon review and the implications of the new Race Relations (Amendment) and Freedom of Information Acts in relation to improving transparency in public procurement. Crucially, the business community itself has become vociferous in its demands for greater transparency in the public procurement market.

In January 2003 Haringey Council, in partnership with Enfield Council, Fit to Supply, and Middlesex University, was successful in its bid for European Regional Development Fund (ERDF) monies. Submitted under Measure 2.2 (SME Business Development) the Upper Lee Valley Partnership Procurement Initiative (thereafter Trade Local) aimed to break down barriers between the public sector and local business in the Objective 2 areas in the London boroughs of Haringey and Enfield.

In May 2003 the Better Regulation Task Force (BRTF) and Small Business Council (SBC) published a report 'Government, Supporter and Customer', which detailed many barriers facing SMEs when seeking to trade with local and central government. Consequently, the Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI), commissioned two SME Procurement Pilot projects, one of which was to be run by Haringey Council. In focusing on demand-side issues, this pilot addressed many of the recommendations in the BRTF's report, especially in relation to researching existing good

practice within purchasing organisations in opening up supply chains to SMEs.

This report provides a combined assessment and evaluation of the Trade Local and the Haringey SME Procurement Pilot projects. It was prepared by Lifeworld Ltd over the January – April 2005 period.

## **2. TRADE LOCAL**

The Trade Local project was delivered over the July 03 - March 05 period. Five broad output targets were set. Over the project period 1156 businesses were registered on a database of which over half were supported directly. The targets for number of SMEs assisted and advised have been exceeded, and those for supply chain linkages, number of gross new jobs created and jobs safeguarded have been met. The project attracted a high number of BME owned businesses. But the targets for working with women-owned businesses and businesses owned by people with a disability have not been met. The largest business sector worked with has been business and professional services followed by construction.

## **3. TRADE LOCAL: DATA**

To support the observations from the assessment of the project outputs additional data were gathered through an e-survey and interviews with businesses and stakeholders. From the e-survey over half the respondents had received one-to-one support, and all found it effective for support with specific technical issues, such as completing pre-qualification questionnaires (PQQs). But these data also point to the difficulty in devising particular types of activities that meet the aims of a diverse range of businesses

Some of the procurement support to the businesses was delivered through workshops, seminars and networking events. All the respondents from the e-survey found the support effective, with benefits including the development of specific procurement skills and the opportunity to network. But some limitations of the one-to-many support were identified, such as the lack of relevance of some training to some businesses and the limited number of public procurement opportunities made available.

Workbooks were also used covering the following themes: 'Completing a PQQ', 'Finance, Status and Legitimacy', 'Equal opportunities', 'Health and Safety', 'Environment', 'Ability to deliver', and 'Quality'. These workbooks provided additional information and allowed businesses to work at their own pace on developing procurement skills. Although the penetration of the workbooks was limited the majority of businesses that did use them said they were effective as they helped provide additional information on particular areas of business development relevant to public procurement.

The Trade Local website had two main aims: to promote the project and advertise public procurement opportunities. Nearly three quarters of businesses used the website. But there was a mixed picture on its effectiveness as some businesses felt there were insufficient opportunities (it was estimated that only seventy seven opportunities were provided by the three purchasing organisations).

The most important impact of the Trade Local project has been improving understanding of the public procurement process, followed by encouraging work with other businesses. The least successful impact on the businesses surveyed has been on improving links with large contractors.

## **4. HARINGEY SME PROCUREMENT PILOT**

The Haringey SME Procurement Pilot project was organised around two recommendations from the BRTF report. The first (Recommendation 9) focused on ensuring value for money when using prime contractors while encouraging them to subcontract to SMEs. The second (Recommendation 11) related to establishing an SME agenda in local authority procurement strategies. The project involved three main phases of work: research into existing good practice in opening up supply chains to SMEs; the implementation of recommendations and recognition of further contingent issues from the first phase; and the implementation of recommendations from the second phase of activity. As part of this assessment three reports were produced. Some of the findings that emerged from this work included identifying a degree of caution on the part of procurement officers to engage with potential suppliers directly and the lack of recognition of potential benefits that SMEs offer the supply chain. In addition, the opportunities for SMEs as prime contractors appeared to be reducing because of outsourcing activities leaving the main opportunity within the supply chain to be as tier 2 and/or 3 suppliers. Voluntary encouragement of prime contractors was also shown not to have been successful and the use of Community Benefit Clauses (CBCs) and the Community Strategy provided an opportunity to promote opportunities to SMEs. The Haringey SME Procurement Pilot also discovered that the Council's supplier base was more diverse than expected; for instance, 68% of Council spend was with SMEs. Part of the response to these findings was the creation of a Procurement Manual for procurement officers and managers.

## **5. HARINGEY SME PROCUREMENT PILOT: DATA**

An e-survey of procurement officers and managers helped clarify some of the Haringey SME Procurement Pilot activity. One feature of these data has been to highlight a mixed picture of understanding on the part of the demand-side of the issues linked to the promotion of SMEs through public procurement. Despite the amount of information being disseminated on SMEs through the Trade Local and Haringey SME Procurement Pilot projects, the data highlight deficiencies in current methods of enhancing understanding and knowledge in this area. Moreover, the lack of understanding of procurement officers has been reflected in both the limited use of CBCs and appreciation of the legal framework within which support to SMEs can be promoted. In addition, the culture of procurement in the public sector appears to act as a barrier to working with SMEs; for instance, few competitive procurement processes take place. The business case for supporting SMEs through procurement also is unclear and there remains ambiguity on the precise role prime contractors can play in supporting SMEs. Given that e-procurement and the Gershon review have been identified as major drivers of change within public sector procurement, the data point to emerging tensions for SMEs in terms of accessing opportunities and learning to deal with change.

## **6. MANAGEMENT AND SUPPORT**

The data and findings portray a positive picture of how the Trade Local and Haringey SME Procurement Pilot projects have been managed. But the evaluation and report also show that concrete measures of success, such as increased turnover, may be difficult to demonstrate. Importantly, the projects have demonstrated the need to work across the public sector supply chain on both supply- and demand-sides.

## **7. RECOMMENDATIONS**

A number of interrelated recommendations can be made. Procurement managers and officers should utilise competitive procurement processes and these should be advertised. Moreover, the link between procurement and delivery of the local Community Strategy must be recognised, and benefits maximised, through appropriate use of CBCs and advertising of procurement opportunities. Officers involved in procurement should also be offered appropriate training and support so that they are able to undertake procurement with confidence. In parallel, the simplification of the tendering process must be considered by public sector organisations. Importantly, the use of prime contractors to provide opportunities to SMEs must not lead to direct contracting opportunities for SMEs being limited. Finally, e-procurement must be used more effectively to increase engagement of businesses, but not necessarily at the expense of SMEs.

SMEs need to manage their expectations about contract opportunities offered by the public sector. Some businesses, such as in the IT sector, may not fit into public supply chains as tier 1 suppliers, and they should seek opportunities to sell to prime contractors. To maximise public procurement opportunities, SMEs should seek support from business support agencies, although they must supplement this with their own business development.

Prime contractors should evaluate their supply chains and consider the diversity within them. They should be open to approaches from new suppliers. Prime contractors should also consider how they can help deliver the local Community Strategy, as well as the particular service they are contracted to deliver.

Economic development practitioners need to promote the lessons from the Trade Local and

Haringey SME Procurement Pilot projects. There must be some recognition of the limited opportunities for start-up companies and the need to segment the SME market to identify 'would be winners' that can benefit from targeted procurement support. Sector specific 'meet the buyer' events, such as in the creative industries, should be developed to ensure that the supply- and demand-sides in the supply chain understand each other and work together. A wide range of stakeholders including purchasing organisations and intermediary organisations, that have good relationships with businesses, should be employed to publicise procurement market opportunities. Finally, the better co-ordination of information and best practice about public procurement and SMEs is required to avoid the duplication of information and ensure relevance for both purchasers and businesses.

Policy makers should ensure that the EU Public Procurement Directives are better explained so that the legal framework that structures the discussion on SMEs and public procurement is better understood. But blanket assessments of how public procurement opportunities can be used to meet both the social exclusion and competitiveness agendas must be avoided. In specific terms, all public sector organisations should sign up to, and adopt, all good practice recommended in the Office of the Deputy Prime Minister's (ODPM) Small Business Friendly Concordat. Moreover, opportunities to publicise procurement opportunities, such as through the national portal, must not be treated solely as a technological solution - complementary support to procurement staff must also be provided in order for practical changes to be achieved in procurement processes. The quantitative business case for supply chain diversity must be more thoroughly investigated, and the range of business issues related to diversity, such as equal opportunities in the workforce, must be considered when looking at opening up supply

chains. The potential tension between the efficiency savings and promoting SMEs needs to be recognised and clarity on the policy aims and drivers behind them made.

## **8. PROCUREMENT FUTURES**

Promoting the creation and smooth functioning of interfaces between SMEs, business support provision, and procurement opportunities is of a high priority. In the medium-long term SMEs will face a number of challenges relevant to public procurement, such as the need for greater efficiencies in public procurement pressurising purchasing organisations to outsource services. Further development work needs to be undertaken, such as examining specific sub-sectors of the public procurement markets and their role in local economic development, and understanding the link between public procurement needs and the development of local businesses in the overall dynamics of regional economic development.

## Introduction

### 1.1 OVERVIEW

The belief that small and medium-sized enterprises (SMEs) need to be more fully used in the public procurement process has become pervasive. Estimates of the size of the public procurement market vary – for example, during 2001-2002 some sources put the value of public sector contracts placed at over £100 billion (DTI, 2005; Government Opportunities, 2004). At the same time elements of public policy suggest that the use of SMEs to deliver goods and services in the public sector can bring innovation and ‘best value’. And for many businesses the growing awareness of wider procurement opportunities, especially in the public sector, has been a catalyst in developing sustainable enterprises. But there is also an acute awareness that accessing such opportunities requires particular skills and experience in itself. Given the significance of public procurement, then, the question of how SMEs can develop and maximise opportunities is of considerable importance for local, regional and national economies.

A number of drivers have underpinned this debate, such as the need to achieve efficiency savings highlighted in the Gershon review and the implications of the new Race Relations (Amendment) and Freedom of Information Acts in relation to improving transparency in public procurement. Crucially, the business community itself has increasingly become vociferous in its demands for greater transparency in the public procurement market.

In January 2003 Haringey Council, in partnership with Enfield Council, Fit to Supply, and Middlesex University, was successful in its bid for European Regional Development Fund (ERDF) monies. Submitted under Measure 2.2 (SME Business Development) the Upper Lee Valley Partnership Procurement Initiative (thereafter Trade Local) aimed to break down barriers between the public

sector and local business in the Objective 2 areas in the London boroughs of Haringey and Enfield. It sought to create innovative ways to share information about how the public sector bought its goods and services, equip local businesses with the skills and knowledge needed to compete for contracts, and encourage the public sector to engage with local organisations. In short the focus of the Trade Local project was on building the capacity of local suppliers to compete effectively for public procurement opportunities.

In May 2003 the Better Regulation Task Force (BRTF) and Small Business Council (SBC) published a report ‘Government, Supporter and Customer’, which detailed many barriers facing SMEs when seeking to trade with local and central government. Consequently, the Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI), commissioned two SME Procurement Pilot projects, one of which was to be run by Haringey Council. In focusing on demand-side issues, this pilot addressed many of the recommendations in the BRTF report, especially in relation to researching existing good practice within purchasing organisations in opening up supply chains to SMEs.

Together these two projects helped develop and deliver key areas of intervention relevant for opening up public procurement opportunities to SMEs. Put differently, the Trade Local and Haringey SME Procurement Pilot projects allowed an in-depth assessment of how suppliers and purchasing organisations could encourage greater transparency and more efficiency in the public procurement process.

### 1.2 EVALUATION

Public intervention, as a condition of funding, requires some assessment of the impact and achievement of the resources to be used. In meeting this requirement what follows in this

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report is a combined assessment of the Trade Local and the Haringey SME Procurement Pilot projects. The two projects covered distinct areas of public procurement in relation to supply- and demand-side issues. And the benefits of combining the evaluation of these distinct but connected projects has been clear from the outset given they cover different dimensions of the supply chain. In general terms three main issues needed to be evaluated:

- The extent to which the projects achieved their objectives as detailed in the original proposals;
- The outcomes and impact of the project activities; and
- The effectiveness of the overall management of the projects and collaboration between partners.

Although detailed assessment of the outputs and spend of both projects have already been undertaken as part of the project monitoring process this report provides a summary of this information. Critically, this report goes beyond the identification of hard outputs that frequently characterise evaluation reports; given the current policy interest in public procurement it presents a wider picture of procurement issues relevant for SMEs.

### 1.3 METHODOLOGY

The evaluation and preparation of report were undertaken by Lifeworld Ltd over the January – April 2005 period. Both quantitative and qualitative data gathering techniques were employed including:

- In-depth desk research involving literature, policy and document reviews, and web research;

- A review of project management information provided for the ERDF and SBS for the two projects;
- The execution of an e-survey of Trade Local businesses and Haringey Council procurement staff; and
- Confidential one-to-one interviews with twenty businesses, project staff and partners.

All comments and data gathered have been encouraged in confidence, and the structure of the questionnaires and one-to-one interviews reflected core themes that underpinned the development and delivery of the two projects. Although not all the stakeholders involved in the projects were consulted, the data gathered can be described as representative. Moreover, they are sufficiently diverse to reflect a range of interests involved in public procurement supply chains and the use of SMEs, and the results represent a source of experience for policy makers and practitioners.

### 1.4 REPORT STRUCTURE

This report has eight main chapters:

- **Chapter 2** describes the Trade Local project and the specific objectives of the ERDF proposal. An important element of this chapter is to describe the rationale for 'why' the project was considered important and 'how' this was translated into the main project activities. It also presents and assesses the 'actual' against 'profile' outputs of the project.
- **Chapter 3** presents the data gathered from the e-survey and one-to-one interviews with Trade Local businesses. The e-survey had two main parts (experience of the Trade Local project activities, and businesses' views on the

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public procurement process in general) and findings in relation to these areas are outlined. The one-to-one interviews built on major themes identified from the e-survey, such as the effectiveness of particular project activities and how SMEs can be supported to achieve improved results in public procurement.

- **Chapter 4** switches focus to the Haringey SME Procurement Pilot project. This chapter describes the main aims of the project, especially in relation to Recommendations 9 and 11 (ensuring value for money when using prime contractors while encouraging them to subcontract to SMEs, and establishing an SME agenda in local authority procurement strategies) of the BRTF report. The chapter summarises some of the key findings that emerged from the assessment of the purchasing function in Haringey Council. The first phase of this work centred on establishing the parameters of the project. The second and third phases were organised around the development of key activity areas.
- **Chapter 5** examines the findings outlined in the previous chapter in relation to the e-survey conducted with procurement staff in Haringey Council. The e-survey had three main sections (procurement, policy, and suppliers) and covered important aspects of current thinking in procurement and SMEs. This chapter is organised around Recommendations 9 and 11 of the BRTF report.
- **Chapter 6** changes focus and briefly explores the effectiveness of the project management, administration and support systems. Combining evidence from both projects, this chapter identifies and examines the effectiveness of the project team and partners in working together at different levels of the supply- and demand-sides of the public procurement supply chain.
- **Chapter 7** outlines some recommendations. In bringing together the data and findings from both projects the recommendations are summarised in relation to five major stakeholders – procurement professionals, SMEs, prime contractors, economic development practitioners, and policy makers.
- **Chapter 8** ends with an overall appreciation of the evaluation data in relation to public procurement and SMEs. In particular it highlights some areas where there is a specific need for further research and public sector intervention.
- The **Appendix** includes examples of the e-survey questionnaires used for businesses and procurement professionals, and an outline of questions used in the interview templates. It also provides summaries of the workshops and workbooks, and information about the Procurement Tool kit.

In providing a framework that links the business support, economic development and procurement efficiency agendas, this report aims to ensure that lessons are learned from the delivery of outcomes and outputs related to the two projects. Mindful of this, it provides feedback into the current restructuring of public procurement and business support.

## 2.1 PROJECT SUMMARY

Despite the importance of SMEs in London's business base - in the Upper Lee Valley they account for the majority of businesses - they are considered as under-represented on the approved supplier lists of major public purchasing organisations. Moreover, some parts of the business community - Black and minority ethnic (BME), disabled and women-owned businesses, for instance - are thought to be significantly under-represented in securing contracts for tender. And whilst many purchasers have made commitments to increase the number of BME and women-owned suppliers at the time of project conception little progress had been made.

Accordingly, the Trade Local project aimed to build the skills and capacity of SMEs in the Upper Lee Valley to tender for and secure public and private sector contracts. It covered six broad areas of work:

- Building tendering skills and capacity into local businesses as suppliers of goods and services to enable them to successfully compete for local authority and other public/private sector contracts;
- Strengthening and supporting the growth and competitiveness of businesses in the Upper Lee Valley allowing businesses to prosper and more jobs to be created;
- Encouraging the review of procurement policies of statutory bodies, such as the London Boroughs of Enfield and Haringey;
- Developing and encouraging business-to-business trading to strengthen local economic development in the Upper Lee Valley;
- Establishing local suppliers' consortia and networks to encourage joint tendering and a local economic partnership; and

- Encouraging and promoting e-procurement strategies among local SMEs increasing the take-up of new technologies.

Delivered through targeted activities the project aimed to meet intervention requested in the Objective 2 Programme Complement for the Upper Lee Valley. In particular, it sought to offer business counselling and advice sessions; implement best practice management initiatives; enhance inter-firm trading and supply-chain development; promote business-to-business networking; and create local strategic collaborations.

More generally, the project aimed to contribute to the wider operational principles outlined in the Upper Lee Valley Objective 2 Strategy; namely, improving business performance to promote sustainable economic and environmental development. Specifically, the project addressed four pivotal themes for the Upper Lee Valley: improving business performance, retaining and supporting existing businesses, promoting ICT, and branding the Upper Lee Valley. In addition, it provided a sub-regional framework to integrate and promote improved tendering processes among purchasers and suppliers in North London.

## 2.2 PROJECT OUTPUTS

Originally planned for delivery over the January 03 - December 04 period the Trade Local project was eventually delivered over the July 03 - March 05 period. Elements of the project, such as the focus on business-to-business trading, were reassessed in dialogue with Government Office for London (GOL) and a final set of output and outcome measures were arrived at. Table 2.1 presents the final 'actual' against 'profile' outputs and target businesses. Table 2.2 presents a breakdown of sectors of the businesses supported.

Table 2.1: Trade Local Outputs

Output	2003 Profile	2003 Actual	2004 Profile	2004 Actual	2005 Profile	2005 Actual	Profile all years	Actual all years
<b>A1*</b>			<b>70</b>	<b>69</b>	<b>30</b>	<b>48</b>	<b>100</b>	<b>117</b>
Women			14	9	6	5	20	14
BME			28	34	12	27	40	61
Disabled			3	1	2	2	5	3
<b>A3</b>	<b>90</b>	<b>52</b>	<b>360</b>	<b>530</b>	<b>50</b>	<b>23</b>	<b>500 **</b>	<b>605***</b>
Women	18	10	72	30	10	3	100	43
BME	36	26	144	259	20	15	200	300
Disabled	4	2	18	6	3	0	25	8
<b>A13</b>			<b>10</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>12</b>	<b>12</b>
<b>03</b>			<b>15</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>25</b>	<b>25</b>
Women			3	5	2	6	5	11
BME			6	3	4	6	10	9
Disabled			0	0	1	0	1	0
<b>04</b>			<b>6</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>10</b>	<b>10</b>
Women			1	1	1	1	2	2
BME			3	0	1	4	4	4
Disabled			0	0	1	0	1	0

A1 = Number of SMEs assisted (existing SMEs, which have been trading for 18 months or more, receiving 5 days or more consultancy support)

A3 = Number of SMEs given advice/information (existing SMEs, which have been trading for 18 months or more, receiving less than 5 days consultancy support)

A13 = Number of supply chain linkages (number of supplier chain linkages developed, with a linkage defined as involving one or more SMEs)

03 = Gross new jobs

04 = Gross safeguarded jobs in SMEs

\*\* Revised figure = 518

\*\*\* 105 reported A3 outputs went on to become A1 outputs

**Table 2.2: Sector Breakdown**

Sector	A1	A3
Business & Professional Services	28	93
Clothing*	3	28
Creative & cultural	2	33
Construction	30	71
Education & Training services	5	18
Food	5	54
ICT	5	25
Manufacturing**	6	45
Property Management	2	8
Retail/wholesale	4	44
Social Care	9	16
Transport	10	38
Voluntary & Community Sector	8	18
Other		9
Total	117	500

\* Most of these companies would normally be categorised more generally as 'manufacturers' with the remainder 'retail/wholesale', but as the sector is a Haringey City Growth Strategy key cluster, they have been identified separately

\*\* A sizeable proportion of these are metalwork and engineering companies which also have significant involvement in the construction sector

## 2.3 ASSESSMENT

Given the data presented in Tables 2.1 and 2.2 a number of initial observations can be made in relation to the development and delivery of the Trade Local project:

- The project partners have succeeded in recruiting target businesses to this project through their multi-strategy approach. Over the course of the project period, 1156 businesses were registered on a Trade Local database of which over half were supported directly through facilitated training and intervention.
- Targets for number of SMEs assisted and advised have been exceeded. This justifies the

original rationale for the project and can be explained by the enormous demand for targeted procurement support for businesses offered by the project.

- The target for supply chain linkages has been met. This output measure in the Trade Local project has been organised around a number of key sectors, such as construction and care, which helped link this output measure with the more general support offered in the project.
- Despite difficulties in translating procurement opportunities into this output measure the target numbers of gross new jobs and jobs safeguarded have been met.

- The project attracted a surprisingly high number of BME owned businesses compared to traditional business support activities in the area; in fact nearly half of the businesses supported in the Trade Local project were from BME communities. This success can be partly explained by the innovative out-reach service employed by the Trade Local project team in the Upper Lee Valley ensuring that businesses that neglected mainstream business support services were engaged with.
- The target for working with women-owned businesses has not been met. Part of the explanation for this is that women-owned businesses are generally younger and less well-established than other businesses and, therefore, are unlikely to achieve short-term benefits in understanding public procurement opportunities.
- Targets for supporting businesses owned by people with a disability have not been met. Part of the explanation for this centres on problems with self-classification as many people with a disability do not consider themselves as having an impairment. Therefore, it is reasonable to suggest that the actual figures for businesses owned by people with a disability supported by the Trade Local project were higher.
- The recruitment for the project demonstrates an interesting balance in terms of sectors. The largest Trade Local project sector has been business and professional services followed by construction. This sector skew also needs to take into account the ease of accessing public procurement contracts as there are sector differences in terms of the availability of low value contracts. The sector skew can also explain the relatively low level of engagement of women-owned businesses in the Trade Local project.
- The project partners have completed on-going self-assessment to ensure delivery meets statutory requirements as well as undertaking relevant project management evaluations for GOL. Part of this activity involved the re-profiling of the A3 output for the project (see Table 2.1).

## 2.4 SUMMARY

In aggregate terms the data presented above highlight the many successes achieved through the Trade Local project. Notwithstanding the achievement of project output targets, the Trade Local project has demonstrated a diverse profile of types of intervention covering one-to-one and one-to-many engagement activities. Noticeably, the project has also aimed to link supply-side activities targeting businesses with support through the supply chain. Importantly, from the profile of delivery mechanisms employed the project has met the aims of the Objective 2 Programme Complement for the Upper Lee Valley, such as the provision of business counselling and advice sessions, the promotion of business-to-business networking, and the creation of local strategic collaborations. That noted, these aggregate data question the relevance of some outputs for public funded procurement support, such as the safeguarding jobs. In addition, the limited success in working with women-owned businesses raises important questions about the type of business that could benefit from targeted procurement support.

### 3.1 INTRODUCTION

The data presented in the previous chapter mask the diverse range of intervention methods employed in the Trade Local project - the six areas of work highlighted in Section 2.1 were translated into four broad activity areas: one-to-one and one-to-many support, workbooks, and a website.

To support the observations from the assessment of the project outputs additional data were gathered and assessed. Existing evaluation data gathered from project beneficiaries as part of the project management process was supplemented by an e-survey of businesses undertaken over the 14-28 February 2005 period. Targeting businesses that had received support, the survey covered both the effectiveness of the delivery methods and the impact on individual businesses (see Appendix for a copy of the e-survey). The e-survey was piloted with members of Haringey Council's Corporate Procurement Unit (CPU) and consisted of both open and closed questions. Responses were encouraged in confidence and twenty completed surveys were returned. Given the small sample size the data could not be analysed for comparisons between sectors and size of business. That noted, although these data cannot be considered as statistically representative of all businesses in the Upper Lee Valley, they are sufficiently diverse to reflect a range of views and interests in the Trade Local project.

These data from the e-survey were qualified through an assessment of the project through the views of businesses and key stakeholders. Twenty in-depth interviews with businesses were undertaken over the 7-21 March 2005 period. Drawn from the Trade Local database of businesses they covered a wide range of sectors and sizes. In addition, interviews were also held with the partners and project management team involved in developing and delivering the project.

Interview templates were developed and piloted by the evaluation team prior to the interviews being carried out. The interview template had five broad areas reflecting the aims of the evaluation (see Appendix for examples of the interview questions).

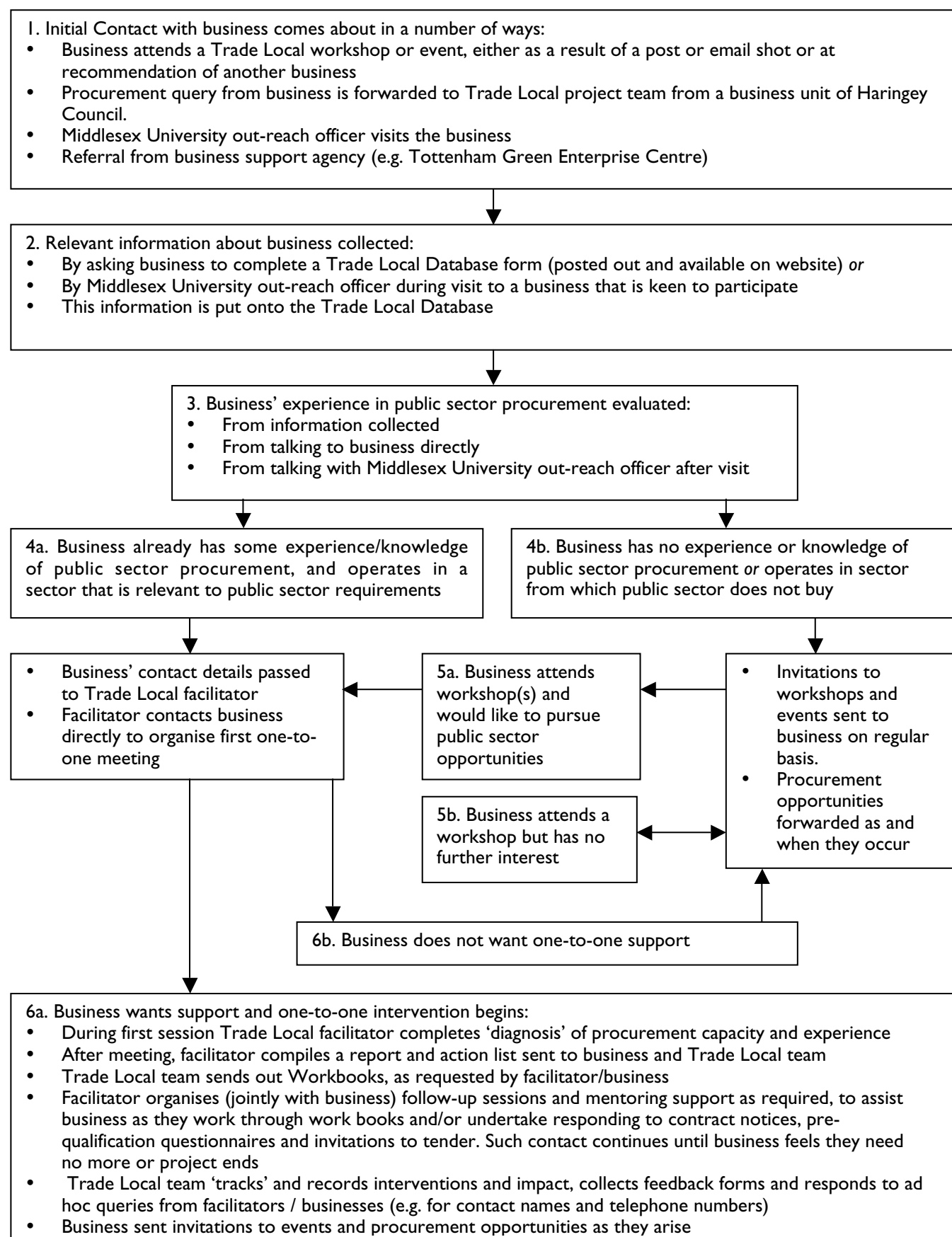
### 3.2 ONE-TO-ONE

The one-to-one support was delivered by procurement specialists experienced with working with SMEs. Following a tendering process two companies were employed to deliver this part of the Trade Local project. Each followed a methodology of delivery once initial contact had been made by the business (see Figure 3.1).

From the e-survey over half (58 percent) of the respondents had received one-to-one support, and all found it effective (see Table 3.1).

**Table 3.1: Effectiveness of one-to-one support**

Very effective	36%
Effective	64%
Not effective	-
Not at all effective	-

**Figure 3.1: Trade Local Methodology**

The effectiveness of the one-to-one support was also highlighted in the interviews with businesses. Some of the businesses that found the intervention support useful made the following comments

*'We received support from [Trade Local facilitator] and that was brilliant. She came to us and helped us with both our business generally and also when we were trying to go for a contract...it's nice to have a critical friend!'*

*'Yes this [one-to-one support] has been very useful. Basically we were able to fully focus on some tendering...we got help with filling in the forms which was important and we were also able to make a decision on what we could go for and what type of contracts in the public sector were a waste of our time.'*

*'They [Trade Local facilitators] were useful we talked about the methodology of procurement...and how to bid for certain items or contracts.'*

*'...if we were left alone when completing a PQQ [pre-qualification questionnaire] we would only do 'yes' and 'no' answers but the reality is that you need to have a lot more information in there to get through. The support from the team helped with this.'*

Here, then, two broad elements of effectiveness of the one-to-one support were highlighted – support with specific technical issues, such as completing PQQs and more general support and guidance. However, several businesses did not find the one-to-one support useful. Two main problems were highlighted from the interviews with businesses. The first centred on the level of the one-to-one support provided:

*'Trade Local didn't really include the work we're interested in...we found the support from the trainers pretty basic...in fact at times we felt we could teach them! Perhaps it was more suitable for small companies...you know the one-man band types.'*

*'No...it wasn't useful. We are fairly sophisticated when it comes to tendering we just want notification of opportunities...that is all.'*

The second problem with the one-to-one supported centred on the type of help required. One person made the following point:

*'I was not really interested in the training...more interested in contracts...still waiting to hear from the council so I'm hopeful.'*

Despite the qualification of the effectiveness of the one-to-one support, in broad terms this form of intervention was considered a successful business support tool for SMEs. But what was clear from the delivery of the one-to-one support was the difficulty in devising particular types of activities that met the aims of a diverse range of businesses. Mindful of this a major finding centred on how to identify 'would be winners' for the Trade Local project; that is, from the outset there was some recognition that intervention needed to be targeted towards existing sustainable businesses rather than used to promote start-up concerns in the sub-region.

### 3.3 ONE-TO-MANY

One of the main problems highlighted by the businesses during the interviews pivoted on the limited amount of time the Trade Local facilitators were able to spend with them. Given the constraint of resources it was considered cost-

effective by the Trade Local project management team to deliver some of the procurement support to the businesses through workshops, seminars and networking events. Workshop themes delivered through the Trade Local project included the following: 'How the Public Sector Procures', 'The Tendering Process', 'Ability to Deliver', 'Completing a Pre-Qualification Questionnaire', 'Quality', 'Finance, Status and Legitimacy', 'Equal Opportunities', 'Health and Safety', 'Environment', and 'How to Profit from Cyberspace'. In addition one-to-many events were held covering the 'Haringey Council Construction Framework Agreement' and a subsequent 'Construction Links' workshop (see Appendix for a breakdown of the one-to-many sessions).

Surprisingly, from the e-survey only three of the businesses had attended some form of one-to-many training; in contrast nearly 80 percent of the businesses interviewed had attended a Trade Local event. To put this into context over 500 businesses attended some form of one-to-many training over the life of the Trade Local project (see Table 2.1). As noted above the types of training that were delivered varied – from generic public procurement workshops to targeted training on equal opportunities, health and safety, and completing PQQs. Impressively all the respondents from the e-survey found the support effective or very effective (see Table 3.2).

**Table 3.2: Effectiveness of one-to-many support**

Very effective	30%
Effective	70%
Not effective	-
Not at all effective	-

The benefits of the one-to-many support were numerous. Five of the businesses interviewed highlighted the specific procurement skills they

had learned. Typical comments made on this area of effectiveness were as follows:

*'I found the one I went to useful as I now have a better understanding of procurement...the one on tendering to the public sector was interesting.'*

*'They [workshops] were informative...if I wanted to complete a questionnaire to go for a contract...I now have the basic knowledge.'*

*'We've been to quite a few of the workshops...they were definitely good. I think the best ones were the ones dealing with a particular issue rather than the general ones on tendering.'*

Clearly the range of one-to-many support delivered through the Trade Local project differed. Interestingly, several of the businesses interviewed found the main benefit of the one-to-many support the opportunity to meet other businesses. One business made this point succinctly:

*'We went to a few of the workshops. Some were good like the one on e-business as there was a networking event....The networking was what we were really interested in.'*

However, unlike the e-survey data, some limitations of the one-to-many support were highlighted in the interviews. Picking up on an earlier theme, one central concern related to the relevance of the type of training provided and the level of actual public procurement opportunities more generally. Two people said the following:

*'I have been to most of them [workshops]...what I realise is that these public sector contracts are too big for me...perhaps this should have been made clear as I need to look at other avenues to get work.'* 'I went to all of them and they were

*interesting but they will not lead to me creating work for myself.*

Secondly, part of the rationale for some of the one-to-many training was questioned. For instance, although there was a broad consensus on the benefits of one-to-many support, several qualified comments were made on the specific event organised around the construction sector targeting prime contractors:

*'I went to a construction event but did not find it useful at all. Basically the companies there would go to an engineering company for what we do...not an IT one. I don't think these companies are geared up to work with different partners...regardless of how much pressure the council puts on them.'*

*'The only thing we went to was a meeting at the sports centre...we spoke to a few companies and they said they were interested but I'm unsure...I'm still waiting to hear back from it.'*

Many points relevant for the use of one-to-many support come out of the above quotes. For example, the need to balance specific technical training and more generic business advice emerges. Moreover, there is a sense that some of the businesses are not ultimately convinced of the benefit of procurement training. In addition, given some of the negative comments the precise aims of the Trade Local project activities and what businesses could expect from them were perhaps unclear. Although this is not intended to be an argument for more one-to-many support what is clear was the need to balance the amount of support delivered with what businesses did by themselves.

### 3.4 WORKBOOKS

Part of the rationale for delivering the one-to-many support was the need to develop more flexible means of support for the target businesses. Mid-way during delivery the need for businesses to access on-going detailed support was identified. One of the responses to this need was the creation of a series of workbooks covering the following themes: 'Completing a PQQ', 'Finance, Status and Legitimacy', 'Equal opportunities', 'Health and Safety', 'Environment', 'Ability to deliver', and 'Quality' (see Appendix). These workbooks provided additional information relevant for the procurement process and allowed businesses to work at their own pace.

From the e-survey only a third of businesses had used the workbooks. This is not surprising as they had only recently been finalised and made available to businesses (July 2004). The businesses surveyed that did use them, however, said they were effective (see Table 3.3)

**Table 3.3: Effectiveness of workbooks**

Very effective	60%
Effective	40%
Not effective	-
Not at all effective	-

The lack of use of the workbooks was also reflected in the interviewees as only a third of businesses had seen them. Those that had used them made the following positive comments:

*'Yes they are brilliant...I'm actually looking at one now! They are jargon free and make the issue clear. For example, I'm looking at the one on PQQ...I use them as a reference point all the time and after a while I will not*

*need them as they will have been part of my business practice.'*

*'I guess if you don't have any policies in place they are useful...that's about it.'*

*'I saw the one on the environment which at first I thought was not relevant...but when I looked at it I found lots of things that were useful for my business.'*

Two areas of benefit can be identified from these comments. Firstly, and meeting their original aims, the workbooks provided additional information for businesses on particular areas of business development relevant to public procurement. Interestingly, the second area centred on their use as a more general management tool for the businesses.

### 3.5 WEBSITE

The aim of the website was twofold: to promote the project and advertise public procurement opportunities. In terms of the first aim, 74 percent of businesses surveyed used the website. The majority (71 percent) found it effective although nearly a quarter did not find it effective (see Table 3.4). In contrast, only a quarter of businesses interviewed used the website.

**Table 3.4: Effectiveness of website**

Very effective	7%
Effective	71%
Not effective	22%
Not at all effective	-

As noted above, the website aimed to highlighted procurement opportunities made available by the three purchasing organisations involved in the project (Haringey and Enfield Councils and

Middlesex University). The majority (79 percent) of businesses surveyed used the website to source opportunities, and nearly three quarters found it effective (see Table 3.5).

**Table 3.5: Effectiveness of opportunities**

Very useful	27%
Useful	47%
Not useful	13%
Not at all useful	13%

In contrast, from the interviews the website was not seen as an effective means of promoting opportunities. Typical comments made on this issue were as follows:

*'...it wasn't actually aimed at the type of business we are or are looking for. We are look for building work contracts between 10 and 500K...none of these seemed to appear on the website.'*

*'Yes I've seen it but it did not really have the types of opportunities we'd be interested in.'*

*'I looked at it once but there were no opportunities for us...in fact there weren't that many opportunities for anyone!'*

A mixed picture on the effectiveness of the website can be found from the data. Notwithstanding the contrasting views highlighted between the e-survey and interview data there is a sense that the website was not successful in providing sufficient opportunities for businesses; in fact over the course of the project it was estimated that only seventy seven opportunities were provided by the three purchasing organisations involved in the project. Nonetheless, it is important to note that when opportunities emerged these were e-mailed

directly to businesses on the Trade Local database which may have affected the ultimate use of the website. That noted, given the large number of businesses that have been engaged with during the project period it is reasonable to suggest that the website has been successful as a means of recruitment and maintaining interest of local SMEs in the sub-region.

Data about participating businesses was, with their agreement, stored in an electronic database. This was designed and built by Haringey Council's IT department. The Database interfaced with Haringey Council's intranet system, 'Harinet', and it acted as an 'electronic yellow pages' for Council officers. Certain information, such as equal opportunities monitoring information was, however, withheld. Whilst it is unclear how widely the Database was actually used, its presence on Harinet served to significantly raise the profile of the Trade Local project and the need to provide procurement opportunities for local businesses.

### 3.6 IMPACT

From the discussion above a number of different views can be identified. Paradoxically, many of the differences can be rooted in the expectations of the businesses on what to expect from targeted

procurement support. A common theme throughout the interviews with the businesses was the extent to which the Trade Local project had an impact. From the businesses surveyed a range of impacts were identified (see Table 3.6).

Unsurprisingly, the most important impact of the Trade Local project has been improving understanding of the public procurement process (82%), followed by encouraging work with other businesses (59%), and becoming more involved in council activities and improving internal business processes (47%). The least successful impact on the businesses surveyed has been improving links with large contractors (12%).

From the interviews the picture of what businesses obtained from the Trade Local project was equally mixed. Clearly several businesses now have a better understanding of the procurement process:

*'I suppose what we've gained is how we market ourselves to purchasers in the council...and possibly a bit more know-how of Haringey's procurement process....'*

*'Having gone through some of the training the biggest impact on me is that I have confidence now in completing a PQQ.'*

**Table 3.6: Impact of Trade Local**

Become more involved in council activities	47%
Encouraged you to use more IT	29%
Encouraged you to work with other businesses	59%
Employ more staff	18%
Improved your understanding of public procurement process	82%
Improved training of staff	18%
Improved your links with large contractors	12%
Improved your internal business processes	47%
Increased your turnover	26%
Increased business with the public sector	26%
Review your own procurement/purchasing processes	41%

Surprisingly, from the interviews the largest identifiable impact has been in terms of general business support; in fact, over half of the businesses interviewed said this was what they gained most from their involvement in the project. Some comments on this were as follows:

*'We have gained a lot from our involvement in Trade Local. We are more confident when dealing with the council and other large companies...more confident as a business now.'*

*'Knowledge! It has been an eye opener for me...I want to develop my company and I now have the tools to do this....the issue is going to be whether I can do it.'*

*'It was nice to have an opportunity to talk to someone else...and get some help from the trainers.'*

Positive impacts on businesses can be identified from both the e-survey and interviews. Nevertheless, some businesses felt that the Trade Local support had little impact. Some of the businesses interviewed made the following comments:

*'It has all amounted to nothing...all the contracts in construction seem to be divided up by the big boys...we don't want to be a sub-contractor as these large companies treat their subbies really badly.'*

*'It makes you think about your business and the potential opportunities even though in reality I may not be able to get them in the short-term.'*

*'What I learned was how to get on the consultants list...but I doubt if this will lead to me winning more work...Maybe I can sell this knowledge on!'*

In part these negative comments can be rooted in the recurring theme of managing expectations of SMEs. But it is important to recognise some of the particularities that may exist in certain sectors; for instance, some of the comments are related to construction companies where sub-contracting is a major but problematic feature of contract delivery and these may not apply to other sectors. Nevertheless, the data from the e-survey and interviews point to different ways in which the businesses have benefited from involvement in the Trade Local project. As an aside, what the data also highlight are the difficulties in producing accurate impact measures on how business support intervention affects SMEs.

### 3.7 MEASURES OF SUCCESS

The overview above has shown, albeit briefly, that the Trade Local project has had an impact on businesses. But it is also noted that identifying precise impacts is difficult. In terms of the specific measures of success for the project there was a clear consensus among the project and partner management staff of the need to increase turnover and win contracts:

*'Successes...the broad measure should be how much of an increase there has been on council spend in the local area. Of course there may be ways in which this is inaccurate, such as if a company simply has its HQ in the region...but I think this is the main measure of success.'*

*'The measure of success should be the bottom-line. How much more money has the company made after the support we have provided. I think there's nothing wrong with wishy-washy measures but for me the key is turnover.'*

This measure of success was echoed by the majority (90 percent) of businesses interviewed. The rationale for why businesses wanted to get involved in the Trade Local project was twofold. The first area centred on accessing the purchasing organisations involved in the project. As several people interviewed explained:

*'Contracts from Haringey Council...that is what we want. When you are a small company you only look at the day-to-day things and forget about the future. We wanted an opportunity to take a step back and re-look at our business...the Trade Local support provided this for me.'*

*'We were looking for some help with dealing with large contractors and the council. We also wanted to get our head around some of the procurement processes in the council...that's not much to ask for is it?'*

*'We were able to register for the council's preferred supplier list. That's what we wanted from the project to start with but now we want contracts from Haringey.'*

Building on this aim, the second motivating factor for the businesses centred on public sector opportunities generally. Three people interviewed said the following in relation to this:

*'Finding out more about opportunities...the most important thing was staying for the long-term. There were some businesses that wanted something to happen in a week or two. This was not going to take place...we stuck through and are reaping the benefits.'*

*'I am in the care industry right now and business is really tough. I'm already in the public sector but wanted to look at increasing my opportunities elsewhere.'*

*'A better understanding of procurement and how councils work...that is what I wanted. It did highlight what a local authority procurement regime was like, such as the use of PQQ, so I think in this way the project was fairly useful.'*

Leaving aside the specific reference of opportunities in Haringey Council (none of the businesses interviewed realised there were other purchasing organisations involved in the project) the rationale for the Trade Local project was clear from the businesses' perspective. What was less apparent, however, was the recognition of the timescales to highlight some of the opportunities – the construction framework, for instance, took over twelve months to establish. Mindful of this, quantifying 'success' in some instances proved problematic. Worryingly, only three of the businesses interviewed felt that their involvement in the project helped them directly secure work, although some businesses may have neglected to recognise the role of Trade Local in helping to secure work. At one level, then, it can be argued that businesses may have found it difficult to translate levels of abstraction in procurement support into practical activity necessary for winning work. This is a critical observation as it may have implications for the scale and scope of future procurement support to SMEs.

### 3.8 SUMMARY

This section has examined data covering both the e-survey and interviews with businesses. A number of issues based around the effectiveness and impact of the Trade Local project have been outlined. Whilst there were clear limitations in the data (the sample size was small) a number of important findings from the evaluation can be identified, such as the differences in effectiveness of intervention methods, the level of expectation surrounding procurement and the public sector among SMEs, and the measuring of impact of the

project. The information outlined above also highlight some of the difficulties in relation to meeting the needs and expectations of a wide range of businesses as reflected in the business community represented in the Trade Local project. These data are an important source for determining the best ways to meet the needs of SMEs through business support, and identifying the skills and knowledge needed by businesses to bid for public sector contracts. That is, they shed light on the supply-side issues on public procurement. In the next chapter the emphasis changes as these points are considered from a demand-side perspective.

## 4.1 OVERVIEW

The first part of this report has focused on the development and delivery of the Trade Local project. A number of important observations can be found in relation to supply-side support provided to businesses which emerged out of a growing need to regenerate deprived wards through maximising the potential of SMEs in the Upper Lee Valley. From both the quantitative and qualitative data gathered for the evaluation there was a clear sense that the success of the Trade Local project needed to demonstrate greater opportunities for SMEs; that is the most effective support activities made links with the work of purchasers and purchasing organisations.

In August 2003 the Haringey SME Procurement Pilot project was commissioned by the SBS in response to the BRTF and SBS 2003 report 'Government, Supporter and Customer'? This report detailed the many barriers SMEs encountered when seeking to do business with central and local government, and made eleven recommendations to help address these barriers.

Two recommendations from the BRTF report formed the core of the Haringey SME Procurement Pilot:

**Recommendation 9** - Ensuring value for money when using prime contractors while encouraging them to subcontract to SMEs

When public sector 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 chains – including use of SMEs. This should also be

examined as part of the on-going 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 SMEs, Government Departments and local authorities should list details of prime contractors and contracts on their websites.

**Recommendation 11** - Establishing an SME agenda in local authority procurement strategies.

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 SMEs by the end of 2003.

Government Departments should include in their procurement policy statements the steps they take to engage with SMEs by the end of 2003 or publicise this information on their annual reports.

Although several other BRTF recommendations were not aimed directly at local authorities, the experience of Haringey Council and the Trade Local project offered the opportunity to inform and assist other agencies as they addressed the recommendations (see Section 4.4). The Haringey SME Procurement Pilot was a 'sister' project to the West Midlands SME Procurement Pilot which ran for a year to June 2004.

In addressing the two specific BRTF recommendations, the Haringey SME Procurement Pilot sought to create a 'level playing field' in procurement for SMEs, by identifying and breaking down barriers to them when competing to enter Haringey Council's supply chain. Importantly, whilst there were linkages between the supply-side focus of the Trade Local project and the demand-side

activities of Haringey SME Procurement Pilot there remained clear demarcation lines in terms of project development and delivery between them.

The Haringey SME Procurement Pilot was managed by the same team within Haringey Council's CPU that managed the Trade Local project and involved three main phases of work:

- Phase I – Research into existing good practice in opening up supply chains to SMEs;
- Phase II – Implementation of Phase I recommendations and recognition of further contingent issues; and
- Phase III – Implementation of Phase II recommendations.

As part of this assessment three reports were produced by the CPU (Haringey, 2003, 2004a and 2004b). Importantly, the first two reports were published in line with findings from the West Midlands pilot. For the purposes of this evaluation it is useful to briefly outline the main aims and findings that emerged from these three phases of work.

## 4.2 PHASE I: ESTABLISHING PARAMETERS

The first phase of the Haringey SME Procurement Pilot involved a brief research assessment of secondary data and material related to core issues relevant to SMEs and procurement. Some of the issues covered in this review included the following: examples of other local authorities' activities in engaging with SMEs; local SMEs' views on working with Haringey Council and large subcontractors; the legal context (both European and UK) with specific reference to Community Benefit Clauses (CBCs); and developing an action plan and areas of support for subsequent phases

of the Haringey SME Procurement Pilot. From this review a number of initial conclusions were arrived at:

- There was an absence in published experience on how local authorities opened up supply chains to SMEs, and an identifiable reluctance to share best practice. Moreover, many projects focussing on the demand-side lacked an accurate picture of the actual successes of working with SMEs.
- Despite the growing number of projects and intervention helping SMEs, there was a recognition that the full benefits of this support would only accrue to SMEs if demand-side barriers were addressed simultaneously.
- There was limited experience of working with prime contractors in relation to supporting SMEs, and attempts often led to only limited procurement opportunities for SMEs arising.
- Evidence establishing a clear link between the use of procurement and other local authority aims, such as regeneration, was absent. In fact, evidence tended to remain anecdotal and fragmented leading to difficulty in assessing the actual impact of, for instance, CBCs.
- Despite a growing appreciation of the potential use of CBCs to further local authority aims there remained confusion on the legality and opportunity to use them, especially in relation to SMEs.
- Some industrial sectors, such as construction, had used CBCs relatively successfully particularly in relation to local labour.

Given these broad findings a number of implications for the Haringey SME Procurement Pilot emerged relevant for the subsequent phases

of work. For instance, some areas of practice in local authorities, such as the requirement of local SMEs to be invited to bid for contracts or the use of local labour clauses (mainly in the construction industry), were difficult to compare with the experience in Haringey. Furthermore, there was a clear sense that encouraging prime contractors voluntarily to engage more with SMEs appeared to be limited, and the use of CBCs and links to Haringey's Community Strategy appeared to provide better opportunities. Finally, there was a general acceptance that given the limits in the current understanding and experience any outputs delivered from the Haringey SME Procurement Pilot needed to be accessible, transferable and replicable.

Given the above, three recommendations were made in relation to the remaining work of the project. The first centred on the need to develop and pilot tender and contract clauses within supply chains to ensure that SMEs were afforded opportunities through council procurement. The second recommendation highlighted the need to create measures of success for the Haringey SME Procurement Pilot. Finally, the need for a more general assessment of barriers to SMEs entering council supply chains was identified.

### 4.3 PHASES II & III

Phase II of the Haringey SME Procurement Pilot was organised around the development of the following activity areas: CBCs; SME-related Key Performance Indicators (KPIs); SME Issue Log; and 'Think SME' elements for inclusion in all council procurement guidelines and documentation. Phase III established this work further with an assessment of supplier diversity. The main findings from these two phases of the Haringey SME Procurement Pilot can be summarised below.

#### 4.3.1 COMMUNITY BENEFIT CLAUSES

The most intensive area of work centred on the development and application of CBCs. With the outsourcing of activities, opportunities for SMEs as prime contractors appeared to be reducing, leaving the main opportunity within the supply chain to be as tier 2 and/or 3 suppliers. Voluntary encouragement of prime contractors was shown not to have been successful and, therefore, the use of CBCs and the Community Strategy provided the next logical step in promoting opportunities to SMEs. The legislative framework, however, was crucial and needed to recognise that: the EU public procurement directives and related case law imposed a principle of non-discrimination and transparency on all contracting authorities, and that the UK Local Government Act (1999) obliged local authorities to seek to achieve Best Value. Importantly, the UK Local Government Act (2000) also provided local authorities with Well-Being powers and a responsibility to produce a Community Strategy.

The investigation of the legislative framework for CBCs was crucial and led to consideration of two strands of CBCs: those that linked procurement to the delivery of the Council's Community Strategy; and CBCs organised around responsible supply chain management by the contractor or potential contractor.

Based on the legal considerations, a number of CBCs were developed and piloted. Initially, these focused on instilling the ethos of the Community Strategy and responsible supply chain management into bids. Later they evolved into clauses that could be scored under the 'quality', 'ability to deliver', 'equal opportunities' and 'sustainability' elements of tender evaluation.

This area of the Haringey SME Procurement Pilot's work attracted particular interest from

other local authorities. Consequently, the detail of the work is documented within:

- The Phase I, II and III reports; and
- A CBC paper which forms part of the final Haringey SME Procurement Pilot toolkit (also see Section 4.3.4).

A number of conclusions were drawn from this work, such as bids that responded to the ethos of the CBC performed well overall in the tender. Critically, the research uncovered a lack of understanding among procurement officers on how to score CBCs and an absence of awareness training, as well as limited appreciation for how CBCs could be used to support local businesses.

Crucially, consideration of CBCs has led Haringey Council to create an important strategic link between Council procurement and delivery of the Community Strategy (the latter prioritises support for business). As a result, Haringey Council expects to continue developing this activity in the future, particularly in relation to the construction sector.

#### **4.3.2 BASE LINE AND SME-RELATED KEY PERFORMANCE INDICATORS**

The rationale for the Haringey SME Procurement Pilot was based on addressing specific BRTF recommendations particularly in relation to creating a 'level playing field' in procurement for SMEs. But the project needed to explore means by which this could be measured and, in particular, identify the number of SMEs as prime contractors, examine the opportunity for target setting, and monitor any targets against actual data.

Based on data held by Haringey Council and a postal survey to existing suppliers the following

findings emerged in relation to the Council's supplier base:

- 68% of Council spend was with SMEs;
- 12% of Council spend was with BME businesses and a further 19% of spend with white non-British owned companies;
- 22% of spend was with female-owned businesses;
- 4% of spend was with businesses owned by people with a disability; and
- 20% of spend was with businesses that had their head offices in Haringey

Although targets had not been established by the Council what was clear from the research was that the supplier base was considerably more diverse than expected. A number of reasons were advanced for this diversity. For instance, certain business sectors, such as social care and temporary housing, were well-represented by BME businesses and SMEs generally. Moreover, Haringey has enormous diversity as a borough and, therefore, the spend with BME businesses was perhaps unsurprising. Crucially, the Council had an extremely diverse workforce and there is growing evidence to suggest that there are links between effective equal opportunities applied to a workforce and greater supplier diversity in supply chains. It is important to note that these figures were substantially higher than those in the West Midlands pilot (which had figures of 30%, 0.3% and 5.6% for SMEs, BME and women-owned businesses).

Given the existing diversity in Haringey's supply base several KPIs were identified, and two were agreed by the CPU: percentage of Council spend with SMEs and BME businesses. However, no targets were established given the implementation of the new data monitoring system for suppliers.

### 4.3.3 SME ISSUE LOG

During Phases II and III of the Haringey SME Procurement Pilot an 'SME issues log' was maintained (also see Appendix for details of the Procurement Pilot Toolkit). This was important to capture the experience of businesses of working with the Council. A number of data fields were employed for the SME issue log, such as the type of query and how it was addressed. Several important issues and concerns for SMEs were identified from the data gathered. For example, the requirement of Performance Bonds and the increase in insurance premiums may act as barriers to SME involvement in tendering. There was also some repetition of requests for information at PQQ and formal tendering rounds, and inadequate use of terms, such as Best Value, in the tender documents. Finally, and most worryingly, the need to achieve efficiency savings and the move towards outsourcing was seen by many businesses to have a negative impact on SMEs.

Although there were insufficient data to make any concrete weighting of the importance of these issues, the research highlighted a number of important themes that connected them, such as the changes required of SMEs to actually complete a tender, and some of the discrepancies in the procurement practices adopted by purchasers.

### 4.3.4 PROCUREMENT MANUAL

The Phase II and III reports identified a number of gaps in the skills and knowledge of procurement officers, particularly around how SMEs related to public sector supply chains. As a result a Procurement Manual was prepared as part of the Haringey SME Procurement Pilot. Targeting procurement officers and managers, it aimed to improve the quality and number of advertised, competitive procurement processes taking place,

and embed 'think SME' as part of the ethos of procurement. The Procurement Manual forms part of the Procurement Pilot Toolkit (see Appendix).

## 4.4 ADDITIONAL BRTF RECOMMENDATIONS

Although the focus of the Haringey SME Procurement Pilot was on Recommendations 9 and 11 from the BRTF report, the project also had some relevance for several of the report's other recommendations (1, 2, 3, 4 and 5). Some of the findings that emerged from both the Trade Local and Haringey SME Procurement Pilot projects are summarised below (BRTF recommendations in italics):

### 4.4.1 RECOMMENDATIONS 1 & 2

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 contract opportunities. There should be a named contact for each advertised contract. The portal should be set up and piloted by Spring 2005

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.

- The Haringey SME Procurement Pilot project team recognised the need to make procurement opportunities more widely available and were keen to ensure that

lessons learned fed into the forthcoming 'Supplying Government' portal.

- The Trade Local website included a large amount of procurement information, and as many procurement opportunities that could be identified from the partners. But functionality of the site remained limited and businesses could not respond on-line to opportunities.
- The experience of the project team was that procurement officers did not wish to post procurement opportunities themselves directly onto the Trade Local website, but were happy to send them to the project team to be posted and/or sent to relevant businesses.
- Both Enfield and Haringey Councils established 'Selling to the Council' sections on their websites, and looked to include procurement opportunities in the way that opportunities were previously posted on the Trade Local site.
- Haringey Council is developing a central contract management system that will interface with the Council website. Potential suppliers will be able to access the system through the website and register their details, and will then be sent e-mail tender alerts when relevant procurement opportunities arise.
- The specification of the contract management system has been strongly informed by the learning from the Trade Local and Haringey SME Procurement Pilot projects (scheduled to be in place by September 2005).

#### 4.4.2 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.

- The Trade Local project delivered support to 605 businesses (see Chapter 3). The project activities have now been documented and converted into the workbooks, and are included in the Procurement Pilot Toolkit (see Appendix).

#### 4.4.3 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.

- The Haringey SME Procurement Pilot worked with twenty one prime contractors. In general terms it was found that: the supply chains of prime contractors appeared considerably less diverse than the base of tier I suppliers to the Council; the prime contractors have many SMEs in their supply chain; some SMEs (particularly in the construction sector) have strong views for and against sub-contracting to prime contractors; prime contractors in some sectors, such as construction, were considerably more open to developing supply chain opportunities and diversity than others, such as IT.
- The lack of progress with IT prime contractors was disappointing particularly given its identification as a key cluster within

the Haringey City Growth Strategy, and the high number local IT SMEs.

- Given that Haringey Council, as a large purchaser and manager of prime contractors, had difficulty in opening up supply chains to SMEs, Regional Development Agencies, may find problems in managing the supply chains of their suppliers because of a lack of direct contact.
- Rather than focus attention on local and regional levels there may be some merit in engaging with prime contractors on a national level to facilitate greater use of SMEs.

#### 4.4.4 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 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

- A 'streamlined' version of the existing standard Haringey Council PQQ, rewritten in plain English and with various options for officers to use or delete, depending on the nature of the procurement was looked to be implemented widely. But given the devolved nature of procurement, many officers using the PQQ appeared to feel it necessary to add in specialist additional questions, particularly for high risk procurements. The CPU, therefore, looked to develop several templates, for high, medium and low risk contracts.
- There was some reluctance to use the amended PQQ during a procurement process

due to operational reasons (the perceived resource demands of having a two-part first stage to a procurement process) rather than for problems with its design.

#### 4.5 KEY FINDINGS

Taking the three phases of the Haringey SME Procurement Pilot that focused on the BRTF's Recommendations 9 and 11, and the observations made in relation to the report's other recommendations, a number of important findings emerge from the project. The most important centred on the culture of procurement within the Council. This included procurement officers being cautious in engaging with potential suppliers directly, for risk of being accused of offering unfair advantage, and the lack of recognition of potential benefits that SMEs offer the supply chain. There was also a fairly negative view about the capabilities of SMEs, which in part manifested itself in failing to view the tendering process from businesses' perspective. In fact competitive procurement processes appeared to be used less frequently than purchasers believed and relatively few were advertised. Finally, and most worryingly, there was some sense that procurement processes were approached inconsistently, overly complicated, and incomplete.

As the Haringey SME Procurement Pilot project was delivered new issues in relation to SMEs and public procurement became apparent, such as some of the assumptions made about the existing supplier base. As part of the on-going delivery of the project the CPU attempted to address these problems through the development of an internal training programme for officers involved in procurement, and reported aims and objectives at Chief Executive Management Board level to achieve endorsement. The CPU also encouraged buy-in to working with SMEs through regular articles in the Council's Team Brief and other internal publications.

Leaving aside the problems with the procurement culture other findings from the three phases of the Haringey SME Procurement Pilot can be identified. Firstly, the first round of pilot CBCs resulted in a boost to the quality of high scoring bids, but their impact upon the ethos of most bids was limited. A second round of tenders asked specific questions around supply chain management which were scored as part of the main evaluated criteria including ‘ability to deliver’ and ‘quality’. In addition, Haringey Council’s supplier base was found to be diverse and this can be related to many factors, such as a link between equal opportunities in the workforce and the supply chain. That noted, the prime contractors employed in the Council’s supply chains appeared to be less diverse. Nevertheless, the foundation for on-going supplier diversity was in place through the establishment of relevant KPIs, although concerns remained on how to create and measure appropriate ones. Moreover, a strong qualitative case was documented for supplier diversity although there remained a need for a quantitative case to be made on the importance of using SMEs. Finally, differences were apparent between the way that supply chains were managed by the public sector and by private sector prime contractors. This impacted upon diversity in the supply chain, opportunities for SMEs to win work, and the Council’s obligations under the Race Relations (Amendment) Act.

As a backdrop to the above the Regional Centres of Excellence have been established to drive efficiencies forward through two areas of work. The first pivots on good practice in procurement: increasing the number of advertised, competitive procurement processes that take place, and improving the quality of those processes to help deliver better value for money and efficiency savings; and it will also benefit SMEs as it will give them the opportunity to compete for public sector contracts from which they may currently be excluded. Secondly, there is the aggregation of contracts. For example, the London Centre of

Excellence (LCE) has analysed Council spend in the capital and mapped it by risk and value. It then identified where efficiencies may be made, either by joint buying or improving contract and supplier management (see Table 4.1). Given that procurement in some areas, such as construction, IT and temporary staff, fall into the ‘strategic’ and ‘leverage’ parts of the table, SMEs working in these sectors will clearly be affected by joint working by the boroughs, although exactly how is unclear. Interestingly, the LCE has also found that 900 large suppliers account for 90% of spend in London. Therefore, if aggregation work is encouraged here the impact on SMEs may be relatively limited.

**Table 4.1: Risk and value assessment**

<b>Risk</b> ↑	<b>Bottleneck (24%)</b> Ensure supplies e.g. specialist care provision, interpreters, specialist goods and services	<b>Strategic (46%)</b> Contract/supplier management e.g. outsourcing, house provision, waste management, works
	<b>Routine (7%)</b> Minimum attention e.g. stationery, courier services, printing, cleaning materials	<b>Leverage (22%)</b> Drive for savings e.g. IT, vehicles, utilities, advertising, temporary staff
	→ <b>Value</b>	

### 4.6 SUMMARY

Major findings and contextual features that help frame the Haringey SME Procurement Pilot project have been described in this chapter. For instance, the ability to accommodate CBCs within the existing legislative framework and some of the problems with the procurement process are clear. In fact, there is a sense that if used properly they could ensure that public sector procurement actually contributes to improving communities.

Understandably other issues - sector specificity and the changing nature of Haringey's business base, for instance - have been neglected. The point to note is that the factors described here will determine the ability of SMEs to benefit from opportunities as well as influence the type of support they may need to adapt to changes in public procurement. Underpinning the work of the Haringey SME Procurement Pilot project has been the need to 'level the playing field' for SMEs and their ability to bid for public sector work. Although in this chapter some reference to the range of BRTF recommendations has been made, in Chapter 5 the data gathered from the e-survey are presented and reviewed in light of Recommendations 9 and 11 of the BRTF report.

## 5.1 OVERVIEW

The summary of findings from the Haringey SME Procurement Pilot reports provided useful insight into the realities of the SME and public procurement agenda. But it is important to note that the Haringey SME Procurement Pilot project emerged in response to the BRTF and SBS report 'Government, Supporter and Customer?' and, in particular, two recommendations (see Section 4.1):

- Recommendation 9 - Ensuring value for money when using prime contractors while encouraging them to subcontract to SMEs; and
- Recommendation 11 - Establishing an SME agenda in local authority procurement strategies.

One of the main aims of the project was to identify and assess existing practice, draw conclusions, and take action. Unlike the Trade Local project, because of the developmental nature of the Haringey SME Procurement Pilot it did not have any specific target outputs. Put differently, the data and findings outlined in Chapter 4 are part of this evaluation. Nevertheless, it was considered important to re-assess the project activities in light of the two BRTF recommendations that framed it.

Mirroring the approach adopted for the evaluation of the Trade Local project an e-survey of people involved in procurement in Haringey was undertaken. Executed over the 14-24 February 2005 period the survey had three main parts: the first identified procurement practices; the second examined policy issues relevant for purchasing officers; and the final section made reference to the wider SME agenda (see Appendix for copy of e-survey). The survey was piloted with members of the CPU and consisted of both open

and closed questions. Although the e-survey was not structured specifically around the BRTF recommendations, these themes underpinned the survey.

Responses were encouraged in confidence and thirty five completed surveys were returned, of which twenty three were completed by people directly involved in the purchasing of goods and services. Interestingly, only 12 percent of the participants had heard of the Haringey SME Procurement Pilot project and all said it had no impact or they did not know of the consequences of the project for their work. Although this is a low percentage it is important to recognise that the Haringey SME Procurement Pilot project aimed to influence the development of subsequent work.

## 5.2 RECOMMENDATION 9

An obvious starting point for Recommendation 9 was identifying the different methods of procurement employed by the people surveyed. The vast majority (96 percent) used Council approved lists, followed by seeking quotations (61 percent), and Council framework agreements (52 percent). Just over a quarter (26 percent) followed the tendering process and only one person used contracts established outside of Haringey. Interestingly for SMEs, only a third of the people surveyed publicly advertised their tenders or procurement opportunities (see Table 5.1). Worryingly, nobody had past on any opportunities to the Trade Local project and only 13 percent of people had used the Trade Local database of suppliers, although none had placed any business with them. Not surprisingly, none of the people surveyed had used CBCs to promote the use of SMEs in Haringey Council's supply chain

**Table 5.1: Do you publicly advertise your tenders and other procurement processes to businesses?**

Yes, always	-
Yes, sometimes	30%
Generally, no	35%
Never	35%

Given this apparent reluctance to openly advertise opportunities and work with the Trade Local project the obvious question to consider was the use of prime contractors to encourage more SME involvement. The majority of people surveyed did not know whether using prime contractors was an effective means of working with SMEs (see Table 5.2), although for those that did offer a response the majority felt that it was an effective means of engagement.

**Table 5.2: Working with prime contractors to support SMEs is more effective than working directly with SME suppliers to achieve supplier diversity in the supply chain**

Strongly agree	4%
Agree	11%
Disagree	7%
Strongly disagree	7%
Don't know	71%

In addition to the proposed use of prime contractors to encourage SME involvement in public sector supply chains, e-procurement has been suggested as a useful tool to encourage greater engagement and transparency in the procurement process. From the survey there was no clear indication of whether e-procurement would have a positive impact; in fact from the results opinion was split on the impact e-

procurement would have on SMEs (see Table 5.3). Those people that did feel it would have a positive impact generally cited its potential for advertising opportunities more widely.

**Table 5.3: The use of e-procurement will have a positive impact on promoting the use of SMEs in the public sector**

Strongly agree	7%
Agree	40%
Disagree	46%
Strongly disagree	7%

### 5.3 RECOMMENDATION 11

Despite the fact that the Haringey SME Procurement Pilot project had been in place since August 2003, its impact on Haringey Council procurement processes appeared fairly limited. This is not surprising as the main aim of the project has been to identify areas of development and make recommendations for the future rather than change current practice.

Given the mixed picture of the use of SMEs in Haringey highlighted in Section 5.2, Recommendation 11 - Establishing an SME agenda in local authority procurement strategies - is understandably critical. The SME agenda is part of a wider agenda for local authorities in terms of promoting economic development. The vast majority of people surveyed (88 percent) believed that local authorities had a duty to promote economic development through procurement, and that it offered an important development tool (see Table 5.4).

**Table 5.4: How important is procurement for promoting economic development?**

Very important	24%
Important	69%
Not important	-
Not at all important	-
Don't know	7%

Given this clear consensus on the duty of local authorities to promote economic development through procurement, the majority of people surveyed (87 percent) said it was important to use procurement to promote SMEs. Why exactly SMEs should be promoted was unclear from the survey – over half the respondents did not know whether there was a strong business case to using SMEs as suppliers in the public sector (see Table 5.5).

**Table 5.5: There is a strong business case to using SMEs as suppliers in the public sector**

Strongly agree	6%
Agree	39%
Disagree	-
Strongly disagree	-
Don't know	55%

Mindful of this, it was interesting to examine whether the respondents felt there were barriers to using SMEs in the public sector. Mirroring the response rate on the absence of a business case, the majority of people surveyed (62 percent) did not know whether there were any barriers (see Table 5.6), although nearly a quarter of people did feel there were barriers.

**Table 5.6: There are barriers to using SME suppliers in the public sector**

Strongly agree	6%
Agree	16%
Disagree	13%
Strongly disagree	3%
Don't know	62%

One of the main barriers often cited for this active promotion of SMEs is the legal framework. Reflecting some of the findings outlined in Chapter 4, 80 percent of respondents did not know whether there were any legal constraints to encouraging the use of SMEs (see Table 5.7).

**Table 5.7: Do you believe there are any legal constraints (National/European) to promoting SMEs and supplier diversity in procurement?**

Strongly agree	3%
Agree	7%
Disagree	10%
Strongly disagree	-
Don't know	80%

Another suggested barrier to using SMEs has been the on-going restructuring of public procurement brought about by the Gershon review and the need for greater efficiencies in procurement. But only a third of people surveyed had heard of the Gershon review, although those that had heard of it cited the efficiency savings as its most important feature.

However, the lack of engagement and thought into working with SMEs is fairly consistent; for example, despite the Trade Local project, none of the people surveyed said they were working with initiatives to support SMEs. More positively, a

**Table 5.8: Encouraging supplier diversity**

Accredited list for suppliers	49%
Appoint dedicated supplier diversity procurement staff	13%
Create baseline data and set targets	13%
Developing a procurement policy for SMEs	24%
Development of Trade Local website	36%
Development of guidance for purchasers	38%
Meet the buyer events	18%
Monitoring of suppliers' success/failure in tendering	22%
Packaging of tenders	11%
Piloting of social or community benefit clauses	16%
Review procurement process	31%
Selling to the Council website	13%
Simplification of PQQs	11%
Training of purchasing officers	27%
Training of suppliers	22%
Transparency in supply chains and use of sub-contracting	11%
Working with prime contractors	9%

number of suggested means by which working with SMEs were cited (see Table 5.8).

Despite a possible lack of understanding of the role of SMEs in public sector supply chains the recognition of the need to encourage supplier diversity was encouraging. The most popular suggestion was the creation of an accredited list of suppliers (49 percent) followed by the development of guidance for purchasers (38 percent), and development of the Trade Local website (36 percent). Around a third of people surveyed believed that the procurement process had to be reviewed and purchasing officers needed to be trained. In contrast, only a fifth of people surveyed felt that suppliers had to be supported. Given some of the activities undertaken by the Haringey SME Procurement Pilot project a minority of people (16 percent) felt that it was important to pilot CBCs, create baseline data (13 percent), and work with prime contractors (9 percent). In light of the pattern of not knowing about the Haringey SME

Procurement Pilot project and to a limited extent the Trade Local project, it is not surprising that these figures are low.

## 5.4 EMERGING THEMES

From Sections 5.2 and 5.3 a number of observations in relation to the BRTF recommendations can be made. One feature of these data has been to highlight a mixed picture of understanding on the part of the demand-side of the issues linked to the promotion of SMEs through public procurement. Although these data have not been corroborated through interviews with procurement managers and officers it is useful to cross-reference some of these findings with the data and findings outlined in the Phase I-III reports published earlier (see Chapter 4). On the basis of the assessment of data six general observations can be made relevant for this evaluation. Firstly, procurement officers lack in-depth understanding of the relevance of SMEs in public procurement. Despite demonstrating some

theoretical commitment to them, the overall picture from the evaluation of how demand-side actors understand and deal with SMEs points to a limited view. Given the amount of information disseminated on SMEs through the Trade Local and Haringey SME Procurement Pilot projects, the data highlight deficiencies in current methods of enhancing understanding and knowledge in this area.

Second, the lack of understanding of procurement officers has manifested itself acutely in terms of the use of (or lack of) CBCs and the more general appreciation of the legal framework within which support to SMEs is promoted.

Third, leaving aside the absence of a robust business case, the culture of procurement in the public sector acts as a barrier to working with SMEs. A range of issues highlighting problems with the procurement culture, such as the limited use of competitive procurement processes and the inadequate monitoring of contracts. In addition, there remained a lack of information which resulted in few concrete opportunities for SMEs to compete for work. Despite these barriers SMEs were seen to be a significant part of the supply chain, although the existence of equal opportunities policy, legislation and practice, did not appear to enhance an appreciation for supplier diversity among procurement staff.

Fourth, the business case for supporting SMEs through procurement is unclear. Although certain aspects of the debate are frequently mentioned - SMEs have the potential to offer a more responsive service and greater quality and flexibility of products and services than can some larger organisations; SMEs comprise 99 percent of business in the UK and this supporting business will support the national economy; and for-profit organisations suggest their supplier base should reflect their customer base - many of these claims have yet to be substantiated.

Fifth, there remains ambiguity on the precise role prime contractors can play in supporting SMEs. Although part of the rationale for the Haringey SME Procurement Pilot project centred on a recognition that many public sector opportunities are too big for SMEs and, therefore, opportunities needed to be identified down the supply chain, the effectiveness of using prime contractors remains open to question.

Finally, given that e-procurement and the Gershon review have been identified as major drivers of change within public sector procurement, the data point to emerging tensions for SMEs in terms of accessing opportunities and learning to deal with change. Nonetheless, some consensus can be identified from the data that the push for efficiency savings will have a negative impact on SMEs, although it is possible for effective procurement practices and supporting SMEs to be aligned through support and training to procurement professionals.

Haringey Council is well placed to meet the challenge of promoting SMEs. But there will be differences of growth in various sub-sectors, and the use of SMEs within supply chains will have both social and spatial dimensions. It is important to emphasise that these observations together do not necessarily reflect any problems in delivering the Haringey SME Procurement Pilot project; instead they are more a reflection on the complexity of issues, which were perhaps underestimated at the beginning of the project. Nevertheless, an underlying assumption here is that there are development opportunities for some SMEs within public sector procurement, although a number of supply- and demand-side tensions exist.

## 5.5 SUMMARY

The central concern of the Haringey SME Procurement Pilot project has been to assess the potential for working with SMEs from the demand-side of the supply chain. This chapter has explored a range of data drawn from an e-survey and the original findings from the Phase I-III project reports. Despite limitations with the data a number of important findings from the evaluation can be identified, such as the existence of major barriers in the procurement process and a questioning of the potential of working with prime contractors to encourage greater use of SMEs. Mindful of these findings it is useful to look at the overall management of the Trade Local and Haringey SME Procurement Pilot projects – the subject of the next chapter.

## 6.1 OVERVIEW

Given the mixed picture emerging with aspects of the Trade Local and Haringey SME Procurement Pilot projects it is useful to consider some of the management issues relevant for this report. Both projects were led and managed by Haringey's CPU; Trade Local, in addition, was supported by a partnership of regeneration, procurement and business support specialists from Enfield Council, Fit to Supply, and Middlesex University. Lessons for both projects can be combined for ease of explication.

## 6.2 PROJECT DEVELOPMENT

Both projects were driven by a clear need to address particular issues. For the Trade Local project the rationale was based around the importance of SMEs in the Upper Lee Valley and the assumption that they were under-represented on the approved supplier lists of major public purchasing organisations. Moreover, as one of the project partners described:

*'...we felt that it was important to look at procurement as a tool for regeneration...we have spent a lot of money on economic development and yet the amount that is spent by the council is huge.'*

Unlike the Trade Local project the rationale for the Haringey SME Procurement Pilot emerged out of policy thinking at the time:

*'There was much discussion around the need to work with SMEs following the Better Regulation [BRTF] report...We had done work with them before with our Local Works project and we were an obvious place to start.'*

Haringey Council, then, was able to submit a proposal to the SBS on looking at how local authorities could support SMEs, and had the added bonus of including the experience and lessons from the Trade Local project.

One of the major drivers behind the Trade Local project was ensuring that a diverse range of partners participated that worked on both the supply- and demand-sides of public procurement. In particular, a major feature of the project was the need to engage people responsible for procurement which led to the project being led by the CPU. It was also recognised as important to have input from economic development specialists as one partner described:

*'We knew it was important to have procurement officers involved in the project but at the same time we had to maintain interest from regeneration people and people who work with SMEs and BME businesses.'*

Underlying the development of the project was the need to improve the standing of the local authorities with the business community. As one of the project partners said:

*'Engaging with SMEs, especially with BME ones, in the Objective 2 areas...that has been the main success...We have also raised the profile of the [Haringey] Council...actually improved its profile or image with local businesses'*

## 6.3 PROJECT DELIVERY

Both the Trade Local and Haringey SME Procurement Pilot projects were managed by a Project Manager and Co-ordinator based at the CPU. The Trade Local project was also supported by a steering group consisting of representatives of all the project partners, which met monthly. Together they were responsible for management,

monitoring, evaluation and quality assurance.

Interviews with the steering group members revealed that management (both day-to-day and strategic) was a strength of the Trade Local project. Interestingly, one steering group member felt:

*'...despite some of the difficulties we have faced without the strong leadership of [Project Manager] we would not have achieved half of the things we did. At no point was I worried about the project delivering its outputs.'*

The management of the Haringey SME Procurement Pilot project was different and was more centrally organised as much of the work was based around research. Nonetheless, a loose form of reporting was adopted with the SBS; the SBS subsequently disseminated findings to a wider group of stakeholders, including the Treasury and the Office of the Deputy Prime Minister (ODPM). Interestingly, unlike the West Midlands Pilot, which was effectively managed and delivered by the OGC, the Haringey SME Procurement Pilot project was both developed and delivered in-house by Haringey Council.

Apart from the slight delay in actually getting approval from GOL none of the partners or project management staff highlighted major areas of concern with the delivery of the Trade Local project. Illustrative of this was the recruitment of a team of people to undertake the specialist procurement diagnostics as one person noted:

*'The project has gone smoothly...more smoothly than most business support projects. For example, when we were looking to recruit specialists to do the diagnostics we did a tendering process, selected a number of potential organisations, and then employed them...all I understand within budget and on-time.'*

In a similar vein, the recruitment of the project deliverer for the Haringey SME Procurement Pilot project was reasonably smooth. Unlike the Trade Local project two rather different skills were required (legal and research). Both of these skills were tendered for and suitably qualified organisations selected.

## 6.4 PROMOTION AND MARKETING

The Trade Local project developed a mix of techniques to market the project to businesses. The selection of the project name was considered as crucial as one person noted:

*'The use of the brand Trade Local was a major success...everybody knows about Trade Local even if they don't know too much about the project.'*

Notwithstanding the mixed success of the website (see Section 3.5) two additional means to recruit businesses were employed. The first was through newspapers and fliers as two businesses explained how they heard about the project:

*'From a leaflet...we are already on the council's approved list. I'm guessing now but is it the council that funds the project?'*

*'I got a leaflet from the council talking about the Trade Local project...a couple of years ago.'*

The second means was through the outreach effort organised mainly by Middlesex University. Several of the businesses interviewed said the following in relation to this:

*'A member of your staff came into my office one day and explained what the project was all about. They convinced us it would be beneficial so we went for it.... No I don't know who funds it.'*

*‘Someone came through the door and told us about the project....Is it the council or some regeneration scheme?’*

*‘We’re based in the industrial estate and someone came through the door and told us about the Trade Local project and we signed up to it. No idea who pays for it ...is it the council?’*

From these comments what was clear was the out-reach methods adopted by the Trade Local project appeared to be the most successful means of recruiting ‘would be winners’ that could benefit from the targeted procurement support. More generally, over 605 businesses were supported through the Trade Local project over the course of the project life (see Section 2.2). Interestingly, despite the obvious success of the project in recruiting businesses only one of the businesses interviewed knew how the project was funded.

The need for a clear marketing strategy for the Trade Local project was evident – the main focus of the project was working with the wider business community covered by the Objective 2 area. In contrast the promotion and marketing of the Haringey SME Procurement Pilot was different. Two main target audiences were identified:

*‘We had to work with both external partners, such as the Treasury, DTI, and SBS. But we also needed to engage with our stakeholders here in the council....because of these two different types of groups sometimes it was difficult to get a consistent message across.’*

By all accounts the promotion of the Haringey SME Procurement Pilot project was driven by agencies on a national level – for instance it frequently was cited by government departments as an example of best practice of working with SMEs. In this respect its profile was high among regional and national agencies. Contrastingly, its

recognition internally was low - only 12 percent of purchasing staff surveyed in Haringey Council had heard of it, in direct contrast to 69 percent of these people having heard of the Trade Local project.

## 6.5 STAKEHOLDERS

The main strengths of the Trade Local project were its geographical coverage (two boroughs) and involvement of public procurement, business support and economic development specialists. By involving a range of partners, the project team was able to draw on the different organisations’ expertise in design and implementation of the project.

There remained different levels of involvement of the steering group members, and maintaining interest and motivation was recognised as challenging for a diverse group. Nevertheless, there was agreement on the ability of the group to work together over the project period. A crucial feature of this was the diverse range of skills that were brought to the project from the project partners:

*‘...we brought together different organisations which had different areas of expertise that all contributed to the project.’*

Most steering group members questioned during the evaluation felt that all necessary stakeholders were involved. But one person did highlight the difficulty in engaging with a wider group of stakeholders:

*‘We tried to work with other buying organisations, like the hospital, but again this turned out to be quite hard.’*

One of the major gaps in the project, then, was the involvement of other purchasers; in fact despite considerable effort to recruit other statutory organisations it was decided that the

best means to identify opportunities for SMEs was to target prime contractors (an aim of the Haringey SME Procurement Pilot project).

There was also felt to be an under-representation of other business support organisations although a full consultation with intermediaries was undertaken at the beginning of the project. But it was subsequently felt that for the steering group to be effective it would have to be kept small:

*'...at the beginning we tried contacting lots of organisations involved in supporting businesses but the interest of these organisations soon came to an end when they realised that funds were not available.'*

In contrast the stakeholder involvement for the Haringey SME Procurement Pilot project was far more straightforward. Leaving aside the low figure for engagement of internal staff, other major stakeholders (prime contractors, regional and national government agencies) were sufficiently engaged with through the course of the project.

## 6.6 MEASURES OF SUCCESS AND IMPROVEMENTS

As highlighted in Section 3.7 the main measure of success for the Trade Local project was increased turnover for target businesses. The original aims of the Trade Local project were ambitious and these needed to be translated into measurable outputs and outcomes. At the heart of this was how success was to be measured by the project partners. In addition to increased turnover, two other measures of success were identified. The first centred on engagement with the business community as one partner described:

*'Look at the attendance of some of the events we had...it was very good. Also some of the businesses that I have spoken to have said that they have benefited from the*

*project. They say they have a better understanding of the contracting process...they even understand some of the red-tape better.'*

The second measure of success involved getting different stakeholders within the purchasing organisations to work together:

*'One of the big things we have achieved is actually getting people within the council from purchasing and regeneration to talk together.'*

These measures of success highlight different dimensions of the Trade Local project. However, it is important to recognise that measuring the effectiveness of any business support project is not static and changes over time, and the key point is how these measures were translated in reality. Notwithstanding the comments made by businesses in terms of the impact of the project on them (see Section 3.6) the partners identified three main achievements:

*'I suppose it was the education of local companies about the procurement process...I also think that the increased trading between companies has also been one of the successes of the project.'*

*'How it has been successful...when I work with people they are always impressed by what we have delivered to them...It has also been a well-run project which has had strong leadership.. Important point is that we have provided practical advice and support rather than offer abstract support which often is no use to businesses.'*

*'We have changed the face of the council both internally and externally. We have a successful website. And we have been successful in delivering the outputs of the project.'*

Mindful of some discrepancies in what has been achieved, several people interviewed discussed changes to the Trade Local project that would be necessary. Although the majority of businesses interviewed could not identify areas of development, those that did highlighted three sets of improvements. The first centred on the availability of opportunities as outlined by a number of businesses:

*'Someone in the council needs to make sure all the opportunities for small building contracts are advertised. We never found out about it. We went to this event at the riverside but we don't want to be subbies to these big contractors.'*

*'The buck stops with the local authorities. They give all their IT contracts to large companies like [name of prime contractor]. We don't want sub-contracting opportunities...forget it...as these companies will basically murder us with the margins...I think it's easy to say that once we're a sub-contractor to a council we can bid directly but I don't think this is true as you can see a move towards using larger companies....We have been talking about giving work to small companies for years...maybe a contract for cleaning but certainly not in IT.'*

The second point was a need for more links with buyers and purchasers as one business interviewed noted:

*'I'd like some of these buyers to get back to us...that would be a start...or is that too much to ask?'*

A third area of improvement highlighted in the interviews with businesses pivoted on the sector specificity of the Trade Local project. Typically, the following was said in relation to this:

*'The way you can improve the project...it mainly targets large jobs. I think there needs to be more networking between the businesses...I also think that there is not enough attention on creative industries and sole traders and whether this is really relevant for public sector. How might we work together to win contracts?'*

In addition to these areas of improvement the partners mentioned two additional areas that needed consideration:

*'Address the restriction to Objective 2 areas as many of the businesses outside of the region have the same problems. And look at the simplification of the procurement process.'*

*'Haringey has obviously benefited from their involvement in the project....Enfield has a different procurement process and I'd want that to be understood before a project such as this is initiated.'*

The measures of success and areas of improvement for the Trade Local project are clearly connected – the need to increase turnover of target businesses is linked to the availability of opportunities afforded to them. However, the Haringey SME Procurement Pilot project had less clearly defined measures:

*'...we really didn't know where we were starting from so it was difficult to come up with measures of success for the project...for instance we had no idea about our supplier base so in a sense we thought that having objectives would be meaningless....The aim now will be to establish measures when it is rolled out.'*

Linked to specific deliverables from the outset. These included the creation of benchmarking data, KPIs and a Procurement Pilot Toolkit (see

Appendix). But given the developmental nature of the Haringey SME Procurement Pilot project it was difficult to identify precise areas of improvement as it would not be repeated again. That noted, there was a sense from the project management team that greater time was required to embed some of the lessons, and a more iterative approach needed to be adopted whereby findings from the research could be linked into on-going procurement practices.

## 6.7 SUMMARY

The data and findings reported in this chapter portray a positive picture of how both the Trade Local and Haringey SME Procurement Pilot projects have been managed. Although much of the data refers to the Trade Local project a number of points come out of the chapter central to our understanding of how procurement and business support projects can be developed and managed. For example, the findings show concrete measures of success, such as increased turnover, may be difficult to demonstrate regardless of whether a project has been successful. Moreover, the need to engage with a range of stakeholders from the outset is crucial. There is also a sense of a need for more iterative processes to be adopted in business and procurement support projects to aid on-going development and delivery. The important point to emphasise is that working on either supply- or demand-sides of the procurement process will have limited results; instead intervention throughout the supply chain needs to be encouraged. The positive views on how both projects were developed and managed appear to outweigh negative effects, such as the difficulty in managing expectations of businesses. Understandably, the reason for examining management issues is to explore the role of the public sector to address these challenges. These are covered in the next chapter.

## 7.1 ANALYTICAL ISSUES

Although there are possible contradictory images and expectations attached to aspects of the Trade Local and Haringey SME Procurement Pilot projects there is clearly considerable scope for public intervention in relation to developing SMEs and public procurement. Four broad analytical issues are usefully identified from the previous chapters:

- There are many fragmented layers, spaces and stakeholders involved in developing procurement opportunities in the public sector, which may be masked by a simple supply- and demand-side assessment;
- Much of the existing debate surrounding supplier diversity is seemingly ad hoc and fragmented and may not reflect accurately the realities of what is happening in public procurement;
- Public procurement highlights the importance of supply chains in regional economic development and regeneration; and
- Public-private relations are being redefined and there is a need to strengthen different interests involved in developing procurement opportunities and the delivery of goods and services.

These analytical issues point to a rich field for further work (see Chapter 8). But the fundamental aim here is to make recommendations. A number of interrelated recommendations, according to five stakeholder groups, are outlined below.

## 7.2 FOR PROCUREMENT MANAGERS AND OFFICERS

- All public sector procurement processes should utilise competitive procurement processes and these should be advertised, such as on 'Selling to the Council' sections of local authority websites. This will help public bodies secure value for money and facilitate SMEs' access to public procurement opportunities. Procurement opportunities must also be more widely advertised to ensure that SMEs have an equal chance to compete for contracts.
- Advertised, competitive procurement processes which help achieve value for money and meet the efficiency review agenda are welcomed by most businesses. Therefore, the possible alignment of value for money and promoting the SME agendas must be recognised and promoted.
- During all procurement processes, the link between procurement and delivery of the local Community Strategy (for local authorities) must be recognised, and benefits maximised through appropriate use of CBCs and advertising of procurement opportunities. Any cynicism about using small contractors needs to be counteracted by highlighting the relevance of promoting the local economy.
- Officers involved in procurement, at all levels of an organisation, should be offered appropriate training and support in order for them to undertake procurement with confidence. Dedicated training on the use of CBCs for procurement staff should be initiated at a regional level, such as through the Centres of Excellence.
- Recognition should be given to the fact that

the EU Public Procurement Directives are designed to ensure transparency and non-discrimination in public sector procurement. Procurers must ensure that the procurement processes they use to implement the directives are appropriate and do not risk running counter to these objectives.

- The simplification of the tendering process and submission of PQQs must be considered by public sector organisations, and procurement processes must be streamlined across organisations.
- The procurement strategy and activity of a public sector organisation should cross-cut with the work of other departments that are aimed at creating benefits for businesses and communities, such as through Section 106 planning agreements for local authorities.
- Purchasers should work closely with business support agencies to ensure that local opportunities are widely advertised to SMEs. Greater involvement and understanding of local business support agencies and initiatives should be encouraged across major purchasing departments. Purchasers involved in the design and visioning of public procurement opportunities need to work more closely with businesses and economic development functions to establish clear targets.
- Procurement officers must appreciate that the winning of a long-term contract may be more beneficial to the growth of a business than winning a place as part of a framework agreement or approved list. This should be recognised when considering appropriate contractual solutions to a procurement requirement.
- The use of prime contractors to provide opportunities to SMEs must not lead to direct contracting opportunities for SMEs being lost. Information about prime contractors should be shared with SMEs so they can seek opportunities, although the former should be shielded from time consuming and inappropriate cold calls.
- When packaging contracts, consideration should be given to making the contract accessible to as wide a variety of potential suppliers as possible. For example, large contracts could be advertised and let as lots. Contracts should not, however, be disaggregated.
- The impact on the entire supply chain must be considered when public bodies are outsourcing service delivery. Some consideration needs to be given to the lifecycle of public procurement and whether SMEs can be brought in at different stages of delivery.
- New technology, such as e-procurement, must be used more effectively to increase engagement of businesses, but not necessarily at the expense of SMEs. Therefore, e-procurement strategies should offer flexibility to accommodate the development of SMEs.
- A review of the use and relevance of approved supplier lists in public purchasers and their benefits for SMEs must be undertaken. Purchasers should detail the benefits and costs of working for the public sector, and provide realistic assessments of what and where SMEs can secure work.

### **7.3 FOR SMES**

- Businesses' expectations must be heavily circumscribed and contract opportunities offered by the public sector must not be assumed as easily secured. SMEs must also be clear about the distinction between local authority and other public sector procurement opportunities, such as transport and housing associations.
- Some businesses, such as in the IT sector, may not easily fit into public sector supply chains as tier 1 suppliers, and they should seek opportunities to sell to prime contractors or alternative business opportunities. If sub-contracting is used to provide resources and material to support projects, new developments from good partnering projects should be acknowledged and applied.
- To maximise public procurement opportunities, SMEs should seek support from business support agencies, although they must supplement this with their own business development.
- If businesses are to adapt to ever changing demands of public sector clients, the most significant skill gaps in their businesses need to be tackled and any assumptions that the public sector are not quality sensitive dispelled. Training in 'soft' skills, such as self-confidence, presentation making and risk-taking may complement the existing scope of training on 'hard' technical skills, such as completing a PQQ.
- Despite reservations about joint working, collaborative partnering arrangements between companies should be explored, and an 'open book' methodology employed between partnering SMEs when bidding for contracts.

### **7.4 FOR PRIME CONTRACTORS**

- Prime contractors should evaluate their supply chains objectively, and consider the diversity within them. In particular, they should be open to approaches from new potential suppliers, and consider them fairly and objectively.
- Prime contractors should actively work to expand their business networks in order for them to come into contract with a more diverse range of potential suppliers and, by extension, new sources of innovation to help meet their clients' needs.
- When working with local authorities, prime contractors should consider how they can help deliver the Community Strategy, as well as the particular service they are contracted to deliver.

### **7.5 FOR ECONOMIC DEVELOPMENT PRACTITIONERS**

- Opportunities to promote the lessons from the Trade Local and Haringey SME Procurement Pilot projects must be exploited, and support to capacity build purchasing organisations provided through joint dissemination and delivery activities.
- A balance between raising and containing expectations of SMEs of the public procurement market must be ensured. In particular, there must be some recognition of the limited opportunities for start-up companies and the need to segment the SME market to identify 'would be winners'.
- The limitations of opening up public sector supply chains must be recognised as a means of regenerating local economies, and some of

the assumptions about how promoting local business encourages best value qualified. Dedicated procurement support needs to be included in more general business support activities with links to existing initiatives, such as City Growth Strategies, developed.

- There is a need to support businesses throughout the procurement supply chain and promote the local sourcing of labour and skills among prime contractors. Whilst there appears to be resistance among SMEs to consortia bidding, forms of collaborative partnering involving the design, planning and costing of projects should be explored.
- Sector specific ‘meet the buyer’ events, such as in the creative industries, should continue to be developed to ensure that the supply- and demand-sides in the supply chain understand each other and work together.
- Good practice among companies needs to be disseminated more widely, perhaps through networking events, and improvements in companies’ performance need to be measured in light of receiving business support.
- Sector specific features, such as sub-contracting in the construction industry, need to be taken into account when looking at using public procurement as a means of economic development.
- A wide range of stakeholders that have good relationships with businesses, such as purchasing and business intermediary organisations, should be employed to publicise procurement market opportunities. In particular, stakeholders, such as banks and accountants, should be used to identify ‘would be winners’ for targeted procurement support.

- Better co-ordination of information and best practice about public procurement and SMEs is required to avoid the duplication of information and ensure relevance for both purchasers and businesses.

## 7.6 FOR POLICY MAKERS

- EU Public Procurement Directives need to be better explained to stakeholders so that the legal framework that structures the discussion on SME and public procurement is better understood. On both local and national levels the strategic and legal links between public sector procurement and delivery of local Community Strategies must be recognised and the benefits maximised.
- Blanket assessments of how public procurement opportunities can be used to meet both the social exclusion and competitiveness agendas must be avoided, and the complexity of the relationships recognised and investigated.
- All public sector organisations should sign up to, and adopt, all good practice recommended in the ODPM’s Small Business Friendly Concordat.
- Improvements to public procurement monitoring and management procedures need to be initiated and procurement viewed from a strategic rather than operational perspective within organisations.
- Opportunities to publicise procurement opportunities, such as through the national portal, must not be treated as a technological solution. Complementary support to procurement staff must be provided so that practical changes can be achieved in the procurement process.

- The quantitative business case for supply chain diversity must be better investigated and understood, taking into consideration, inter alia, business location relative to purchaser, ethnicity/gender/disability status of business, and general market conditions facing SMEs.
- The range of business issues related to diversity, including equal opportunities in the workforce, must be considered when looking at opening up supply chains. In particular, the need to look at examples of best practice from the corporate world and the move away from focusing mainly on suppliers should be encouraged by policy makers.
- The potential tension between the need for efficiency savings and encouraging SMEs needs to be recognised and clarity on the policy aims and drivers behind them made.
- Regional Centres of Excellence should consider the impact of their work on SMEs, given the effects sudden change in trading relationships may have on wider communities.

Taken together, these recommendations hold out some promise for improving procurement opportunities for SMEs. Whilst too early to make a definitive judgement about any concrete differences made by the two projects this report does suggest that with active intervention businesses can be used as a major resource for public purchasers.

## 7.7 SUMMARY

This chapter has highlighted a number of analytical issues that underpin much of the data from the assessment of the Trade Local and Haringey SME Procurement Pilot projects. It also presents a series of recommendations according to five stakeholder groups. Many of the recommenda-

tions cross-cut and intersect - for instance, the need to manage expectations of SMEs of their ability to deliver contracts for the public sector needs to be assessed in light of policy makers and economic development practitioners desire to promote local economic development. What is clear is that for concrete measures of success to accrue, procurement practice must change. Moreover, there remains a need for a more robust business case for supplier diversity in the public sector. Echoing themes in Chapter 6, then, the positive views on how the public procurement and SME agendas can be promoted together outweigh negative effects; that is, the objectives of improving efficiency in public procurement processes and supporting SMEs can be aligned. But this chapter has highlighted the need to work with both supply- and demand-sides of the supply chain and the need to avoid intervention that focuses simply on suppliers. In the last chapter some suggestions on how the specific types of public intervention can go forward are discussed.



## 8.1 CHALLENGES

Promoting the creation and smooth functioning of interfaces between SMEs, business support provision, and procurement opportunities is of a high priority. A dynamic economy is characterised by its capacity to generate new activities in existing companies but also through the creation of new businesses and work practices. The creation of a favourable procurement environment for SMEs is called for, although improving linkages between purchasing organisations and SMEs is needed. In a general sense further support for the development of targeted business support remains relevant.

Many of the recommendations outlined in Chapter 7 intersect with each other. In a practical sense, however, given the changing face of public procurement what is unclear is who should take responsibility for some of these activities to drive the SME and public procurement agenda forward. Drawing from the experience of the Trade Local and Haringey SME Procurement Pilot projects in the medium-long term SMEs will face a number of challenges relevant to public procurement:

- The continual need for greater efficiencies in public procurement will pressurise purchasing organisations to outsource;
- New legislation in the UK, such as the Race Relations (Amendment) and Freedom of Information Acts, offer an opportunity to encourage greater transparency in public procurement;
- Restructuring of key sectors, such as construction and transport, with the dual movements of localisation and globalisation affect the areas businesses work in;
- The transfer of new technologies and techniques encouraging new production

systems and methods by which procurement is managed, such as through information and communication technology (ICT);

- The introduction of new (European) legislation covering procurement, employment conditions for employees, and awareness of the environment, is leading to the need for more sustainable procurement to be encouraged;
- The importance of diversity as a driver in both society and the economy and how this is quantified;
- Despite the desire to promote supplier diversity in public sector supply chains there needs to be some recognition of the differences among and between BME and women-owned businesses, and the impact this will have on supply chains; and
- New contracting procedures and opportunities, such as prime contracting, public finance initiatives (PFIs) and partnerships, will impact upon the position of SMEs in supply chains.

The implication of these different challenges is neither clear nor simple. Nevertheless, these observations put procurement into perspective.

## 8.2 FUTURE INTERVENTION

This report had the objective of identifying and assesses a series of challenges and opportunities for SMEs in public procurement. Based on the evaluation and review of the Trade Local and Haringey SME Procurement Pilot projects further development work needs to be undertaken in the following:

- Examining specific sub-sectors of public procurement markets and their role in local



economic development;

- Ex post evaluations of the precise actual impact of procurement projects on the business community, particularly SMEs, and the labour market must be considered;
- There is a specific need to understand the link between public procurement needs and the development of local businesses in the overall dynamics of regional economic development;
- More work on the temporal dimension to public purchasing is needed, especially linked to the sustainability of local economies;
- Specific intervention related research is needed looking at the effectiveness of business support for public procurement and how it can be maximised by SMEs; and
- A critical review of business support methods and how impacts are measured across central and local government policy departments must be undertaken.

This brief presentation is not exhaustive. But it points to the need to take a step back from focusing on some of the particularities of the evaluation data and findings associated with the Trade Local and Haringey SME Procurement Pilot projects and instead to develop and test new intervention methods.

Opportunities to take forward some of the developments noted above exist – for instance through the Centres of Excellence, and the new national SBS ‘Supplying Government’ portal. But these need to be supported by on-going and systematic assessments of SME development and delivery in the UK economy. In sum, this report gives practitioners and policy makers a guide for action in the area of public procurement and SMEs; that is, the development and sustainability

of SMEs can be linked to the public sector’s ‘procurement futures’.



## Appendix

**This Appendix has a copy of the e-survey and interview templates used to gather data, an outline of the activities delivered under the Trade Local project, and brief outlines of the workbooks and the forthcoming Procurement Pilot Toolkit.**

## **Trade Local and Haringey SME procurement pilot: e-survey of procurement staff**

Haringey Council is conducting this e-survey to gather data on the effectiveness of the Trade Local and SME procurement pilot projects. These projects aim to assess the opportunities to increase the use of small and medium sized enterprises (SMEs) as suppliers to the public sector.

This e-survey is **in confidence** and data and comments will not be attributable to individuals.

**If you have any questions about the e-survey contact:  
Jean Coleman/Liz Holford on 020 8489 2136**

<b>Instructions for electronic use</b>	<ul style="list-style-type: none"> <li>▪ The e-survey should take no more than 15 minutes to complete</li> <li>▪ Please use the cursor ('space' for tick) or the mouse ('right mouse button' for tick)</li> <li>▪ Tick one box on each line corresponding to your chosen response</li> <li>▪ Add text where necessary for some of the answers</li> <li>▪ Please don't change the settings of this form while completing the e-survey as this may lead to a loss of data</li> <li>▪ When completed, please save the questionnaire and forward it via e-mail to <a href="mailto:jean.coleman@haringey.gov.uk">jean.coleman@haringey.gov.uk</a>. Please do not use the 'reply' button.</li> <li>▪ The deadline for completed e-surveys to be returned is <b>Monday 21<sup>st</sup> February 2005</b></li> </ul>
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### SECTION 1: PROCUREMENT

**1. Are you involved in procurement or the buying of goods or services?**

Yes   
No

If No, go to **SECTION 2**

**2. If Yes, what is your area of procurement? (Please describe)**

3. What methods of procurement do you use? (Please tick as many)

Use Council approved lists   
 Use Council framework agreements and/or corporate contracts   
 Seek quotations   
 Follow tender processes   
 Use contracts established by other organisations (OGC, LCSG)

**4. Do you publicly advertise your tenders and other procurement processes to businesses?**

Yes, always	Yes, sometimes	Generally, no	Never
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**5. Have you shared any procurement opportunities with Trade Local, so that they can be passed on to local businesses?**

Yes   
No

If Yes, do you think Trade Local provided 'added value' to your process?

Yes   
No

**6. If you do advertise your procurement processes, where do you advertise? (Please tick as many)**

Official Journal of the European Union (OJEU)   
 Local Press   
 Specialist publications

**7. Have you used the Trade Local Database?**

Yes   
No

If Yes, have you placed business with any company that you contacted from it?

Yes   
No

**8. Have you ever knowingly used Community Benefit Clauses (CBCs) in tender and contract documentation?**

Yes   
No

If Yes, how effective have these CBCs been?

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If Yes, did the Corporate Procurement Unit support you with this?

Yes   
No

**NOW GO TO SECTION 2**

### SECTION 2: POLICY & PRACTICE

1. Do you believe that local authorities have a duty to promote economic development through procurement?

Yes   
No

If Yes, how important is procurement for promoting economic development?

Very important	Important	Not important	Not at all important	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Have you heard of the Gershon review?

Yes   
No

If Yes, what do you think it is about? (Please describe)

3. Do you believe there are any legal constraints (National/European) to promoting SMEs and supplier diversity in procurement?

Strongly agree	Agree	Disagree	Strongly disagree	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Have you heard of Trade Local?

Yes   
No

If Yes, what has been its impact on your work?

Significant impact	Some impact	Slight impact	No impact	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If Yes, how did it impact on your work? (Please describe)



## Appendix

5. Have you heard of the Haringey SME Procurement Pilot?

Yes   
No

If Yes what has been its impact on your work?

Significant impact	Some impact	Slight impact	No impact	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**NOW GO TO SECTION 3**

### SECTION 3: SUPPLIERS

1. There is a strong business case to using SMEs as suppliers in the public sector

Strongly agree	Agree	Disagree	Strongly disagree	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. There are barriers to using SME suppliers in the public sector

Strongly agree	Agree	Disagree	Strongly disagree	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Are you working on any initiatives to support SME suppliers?

Yes   
No

If Yes, what are these activities? (Please describe)

If Yes, how effective have these activities been?

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Should the use of SMEs as suppliers be actively promoted through public procurement?

Yes   
No

If Yes, what type of support should public authorities promote? (Tick as many)

- Accredited list for suppliers
- Appoint dedicated supplier diversity procurement staff
- Packaging of tenders
- Create baseline data and set targets
- Developing a procurement policy for SMEs
- Development of Trade Local website
- Development of guidance for purchasers
- Meet the buyer events
- Monitoring of suppliers' success/failure in tendering
- Piloting of social or community benefit clauses
- Review procurement process
- Simplification of PQQs

- Training of purchasing officers
- Training of suppliers
- Transparency in supply chains and use of sub-contracting
- Working with prime contractors
- Selling to the Council website

Other (Please describe)

5. Working with prime contractors to support SMEs is more effective than working directly with SME suppliers to achieve supplier diversity in the supply chain

Strongly agree	Agree	Disagree	Strongly disagree	Don't know
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. The use of e-procurement will have a positive impact on promoting the use of SMEs in the public sector

Strongly agree	Agree	Disagree	Strongly disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you agree, how will e-procurement have a positive impact on SMEs? (Please describe)

7. Any other comments?

**NOW SAVE AND FORWARD THIS E-SURVEY TO:  
jean.coleman@haringey.gov.uk**



## **Trade Local: business e-survey**

Haringey Council is conducting this e-survey to assess how effective the Trade Local project has been in helping small and medium sized enterprises (SMEs) win contracts. This information is important as it will influence how the Council will help SMEs in the future

This e-survey is **in confidence** and data and comments will not be attributable to businesses.

**If you have any questions about the e-survey contact:  
Jean Coleman/Liz Holford on 020 84892136**

<b>Instructions for electronic use</b>	<ul style="list-style-type: none"><li>▪ The e-survey should take no more than 15 minutes to complete</li><li>▪ Please use the cursor ('space' for tick) or the mouse ('right mouse button' for tick)</li><li>▪ Tick one box on each line corresponding to your chosen response</li><li>▪ Add text where necessary for some of the answers</li><li>▪ Please don't change the settings of this form while completing the e-survey as this may lead to a loss of data</li><li>▪ When completed, please save the questionnaire and forward it via e-mail to <a href="mailto:jean.coleman@haringey.gov.uk">jean.coleman@haringey.gov.uk</a>. Please do not use the 'reply' button.</li><li>▪ The deadline for completed e-surveys to be returned is <b>Monday 21<sup>st</sup> February 2005</b></li></ul>
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## TRADE LOCAL e-survey

### 1. Have you heard of Trade Local?

Yes   
No

#### If Yes, continue with the survey

If Yes, have you received any business and training support from the project? (Please describe)

### 2. Have you used the Trade Local website?

Yes   
No

#### If Yes, how useful has it been for your business?

Very useful	Useful	Not useful	Not at all useful
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 3. Have you received one-to-one support from Trade Local facilitators or the Trade Local team?

Yes   
No

#### If Yes, how effective has this support been for your business?

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 4. Have you attended any Trade Local, events, seminars and/or workshops?

Yes   
No

If Yes, what have you attended? (Please describe)

#### If Yes, how effective have these events, seminars and/or workshops been for your business?

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**5. Have you used any of the Trade Local workbooks?**

Yes   
No

If Yes, what workbooks have you used? (Please describe)

**If Yes, how effective have these workbooks been for your business?**

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**6. Have you used the Trade Local website to find out about business opportunities and contracts?**

Yes   
No

**If Yes, how effective has it been for highlighting opportunities?**

Very effective	Effective	Not effective	Not at all effective
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**7. Has your involvement in Trade Local had any of the following effects? (Tick as many)**

- Increased your turnover
- Increased business with the public sector
- Improved your understanding of public procurement process
- Encouraged you to work with other businesses
- Improved your internal business processes
- Encouraged you to use more IT
- Employ more staff
- Become more involved in council activities
- Review your own procurement/purchasing processes
- Improved training of staff
- Improved your links with large contractors

**8. What have you gained most from your involvement with Trade Local? (Please describe)**



**9. Do you know who funds Trade Local?**

Yes   
No

If Yes, (Please describe)

**10. Have you heard of the Haringey SME Procurement Pilot?**

Yes   
No

**11. Do you require any further support or training to help you secure work in the public sector?**

Yes   
No

If Yes, what type of support do you need? (Please describe)

**12. Any other comments?**

**13. Profile of your business (for monitoring purposes)**

Number of people employed in your business  
Approximate annual turnover

Business activity

Business Sector (Please tick one)

IT   
Financial   
Construction   
Service only   
Retail   
Media   
Franchise   
Engineering   
Manufacturing   
Other (Please describe)

Import/Export   
Freight & Distribution   
Pharmaceuticals   
Food & Drink   
Hotel & catering   
Professional Services   
Finance and business services   
Textiles & clothing   
Health & Education

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## **TRADE LOCAL: QUESTIONS FOR PARTNERS**

1. What do you think were the main successes of the project?
2. What do you think were the main failings of the project?
3. Do you remember what the rationale for the project was and its development?
4. Were there any problems in setting up and delivering the project?
5. How good were the marketing and recruitment methods?
6. How have you enjoyed the process of working with other organisations?
7. How did you define success in the project?
8. How effective was the support from the Trade Local project management team?
9. What do you think was the impact of the project on businesses?
10. What do you think was the impact of the project on purchasers?
11. How did the opportunity to run this project affect your organisation?
12. If you were to run this project again what changes would you make?

## **TRADE LOCAL: QUESTIONS FOR BUSINESSES**

1. How did you come across the Trade Local project? Do you know who funds it?
2. What were you looking to get out of the Trade Local project?
3. Have you used the Trade Local website? If Yes, how useful has it been for your business?
4. Have you received one-to-one support from Trade Local facilitators or the Trade Local team? If Yes, how effective has this support been for your business?
5. Have you attended any Trade Local, events, seminars and/or workshops? If Yes, how effective have these events, seminars and/or workshops been for your business?
6. Have you used any of the Trade Local workbooks? If Yes, how effective have these workbooks been for your business?
7. What have you gained most from your involvement with Trade Local?
8. Have you secured any public sector contracts following support? If No, why not?
9. Do you require any further support or training to help you secure work in the public sector?
10. How would you improve/develop Trade Local?



## TRADE LOCAL WORKSHOPS

Type of intervention		Date(s) & Venue(s)	Description
Seminars for SMEs (Attendance 6 – 20 businesses)	"How the Public Sector Procures"	City Learning Centre, Tottenham: 5/11/03	Clear and thorough overview of how the public sector buys its goods, services and works, and ideas for how SMEs could go about selling to the sector.
		Enfield Business Centre: 20/11/03	
	"The Tendering Process"	Lee Valley Technopark: 10/2/04, 4/3/04, 17/3/04, 22/4/04, 15/5/04, 17/6/04, 8/7/04, 7/9/04, 6/10/04, 11/11/04, 1/12/04, 22/2/05, 15/3/05	Target audience: Businesses who are considering selling to the public sector, but not sure how to go about it.
		Enfield Business Centre: 25/11/03, 4/2/04 City Learning Centre, Tottenham: 27/11/03, 4/2/04 Lee Valley Technopark: 24/3/04, 29/4/04, 20/05/04, 24/6/04, 12/7/04, 14/9/04, 13/10/04, 18/11/04, 7/12/04, 24/2/05, 17/3/05	Demystification of the tendering process, explaining what the purchaser is looking for and what is expected of bidders.  Target audience: SMEs who are relatively inexperienced in tendering but have a basic understanding of public sector procurement.
Workshops for SMEs (Attendance 4 – 10 businesses):  Written up as Distance Learning Workbooks	"Ability to Deliver"	Lee Valley Technopark: 3/3/04, 11/5/04, 22/6/04	During a tender process, businesses must demonstrate their ability to deliver the goods or services that they are bidding for. That is, many day to day business processes must be put down on paper so that they can be assessed. This will help your business address this challenge.
		City Learning Centre: 3/3/05,	
	"Completing a Pre-Qualification Questionnaire"	Lee Valley Technopark: 24/2/04, 27/4/04, 15/6/04	Businesses are often asked to complete a Pre Qualification Questionnaire (or PQQ) as the first stage in a tender process, or as part of an application to join an approved list.  What should you submit? What if you can't answer all the questions? How is it assessed, and how can you 'sell yourself' through it? This answers all your questions
	"Quality"	Lee Valley Technopark: 15/3/04, 18/5/04, 29/6/04	Bidders are expected to demonstrate in writing the quality management system that they have in place, and may lose a tender if they cannot. This will help you understand and explain the quality processes that are part of your day to day operations, and get them down in writing.
	"Finance, Status and Legitimacy"	Lee Valley Technopark: 6/4/04, 13/7/04	Accounts, insurance, CRB checks, compliance with legislation on asylum seekers etc. Tenders ask for many kinds of details of your finance, status and legitimacy. Find out why and how your business can demonstrate its compliance.
	"Equal Opportunities"	Lee Valley Technopark: 31/3/04, 3/6/04	The submission of an Equal Opportunities policy is a basic requirement in a tender process. Many purchasers expect this policy to go further than the minimum legal requirements. This will help you construct a policy that is relevant to your business.



	"Health and Safety"	Lee Valley Technopark: 22/3/04, 25/5/04, 6/7/04	The submission of a Health and Safety policy is a basic requirement in a tender process. Purchasers may expect this policy to go further than the minimum legal requirements. This workshop will help you construct a policy that is relevant to your business.
	"Environment"	Lee Valley Technopark: 20/4/04, 8/6/04	Purchasers are increasingly expecting bidders to demonstrate a wider variety and depth of environmental policies and procedures than is expected of them by legislation alone. This workshop will help you construct a policy and demonstrate procedures that are relevant to your business.

Large group events for SMEs	Launch of Trade Local	Tottenham Hotspur Football Club: evening of Dec 12 <sup>th</sup> 2003	Presentation on what Trade Local offers businesses. Question and answer session on Trade Local and procurement issues. Networking
	Haringey Council Construction Framework Agreement information day	November 10 <sup>th</sup> 2004	Procurement helpdesk for SMEs at Haringey Council event, and organisation of follow-up diagnostic and mentoring sessions where appropriate. Advise to large contractors on identifying potential local sub-contractors, which led to "Construction Links" day in Jan 05.
	"How to Profit from Cyberspace"	January 13 <sup>th</sup> 2005	A unique half-day event on electronic trading. Trade is increasingly taking place 'virtually' in cyberspace, rather than just face-to-face. Such electronic trading isn't just for high-profile businesses such as e-Bay and Amazon.com, everyone can harness its power and benefit in some way.  The public sector is also being encouraged to trade on-line. Central government has set actual 'e-procurement' targets for local authorities to meet by given dates, so that they can achieve savings on their daily transaction costs. <i>All</i> organisations that do business with the public sector will be affected by this.
	"Construction Links"	10 <sup>th</sup> February 2005	Bringing together large contractors and smaller construction businesses based in Haringey & Enfield  A structured networking event introducing SMEs to large construction contractors, with a view to creating sub-contracting opportunities. Also, networking between SMEs to develop local business links and working relationships.

	Diagnostics	Numerous, from Nov 12 2003. Times and venues to suit business (preferably place of work).	Detailed evaluation of business' current experience of and capacity to sell to the public sector, including identification of 'gaps' in processes, procedures, statutory requirements and/or policies. Suggestions on identification of procurement opportunities (including coaching in use of Tenders Electronic Daily/OJEU). Written report on intervention, and list of 'action points' for business to pick-up and act upon. Likely to include working through one or more of the Workbooks to address 'gaps' in current business.
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## Appendix

One to one with SMEs	Diagnostic follow-ups and mentoring sessions	Numerous, from Nov 13 2003. Face to face, by phone and by email, at times and venues to suit business.	Follow up to initial diagnostic session, picking-up on action points and assisting as business requires. Passing on procurement opportunities as they emerge. Practical and moral support and encouragement as businesses engage in procurement processes.
	IT support	Various, face to face (at business' place of work), telephone and email.	Provision of IT support as determined by needs of individual business. From sending and receiving emails to more sophisticated e-commerce ideas.

Group event for Procurement Officers	"The Value of Trading Locally"	Lee Valley Technopark: 24 <sup>th</sup> March 2004.	All partners (including Prof David Smallbone, then of Middlesex University) delivered different elements of a seminar, to procurement officers from Middlesex University, Enfield Council and Haringey Council.
Group event for business support agencies	"Training the Trainer"	Haringey Business Development Agency: March 12 <sup>th</sup> 2005	Sharing current practice in public sector procurement, and 'lessons learnt' from Trade Local. Particularly aimed at dovetailing into and supporting LDA's Procurement Development Programme (PDP) as it moves forward.



## **TRADE LOCAL DISTANCE LEARNING WORKBOOKS**

*Available from July 2004*

- Introduction to Public sector Procurement
- Ability to Deliver
- Completing a Pre-Qualification Questionnaire (PQQ)
- Environment
- Equal Opportunities
- Finance, Status and Legitimacy
- Health and Safety
- Quality

## **PROCUREMENT TOOLKIT**

- Case Studies
- “Community benefit clauses in tenders and contracts” paper
- Haringey Council Procurement Manual
- Methodology for achieving baseline data on supplier list
- SME Issue Log
- Trade Local Development Programme: 8 distance learning workbooks on procurement aimed at SMEs



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