

NWIEP PROCUREMENT PROGRAMME

Briefing Note: Procurement and Support to Voluntary Sector and SMEs

Date: 6th May 2009

BACKGROUND

The role of procurement has become more important in the support of the Voluntary Sector and Small Medium Enterprises (SMEs). The subject of sustainable procurement has become a major priority for many local authorities. This has become even more prevalent within the current economic climate.

Calls for a greater use of Keynesian economics reflects the important role that local authorities and the wider public sector can play in shoring up local economies as it plays a vital role in provision of employment and local business support. Encouraging local procurement opportunities are promoted and made available can be a vital element.

This briefing note looks at some of the recent work undertaken in supporting the voluntary and SME suppliers and what steps local authorities might want to undertake.

PROCUREMENT PROCESS

Local authorities may need to review their procurement process to ensure that tenders or requests to supply goods and services are suitable for such organizations. Any process should be designed to deliver value for money but also enables local authorities to use their buying power to maximise the social and economic benefits to communities, including promoting and improving opportunities for the Voluntary Sector and SME's.

Value for Money should be the main evaluation method. Within the context of procurement, the Government's definition of best value is the "optimum combination of whole life costs and benefits to meet the customer's requirement." This approach enables sustainability and quality to be taken into account when service delivery options are being considered. For example, the consideration of whole life costs allows factors such as fuel efficiency and replacement cycles to be taken into account, as well as social (e.g. benefits to local people, good workforce management, community safety, diversity and fairness). Successful procurement strategies are likely to be based on whole life cost considerations that include subsequent revenue implications, and not simply the lowest initial tender price.

Thought should also be given as to how opportunities are advertised. An increasing number of regional local authorities have invested in a regional supply portal, The Chest. (thechest.nwiep.org.uk) Working with local chambers of commerce and other supporting organisations, this online portal allows suppliers to register interest in supplying certain categories and to tender simply online. Local authorities yet to signup should look to do so.

THE VOLUNTARY SECTOR

For most upper tier local authorities the majority of providers in this category are within the Social Care arena. The Procurement and wider commissioning process should be operated in accordance with the principles of the National Compact for Partnership working with third sector organizations in each locality. This Compact was developed by the Commission for the Compact which is an independent body working with the Voluntary Sector.

Key Stages

The key stages for commissioning with the voluntary sector can be defined as:

- **Analysis:** Includes timely, transparent engagement with service users, communities and voluntary sector organisations to identify the need and develop the specification.
- **Planning:** Includes consideration of how to fund the services to meet outcomes and developing the approach to secure the outcomes.
- **Sourcing:** Securing the most appropriate provider(s) to deliver the outcomes.
- **Monitoring and Review:** Assessing performance against set objectives and capturing feedback from service users and providers.

Working to these principles removes many of the barriers to engaging with the voluntary sector and many examples of good practice exist in this area.

Key Issues for the Voluntary Sector

A number of key issues exist for the voluntary sector:

- **Payment Schedules:** Payment either in advance or within agreed timescales is important to Voluntary Organisations and for smaller providers. Authorities can look to introduced payment in advance where the risk is minimal.
- **Procurement Skills:** A lack of bidding capacity and skills particularly within the smaller providers exists. A number of organizations, such as SELNET within Lancashire region, have created useful guides and are able to offer hands on support within the region.
- **Grants v Contracts:** With the move away from Grant allocation to Commissioning in most Authorities the lack of bidding capacity and skills has become evident. There is much more flexibility around Grant allocations and Councils may wish to review their procurements not subject to European rules with a view to reducing the bidding requirements to assist the Voluntary Sector.

SMALL TO MEDIUM SIZED ENTERPRISES

If not already done so local authorities should look to adopt and be a signatory to the SME Friendly Concordat and ensure that their procurement models addresses many of the issues raised by SME's through:

- Having a published procurement Strategy
- Having a published "How to do Business with The Council"
- Hold Meet the Buyer days and one to one meetings where appropriate
- Open and transparent tendering procedures
- Simplified tender documentation and requirements proportionate to the value of the contract
- Clear, easy to read specifications
- Tender evaluation clearly stated and on a quality price basis
- Payment within agreed timescales

Key Issues for SME's

A number of key issues exist for SMEs:

- **Procurement Skills:** Similar to the Voluntary sector there is a shortage of bid capacity and skills to submit tenders that are competitive with the larger suppliers. Work is being undertaken in a number of area by The Chamber of Commerce to support SME and educate Buyers in the Region. Local authorities should look at work with their local chamber and business link offices to ensure that training and opportunities are made available.
- **Sizing Contracts:** The size of contracts is an issue for many local small suppliers. The possibility of using smaller value contracts, below £50k, to target SME's within Communities should be considered. Examples exist where authorities have split larger tenders into lots to allow for suppliers to bid for part of the solution.
- **Payment Terms:** Government has a target of 10 days for central government to pay suppliers. Where possible the authority should look to reduce its payment schedules from the normal standard 30 days. The use of purchase cards can also be another way to reduce payment times to suppliers.

SUPPLIER DIVERSITY

Supplier Diversity is a relatively new concept that is being championed by Transport for London but being supported by Greater London Authorities and 2012 Olympics. Supplier diversity means ensuring that procurement processes provide equal opportunities for all suppliers to compete for contracts.

For the purposes of TfL's Procurement Supplier Diversity Programme, "Diverse Suppliers" comprise the following four subsets:

- Small and Medium Enterprises (SMEs):
- Black, Asian and Minority Ethnic (BAME) businesses
- Suppliers from other under-represented or protected groups
- Suppliers demonstrating a diverse workforce composition

Local authorities may want to, through comprehensive and thorough supplier vetting and selection processes, endeavour to provide opportunities to a diverse range of suppliers that will develop their skills and expertise to meet potential needs of their organisations.

GLOVER REPORT

In Budget 2008 the Government asked Anne Glover to lead a committee to examine what the Government could do to make it easier for Small and Medium Sized Enterprises (SMEs) to supply to the public sector. Government has accepted all of the recommendations within Anne Glover's report "Accelerating the SME Economic Engine: through transparent, simple and strategic procurement".

The report states that improving SME participation in public procurement is best achieved by making the market work effectively to allow SMEs to compete effectively for contracts. This requires that opportunities should be transparent, the process as simple as possible, and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors. In detail:

Transparency

1. By 2010, contract opportunities above £20,000 across the whole public sector should be advertised electronically with standard indicative contract value ranges, and accessible through a single, free, easy to search online portal.
2. Government should issue all tender documentation electronically by 2010 and this should be kept as brief as possible. Businesses should be permitted to tender electronically for all public sector contracts by 2010; no "paper only" tenders should be required after this date, with an ambition for all tenders to be electronic by 2012.
3. Details of contract awardees should be published online in a standard format within 48 days of contract signature, accessible via the single portal by 2010.

4. Tendering opportunities thought especially suitable for SMEs or consortia of SMEs should be flagged by the procurer during the advertising process. Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value and market maturity.

Simplicity

5. Qualification criteria that are not specific to a sector should be standardised and incorporated in all pre-qualification questionnaires so that businesses do not need to repeatedly submit the same core information in different formats.

6. Procurers should give businesses the opportunity to provide details of all previous relevant experience when bidding for contracts, not just public sector experience. This should be taken into account when selecting successful tenderers.

7. Procurers should ensure that, where they rely on a particular accreditation scheme or standard as part of the process of prequalification or contract award, that they take a flexible approach. Businesses should be given the opportunity to provide evidence that they can meet the contract requirements by reference to other similar equivalent accreditations or standards they may already hold – especially where these have been recognised or required by other public sector procurers.

Strategic Procurement

8. Departments should use their Innovation Procurement Plans to set out how procurement aligns with their overall commercial strategy, encourages innovation and gives advanced notice of long-term procurement plans.

9. Government should encourage wider use of outcome-based specifications across the public sector, as a means of driving innovation.

10. Government should expect and enable prime contractors to make their subcontracting opportunities accessible through the single, online portal created in Recommendation 1.

11. Through contract management, Government should ensure that SMEs and other firms acting as sub-contractors obtain contract conditions, including promptness of payment terms, that are no worse than those applicable to the prime contractor.

Authorities should look to implement these recommendations where possible.

FURTHER READING

SELNET has commissioned this set of useful documents to assist social enterprises and SMEs improve their knowledge and understanding of applying for tenders and contracts.

<http://www.nwiep.org.uk/files/SELNET%20procurement%20ready%20toolkit.doc>

Local Response to Economic Downturn in North West

<http://www.nwiep.org.uk/files/Local%20response%20to%20economic%20downturn%20in%20the%20NW%2016%20Jan%202009.pdf>

This Good Practice Guide supports the Small Business (SME) Friendly Concordat (Statement of Principles), which has been prepared for Local Authorities in support of the National Procurement Strategy for Local Government.

<http://www.communities.gov.uk/publications/localgovernment/smallbusinessfriendly>

OneVoice: A web site for County Durham's voluntary and community groups but contains useful help and advice.

<http://www.onevoice.co.uk/>

Office of the Third Sector

http://www.cabinetoffice.gov.uk/third_sector.aspx

Glover Report: Accelerating the SME economic engine

http://www.hm-treasury.gov.uk/d/pbr08_economicengine_2390.pdf

Transport for London Supplier Diversity Definitions

<http://www.tfl.gov.uk/assets/downloads/businessandpartners/supplier-diversity-definitions-jan2008.pdf>