

Access to Public Procurement for Small and Medium Enterprises – Progress Report

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Introduction

The Government Action Plan for Small Businesses, published in January 2004, identified a number of problems small businesses confronted when selling to the public sector. These included not being able to find out about opportunities, the disproportionate costs and complexity involved in tendering, and the trend towards larger and longer contracts. This analysis built upon the assessment contained in the joint Better Regulation Task Force and Small Business Council report *Government Supporter and Customer?* published in May 2003. In the Action Plan the Government committed to:

- evaluate the results of the small business and procurer training pilot projects in the West Midlands and Haringey,
- develop a small business Procurement Concordat to be signed by public sector bodies, and
- develop a single web portal for developing and advertising lower value tenders.

The Pre-Budget Report in December 2004 stated:

Improving access to government procurement for small and medium-sized enterprises is important to improving competition, innovation and value for money in the delivery of public services. The Office of Government Commerce recently completed a project in the West Midlands piloting solutions to help small firms overcome barriers to competing for public sector business. The pilot successfully tested a number of measures with small businesses and

procurement staff in the public sector, demonstrating that significant increases in the numbers of small firms competing for and winning contracts can be achieved. The Government will implement nationally a number of the successful measures.

All Government departments should have the right procurement systems in place to deal with small businesses. To support this the Small Business Service will work with other government departments, including the Office of Government Commerce, to review the existing pattern of procurement from small firms, enabling government departments to improve the effectiveness of their procurement systems, reporting on progress by budget 2005; and will collate and publish this information on an annual basis.

This progress report provides details of the actions being taken by the Small Business Service and the Office of Government Commerce to tackle the issues confronted by smaller suppliers. The Government's philosophy is that there should be a level playing field for business seeking to bid for contracts. At present public sector structures and practices too often mean that small businesses are disadvantaged through lack of knowledge of available opportunities or assessment and selection systems that unfairly disadvantage them. As a result the public sector too often misses out on gaining access to best value, efficient and innovative suppliers of goods and services. This report also details some of the forthcoming steps

that will seek to ensure that small firms have a fair share of the public sector market place and public sector buyers can access the widest possible pool of suppliers to achieve greater value for money.

Actions to improve the visibility of public procurement opportunities

The existing national web-site <http://www.supplyinggovernment.gov.uk>, already provides advice and guidance for suppliers about dealing with the public sector.

- By Autumn 2005 a single site will provide businesses with access to information on low value public procurement opportunities across both central and local government.
- The site will provide a central, easy to navigate, source of potential sales opportunities. The emphasis will be on invitations to tender below the threshold required to be advertised in the Official Journal of the European Union (OJEU). The improved site will be of particular benefit to smaller firms who cannot currently devote the resources required to find out about such opportunities.

Actions to improve the skills of small businesses and procurers

The pilot projects in the West Midlands (concluded June 2004) and Haringey (due to conclude end March 2005) combined training targeted at small firms about how to bid for public sector work, and training for procurers on buying from and working with small businesses. The West Midlands Pilot has shown that the

barriers for SMEs can be reduced successfully. The participation rate of small and medium sized businesses in the region almost doubled by the end of the Pilot. At the start, 14% of Pilot SMEs had successfully tendered for government contracts. Of contracts awarded through the opportunities portal by the end of the Pilot, 26% had been won by Pilot SMEs. Following on from the successes of the Pilots, national roll-out is now focussing on:

- The extension of training to all nine of the English regions to be completed by March 2006.
- This roll out begins in Spring 2005 in the East Midlands with the launch of the national small business awareness programme and procurer training (Office of Government Commerce led). The programmes are expected to be extended to the North West and North East shortly.
- With regard to small business training Regional Development Agency Chairs have expressed commitment to work on procurement and smaller firms. South-East England Development Agency (SEEDA) has agreed to take the lead on this work. The Small Business Service is in discussion with SEEDA and the Centre of Excellence for Yorkshire and Humberside. South West Regional Development Agency already have an extensive 'Profit through Procurement' programme, and discussions are starting on the second phase of this project. The Small Business Service is also working to support the London Development Agency with their extensive Procurement Development Programme, and will discuss with Advantage

West Midlands the small business training that commenced the pilot.

- All regions have been given access to small business training materials produced by the Office of Government Commerce to adapt to regional needs. The Small Business Service and the Office of Government Commerce will work to ensure that the materials continue to be developed in the light of feedback as the training is rolled out, and that these initiatives are sustained and become part of mainstream procurer training and business development. Actions to reduce the barriers to bidding for procurement opportunities
- Following on from the West Midlands pilot, the Office of Government Commerce will promote its national simplified pre-qualification questionnaire.
- The Office of Government Commerce is also taking steps to ensure that supply chains are made more transparent to government and in so doing enable more opportunities for smaller firms.
- Some public sector procurers use third party assessment providers to pre qualify suppliers. In response to particular concerns from small businesses on the public sector's use of such providers the Office of Government Commerce and the Small Business Service will research the effect this has on potential suppliers and identify options to reduce any identified barriers to small firms' participation.

Local Government is a key market for small businesses, spending around £40 billion a year. The West Midlands project identified ways in which local authorities could make these opportunities more accessible to small firms. The Small Business Service, with assistance from Office of the Deputy Prime Minister, local government and small business, has developed a Small Business Concordat or statement of principles that local government will follow when doing business with small businesses. Guidance to go with this document was launched at the National Procurement Strategy seminar on 1 March.

- The Small Business Service will monitor the impact of the Concordat and encourage take up and compliance by local authorities. The Small Business Service will consider how best it could be developed across the wider public sector. Actions to improve the evidence base on current practice and performance
The Small Business Service has commissioned research to provide evidence of the costs and benefits of small firm involvement in public sector markets. The research will be completed by the end of March 2005. It will identify more clearly, with a wide range of real procurement examples, the nature of the value for money improvements associated with smaller businesses and the extent to which they can be quantified or valued. The results will be used to further develop the training material for use with procurers.

The first phase of this research (data analysis) has been published - [click here](#). It draws on Office of National Statistics and other statistical data to describe the involvement of small firms in public sector markets. It will attempt to match types of government spending with the sectors in which smaller businesses are successful in the economy. This will help to identify where there is the greatest potential to improve the smaller business share of procurement.

A Small Business Service survey of central government procurement in 2003/2004 covered £5.65 billion of an estimated total spend of £13 billion (excluding health and defence expenditure). This showed that 67% of contracts by number were awarded to small firms, but only 18% of the value. Health Service and Ministry of Defence spend were excluded from the survey owing to the nature and very large size of such expenditure which would otherwise mask the overall picture.

- To improve the coverage and quality of information available on SMEs' participation in procurement opportunities, the SBS will publish an annual review of departments' spending, and explore how to extend this to local government. Furthermore, the SBS, OGC and others will review SME and other procurement information gathering across government to investigate opportunities for efficiencies and more robust data;

- The Chief Secretary of the Treasury has written to Secretaries of State seeking improved information on smaller business procurement for the 2005/6 financial year. The Small Business Service will initiate a project to identify all types of information on procurement collected from departments and determine whether consolidation of this work could improve both efficiency and reliability of the small business data.

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