



# *Small Business Friendly Concordat*

## Good Practice Guidance

people  
innovation  
potential  
saving money  
e-commerce  
leadership  
sustainability  
using multiple skills  
increasing capacity  
improving services  
stimulating markets and achieving community benefits  
cost reduction  
recruitment benefits of being an innovative council  
better quality of life  
focusing on excellent services for citizens  
working in expert partnerships  
growth through trading on behalf of others  
meeting customer requirements  
building relationships that improve our services



**Small Business (SME)  
Friendly Concordat:  
Good Practice Guidance**

March 2005

Local Government Association

Department of Trade and Industry

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## Foreword by Phil Hope (ODPM) and Sir Sandy Bruce-Lockhart (LGA)

### THE SMALL BUSINESS (SME) FRIENDLY CONCORDAT GOOD PRACTICE GUIDE

Much energy and commitment has been demonstrated by local authorities in implementing the National Procurement Strategy for Local Government. This builds on the experience and good practice developed by local councils over recent years.

The National Strategy was jointly published by ODPM and the LGA in 2003. It sets out a range of strategic objectives and targets for councils to adopt to achieve professional, efficient and effective procurement practices. The Strategy seeks to bring all councils to the highest standards of service delivery, and in doing so, achieve our ambition for all councils to deliver 'world-class' services, keep council tax levels down and contribute to the development of prosperous local economies and communities.

The Strategy seeks for councils to achieve community benefits through procurement, by actively engaging with a diverse range of suppliers. Small and Medium-sized Enterprises (SMEs) are a powerful engine for economic growth and are a crucial part of the UK economy. The Strategy recognises that small businesses can provide best value in procurement and that is why local authorities should consider engaging small businesses directly or through sub-contracting.

Some authorities around the country have for some time conducted successful and cost-effective procurement with SMEs. More work needs to be done to ensure that all councils recognise the contribution that SMEs can provide in delivering quality services.

We are delighted to launch the SME Concordat together with this Best Practice Guide. We hope that every council will sign up to the principles set out in the Concordat. This is a key National Procurement Strategy milestone for 2005. An approach to procurement that embraces the contribution that can be made by SMEs can contribute to the sustainability of our communities and to the economy at large. This Good Practice Guide also underpins greater efficiency in local government, and if implemented, will help councils to meet the 2.5% efficiency target.

We are grateful to the Small Business Service (SBS), the National Procurement Strategy Steering Group and representatives from local authorities on the Concordat Editorial Group for the assistance they have provided in finalising these documents

**Phil Hope MP**  
Parliamentary Under Secretary of State,  
Office of the Deputy Prime Minister

**Sir Sandy Bruce Lockhart**  
Chairman,  
Local Government Association



## Foreword by Nigel Griffiths (DTI)

Too many small businesses are missing out on government and local government contracts. Yet they are often key local employers and significant contributors to their local communities. For too long they have been squeezed out of contracts of all sizes.

Fortunately some councils are addressing this problem and this guide to good practice is designed to make it easier for small businesses to supply goods and services to councils.

William Sargent and the Small Business Council have championed this cause and I am grateful to David Arculus and his colleagues on the Better Regulation Task Force and to the Local Government Association for their commitment to promote the success of small businesses.

More effective procurement also meets our determination to advance the cause of sustainability. Towards the end of this publication, there are a series of questions to test the effectiveness of this Concordat. Please complete them so that we can all learn exactly what is happening on the ground.

This Concordat shows the determination of us all to advance the cause of small businesses.

### **Nigel Griffiths MP**

Parliamentary Under Secretary of State  
& Minister for Construction, Small Business and Enterprise



## Introduction

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. The Guide provides examples of good practice and explains how Local Authorities can frame and deliver their procurement strategies in accordance with the principles of the Concordat. The Concordat is a statement of principles that Local Authorities can deliver in ways that suit their local circumstances.

## What is the Concordat?

The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice. The Office of the Deputy Prime Minister (ODPM), the Local Government Association (LGA) and the Small Business Service (SBS) strongly encourage all Local Authorities (in England) to sign up to the Concordat. The National Procurement Strategy for Local Government (October 2003) sets a target for all Local Authorities to have adopted the Concordat by the end of 2005.

The purpose of the Concordat is to set out what small firms and others supplying Local Government can expect when tendering for Local Authority contracts. It is not intended that smaller suppliers automatically be given a competitive advantage when tendering for local government contracts due to the Concordat, but there are certainly steps that all contracting authorities can take to ensure that suppliers of all kinds are treated equally.

The Concordat also sets out the standards that public sector buyers should expect from their suppliers.

Both the Concordat and the Good Practice Guide represent a commitment from Local Government to encourage and develop appropriate levels of competition in local government markets in order to increase value for money and foster innovation, particularly from those businesses/suppliers who may find it difficult to break into this market. These may include small and medium-sized enterprises (SMEs), which themselves could include local businesses, ethnic and minority owned businesses (EMBs), women-owned businesses, social enterprises and voluntary and community organisations (VCOs). These are all sectors of the business community that can find themselves under-represented in local Government procurement<sup>1</sup>. It may also include suppliers that prefer not to use e-Procurement on religious and other grounds.

## Why help small businesses?

The Government is committed to helping small firms because they represent such a powerful engine for economic growth. Small firms are a crucial part of the UK economy: at the start of 2002, SMEs in the UK accounted for 99.8 percent of all businesses, 55.6 percent of employment and 52.0 percent of turnover.

<sup>1</sup> For example recent research by the SBS 'Diversity in Public Sector Procurement' [October 2003] found that ethnic-minority owned businesses only account for 3% of suppliers and 0.3% of spend. For women owned businesses the figures were 8% and 5.6% respectively.



In January 2001, the 'Think Small First' initiative was launched by the SBS. This was the first national strategy to support small firms in the UK and asked every part of Government to think about its role in supporting and promoting small firms and an entrepreneurial society.

## The National Procurement Strategy for Local Government

The National Procurement Strategy was launched jointly by the ODPM and the LGA in October 2003. The Strategy follows the recommendations of the Byatt Report and sets out ways to help Local Authorities deliver their strategic objectives and improve frontline services to the public through improved procurement practices. This is a three-year plan designed to help Local Authorities achieve excellence in procurement and to use buying power constructively, creatively and in partnership with others.

The National Procurement Strategy also encourages councils to take a holistic view of procurement to meet corporate objectives. This includes any broader objectives such as economic and social regeneration, which may also feature in a council's community strategy. The National strategy announced the launch of Regional Centres of Excellence to assist all councils in implementing the National Procurement Strategy and build procurement capacity and capability throughout the English regions.

As the National Procurement Strategy was being developed, the Better Regulation Task Force (BRTF) and Small Business Council (SBC) joined forces to consider the difficulties facing SMEs when doing business with the public sector. They reported back to the Government in late summer 2003 and recommended, amongst other proposals, that:

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

The Government accepted this recommendation and it is set out in the National Procurement Strategy as a specific milestone. A brief background note on the National Procurement Strategy can be found in the Annex to this publication.

## The Efficiency Review

The Government announced in the 2003 Budget that there would be a review of efficiency in the public sector. Sir Peter Gershon was appointed to lead this review (informally known as the Gershon Review) in August 2003. The review drew on existing public and private sector best practice to identify sustainable efficiencies in the public sector's procurement, policymaking and corporate and transactional services functions. It also developed recommendations to raise the productive time of professionals in schools, hospitals and the police, and more generally in the public sector. The recommendations were published alongside the Spending Review 2004.

The ODPM has the role of co-ordinating and leading the local government efficiency agenda. It is responsible for implementing the system for measuring efficiency gains made by local authorities and also sponsors the nine Regional Centres of Excellence.

## The Regional Centres of Excellence

The Regional Centres of Excellence (RCEs) are the lead change agents for local government in assisting Councils to find and make efficiency gains. As part of this process, the RCEs will look to gather data that will identify where improved performance can be achieved and develop opportunities for shared working within their region. The RCEs are supported by, and will look to co-ordinate the activities of, a variety of change agents working both at national and regional levels.

In assessing plans to make efficiency gains, authorities should also consider engaging smaller firms directly or through sub-contracting. The National Procurement Strategy recognises that small businesses can provide best value in procurement. The Strategy therefore recommends that authorities develop diverse and competitive sources of supply and this is consistent with the spirit of Best Value legislation, which encourages authorities to develop a mixed economy of service provision. Getting the 'balance' right is what strategic procurement is all about. The key is for every authority to establish an organisational culture that exposes current service delivery models and practices to challenge.

## 10 year Strategy for Local Government

The ODPM is developing a 10-year Strategy for Local Government. The development of a more diverse local government services market is a key part of the Strategy. A contestable and competitive supply base can provide opportunities for greater innovation, efficiencies and higher quality services.

## Sustainable Communities: People, Places and Prosperity

This ODPM five-year plan shows how Government, working with local authorities, will help people improve their quality of life and create communities they feel proud of. It also outlines proposals to strengthen local leadership. This publication complements the Five Year Plan *Sustainable Communities: Homes for all* published earlier in January 2005.

The reader may wish to see the ODPM website ([www.odpm.gov.uk](http://www.odpm.gov.uk)) for further information on the above initiatives.

## Other Government Initiatives

There are a number of further sectoral government initiatives to be considered in developing procurement policy, including:

- A commitment to extend the role of the Voluntary and Community Sector (VCS) in the delivery of public service contracts: 'The Role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review' (HM Treasury (HMT), September 2002).

- A commitment to the social enterprise sector: 'Social Enterprise: a strategy for success' (the Department of Trade and Industry (DTI), July 2002).

Both of these initiatives are supported by useful guidance, details of which are given in the 'Further Information' section of this publication (p.32 onwards).

## Taking the Concordat forward

The Concordat is owned and operated by its signatories. Many in Local Government will already be aware of the principles and benefits of a diverse and competitive market place: this Good Practice Guide is intended to support and develop this work.

## Underlying principles

Under the Local Government Act 2000, councils are required to prepare a 'Community Strategy' and have powers to promote the economic, social and environmental well-being of their communities. Provided there is compliance with the EC Public Procurement Regulations and 'Best Value', councils can work with suppliers to realise 'community benefits' of this kind through their procurement activities.

SMEs are often local businesses and members of the local community; therefore any assistance given to them can also bring benefits to the local community. The same holds true for many social enterprises, voluntary and community organisations and Black and Ethnic Minority Enterprises.

SMEs are generally locally owned and often employ people from a smaller catchment area than larger competitors. Local Authorities should not, however, ignore the benefits offered by small firms who trade on a wider national or regional basis and must ensure that their policies are consistent with EU law i.e. that there is also no discrimination against larger firms.

Small firms can offer real benefits to Local Authority clients, some of which are outlined below:

- They can often respond quickly and flexibly to customer needs.
- They can be a source of innovation, ideas and products.
- They can offer cash savings, improved quality, service and effectiveness.
- They are frequently close at hand.
- Some, like social enterprises and those operating in the voluntary and community sector, may have better access to hard to reach customer groups.
- They may attach more importance to doing business with a Local Authority.

**Small Business Service case study:** *The SBS, in conjunction with the Office of Government Commerce (OGC), has produced a booklet entitled 'Smaller supplier...better value?' The purpose of the booklet is to raise awareness of the value for money that small firms can offer, to explore the issues that can make it*

*difficult for them to win public sector business, and to set out some ideas about how they can be assisted in this area. It is aimed at procurement professionals in the public sector.*

As well as being a source of work there are other benefits for smaller businesses in working with Local Authorities, some of which are detailed below:

- They are generally good payers.
- They are transparent and treat suppliers fairly.
- Doing business with Local Authorities adds credibility – making it easier to win business with other public and private sector clients.

**Thurrock case study:** *Thurrock has long recognised the benefits of a procurement strategy that includes a substantial role for small businesses.*

*With its partners, Thurrock set about increasing the amount of work, goods and services awarded to local businesses either directly or indirectly within applicable legal constraints. The result was an increase in business with local companies from 9 percent in 1996/1997 to 24 percent by 2002/2003 – an increase of over £20 million.*

*This approach has been vindicated economically: “Substantial savings are made as a consequence of small – often local – businesses being given the opportunity to demonstrate their competitive advantage.”*

**Sheffield City Council's Social Enterprise case study:** *The overall aim of the policy is to improve the linkages between the achievement of the Council's social inclusion and economic regeneration objectives with its mainstream spending activity by providing improved opportunities for social enterprises.*

*The social economy sector can provide valuable diversity and add skills to the city's economy and labour market. A thriving social enterprise sector also brings excluded groups into work, which in turn helps to secure the sustainability of communities. A successful social enterprise in a community run by local people also encourages entrepreneurship and self-confidence.*

*The key themes of the strategy are:*

- *Improving the range, quality and accessibility of information available to all potential contractors.*
- *Raising awareness and understanding of the value and capabilities of social enterprises.*
- *Developing contracting processes that legitimately incorporate the consideration of relevant community benefits.*
- *Enhancing the Council's policy framework to support the involvement of social enterprises in public procurement.*
- *Using our influence with partners to generate enhanced opportunities for social enterprises.*

**Welwyn Hatfield Council's Social Enterprise case study:** Working Herts are a team of unemployed young people who have gained valuable skills and experience fitting loft insulation in properties owned by Welwyn Hatfield Council.

The scheme began in February 2003. In the financial year 2003/2004, 319 lofts were insulated and 97 percent of tenants said they were satisfied with the work.

Neville Wallsworth, the Council's Head of Specialist Maintenance, said the Council had been greatly impressed by Working Herts:

"They have been very reliable. Work has been done well and cost effectively, tenants have been pleased and it has helped young people get into the routine of work."

The Council's economic development unit has also helped by finding funding for a minibus to provide transport for the team.

**Tower Hamlets Council Social Enterprise case study:** Tower Hamlets Council has sought to fundamentally change the way it relates to social enterprises through the development of a new commissioning framework and code of practice.

In the context of very high levels of deprivation and a diverse local population, the Council believes that social enterprises – and other 'third sector' organisations – are uniquely placed to help deliver its ambitious programme of service improvements.

The Council believes that, at their best, social enterprises are better able to utilise local knowledge and expertise, gain the trust and support of service users, move quickly to tackle emerging needs, deliver culturally-sensitive services that are configured around individual needs, and secure innovative solutions to some of the most challenging issues facing inner-city areas.

The Council has used its new framework to commission a range of different services, including innovative packages of social care, all their direct youth service provisions, and a £5.5 million contract to deliver community-recycling services.

Although Tower Hamlets recognises and values the contribution that social enterprises can make to wider regeneration, it is clear that the primary focus should be on securing excellent public services that meet the needs of its diverse communities. This means that social enterprises still have to demonstrate that they can deliver the Council's service priorities more effectively than the competition. They must also participate in the Council's rigorous performance management arrangements.

However, outside of any specific procurement the Council offers a wide range of assistance to social enterprises wanting to increase competence in bidding for services, including a capacity building programme, covering areas such as financial systems, IT, HR policies and governance. The Council also gives advice and guidance on bidding, open briefings to potential service providers and offers support in forming consortia.

## The legal framework

The Concordat is consistent with the delivery of Best Value and EU and UK Procurement Regulations.

The duty of Best Value, as laid down in the legislation, requires authorities to make arrangements to secure continuous improvement in the way in which they exercise their functions, having due regard to a combination of economy, efficiency and effectiveness.

Best Value: 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.

**Northumberland County Council case study:** *The Corporate Procurement section ensures social considerations in contract conditions are incorporated within the OJEU (Official Journal of the European Union) notices issued by the authority. Tender notices include the following wording:*

*"Under this procurement exercise the Contractor is required to actively participate in the economic and social regeneration of the locality and surrounding the place of delivery for the provision of the service. Accordingly, contract performance conditions may relate in particular to social and environment considerations."*

*This enables the award criteria to take account of this requirement and thereby increases the awareness of the relationship between procurement and the Community Strategy.*

### THE EU PROCUREMENT DIRECTIVES

In addition to the Government's value for money policy in relation to public procurement, the EC Treaty principles of non-discrimination, transparency and equal treatment apply to all public contracts no matter what the value. Furthermore, the EU procurement directives, which are based on the Treaty principles set out above, lay down detailed procedures and criteria for the specification, selection, and award of public contracts above certain thresholds<sup>2</sup>. The Directives are implemented in UK law by regulations.

<sup>2</sup> For local government, the limit is approximately £150,000 for services and supplies and £4 million for works. Current thresholds are shown on the OGC website. See: [www.ogc.gov.uk/index.asp?id=397](http://www.ogc.gov.uk/index.asp?id=397)

## LOCAL GOVERNMENT ACT 2000

The 2000 Act gives councils in England and Wales a general power to promote economic, social and environmental well-being in their areas. See above.

## THE RACE RELATIONS (AMENDMENT) ACT 2000

The Race Relations Act 1976, as amended by the Race Relations (Amendment) Act (RRAA) 2000, gives public authorities a statutory duty to promote race equality. There is a legal requirement to have due regard to the need to eliminate unlawful racial discrimination, and to promote equality of opportunity and good relations between people from different racial groups.

Complying with this duty where it is relevant in carrying out procurement is compatible with all obligations under EC and domestic legislation<sup>3</sup>.

## Local Authority commitments

A key 2004 milestone in the National Procurement Strategy is that every council should adopt a corporate procurement strategy.

The Concordat states:

We will publish a corporate procurement strategy. The strategy will include a commitment to:

The role procurement plays in delivering the Council's objectives and its contribution to the Community Strategy, workforce issues, diversity and equality and sustainability.

How we will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.

A commitment to ensure that our approach to individual contracts, including large contracts and framework agreements etc, is supported by a sound business case and options appraisal.

A commitment that where we decide that the best value option is to aggregate supply or let a longer-term contract or framework agreement, we will invite bidders to demonstrate their track record in achieving value for money through effective use of their supply chain.

A commitment to consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.

<sup>3</sup> For advice and guidance, see: 'Race Equality and Procurement in Local Government – A Guide of authorities and contractors', Commission for Racial Equality (July 2003) ISBN 1 85442 524 2.



**Liverpool case study:** *Liverpool Council has already put its procurement strategy on the internet. This can be found at:*  
[http://www.liverpool.gov.uk/graphics\\_version/root/Business/Supplying\\_the\\_council/Tendering\\_for\\_contracts/Procurement\\_strategy/index.asp](http://www.liverpool.gov.uk/graphics_version/root/Business/Supplying_the_council/Tendering_for_contracts/Procurement_strategy/index.asp).

#### **PROCUREMENT STRATEGIES SHOULD:**

*require consideration of SME involvement to fully exploit lower costs, innovation, competition and improved services,*

*ensure all options are considered to make sure Best Value is delivered, and*

*identify steps needed to improve SME capability and thus further enhance competition.*

*The National Strategy asks councils to always include “robust and challenging appraisal of service delivery models”.*

#### **INCREASING COMPETITION AND IMPROVING LONG TERM CAPACITY PLANNING IN THE GOVERNMENT MARKET PLACE**

The Chancellor’s Pre-Budget Report in November 2002 asked OGC to consider what further steps can be taken to increase competition and long term planning in markets where government possesses significant purchasing power. In response, OGC prepared a report called *Increasing Competition and Improving Long Term Capacity Planning in the Government Market Place*, which was published alongside the PBR in December 2003 together with the Kelly Action Plan.

The Kelly programme is expected to generate better quality bids for government purchasing requirements and lead to greater assurance of supply and increased competition. It complements the procurement reforms associated with Efficiency Review implementation. As part of this work, OGC in consultation with departments and industry have drawn up guidelines on the factors that can be taken into account in reaching decisions which reduce the risk of adverse consequences arising from over-dependency. Please see [http://www.ogc.gov.uk/embedded\\_object.asp?docid=1002151](http://www.ogc.gov.uk/embedded_object.asp?docid=1002151) for more information.

Very large contracts may pose significant barriers to entry to small firms, or those wishing to diversify into the market. A combination of the evolving strength of incumbents, size of contracts and high bid costs can lead to a less competitive marketplace. Small firms may be automatically excluded from large contracts for capacity or geographical reasons – despite sometimes being able to offer innovative products or services, specialist or niche offerings and a more responsive service through direct access to decision-makers within their organisation.

Business cases should, therefore, examine potential roles for small businesses, throughout the whole supply chain. Local Authorities may, for example, achieve better value by using smaller framework agreements for specialist requirements.

Aggregation of demand need not, therefore, necessarily lead to aggregation of supply,



and steps can be taken to specify requirements in such a way as to encourage suppliers to bid for distinct elements of the requirement. Strategies on aggregation need to be taken on a case-by-case basis. The OGC has produced useful advice on aggregation, details of which can be found in 'Further Information'.

**Inland Revenue case study:** *In seeking suppliers of office furniture, the Inland Revenue set up a framework arrangement that included large and small enterprises. Large furniture suppliers were able to bring economy of scale savings for standard office furniture, and SMEs were able to provide flexibility in meeting requirements for special items such as reception and conference room furniture and specialist seating. The latter items are typically specified to a higher standard and will vary from order to order. In doing this, the Inland Revenue achieved value for money in both standard and specialist items of furniture.*

**Northumberland County Council case study:** *The Corporate Procurement function, in conjunction with the related operational department, repackaged the County Council food supply tenders, which gave the facility for suppliers to tender by product type and by lots relating to distinct geographical areas. An additional weighting to the quality criteria as against price was included in the evaluation criteria. These two initiatives provided encouragement and an opportunity for small local suppliers to tender. A suppliers' seminar was also held, which provided an opportunity for smaller and specialist suppliers to join the supply chain.*

## Access to contract opportunities and increasing the supplier base

The Concordat states:

- We will publish on our website:

Guidance for suppliers on how to do business with the Council,

details of forthcoming bidding opportunities,

contact details for each contract, with appropriate links to any regional site and the national public sector opportunities portal (to be launched in summer 2005), and

details of our key suppliers.

- We will advertise contracts. We will use a range of publications and other means in order to encourage greater diversity and competition.

Small businesses often experience difficulties in breaking into the Local Government market. They may have limited marketing resources to sell themselves to their Local Authority and may be unsure about how to become a supplier or who to talk to about opportunities.

The National Procurement Strategy asks councils to publish guidance on their websites for suppliers on how to do business with the Council, together with details of

forthcoming bidding opportunities and contact details for each contract. Councils should have policies in place for choosing publications in which to advertise to encourage greater diversity and competition. Provision of an information and publicity service, including use of printed material, posters, and development of the Council's website, is an effective way of communicating with the diverse population living and working in an area.

In 2005 a joint SBS/OGC initiative launched a new web portal to make it easier for businesses and the public sector to do business. The aim is that the portal service will be so easy to use that it becomes the main gateway to government sub-OJEU opportunities. It will complement existing local and regional initiatives. On its launch the portal will:

- Provide a mechanism for capturing government contract opportunities.
- Provide a matching service to enable government buyers to select potential Suppliers.
- Provide a web-enabled view to government contract opportunity information.
- Allow the SME User to browse and search for appropriate opportunities.
- Allow the SME User to register for email alerts when appropriate opportunities are posted.
- Enable the SME User to create pre-registration and pre-qualification profile(s), which can then be used as input to the procurement process.
- Provide an awareness programme to government buyers in order to encourage take-up.

Information about the portal can be found at [www.supplyinggovernment.gov.uk](http://www.supplyinggovernment.gov.uk)

Examples of council websites dealing with procurement can be found at the following addresses;

[www.leeds.gov.uk/procurement](http://www.leeds.gov.uk/procurement)

[www.northumberland.gov.uk/business](http://www.northumberland.gov.uk/business)

[www.eastsussexcc.gov.uk](http://www.eastsussexcc.gov.uk)

[www.lewisham.gov.uk/business/tendering.asp](http://www.lewisham.gov.uk/business/tendering.asp)

[www.sheffield.gov.uk/business--economy/contracts/guidance-for-suppliers](http://www.sheffield.gov.uk/business--economy/contracts/guidance-for-suppliers).

[www.manchester.gov.uk/business/doing/noad.htm](http://www.manchester.gov.uk/business/doing/noad.htm)

[www.thurrock.gov.uk/business/content.php?page=team](http://www.thurrock.gov.uk/business/content.php?page=team)

[www.enfield.gov.uk/selling/sellenf.htm](http://www.enfield.gov.uk/selling/sellenf.htm)

[www.liverpool.gov.uk/graphics\\_version/root/Business/Supplying\\_the\\_council/index.asp](http://www.liverpool.gov.uk/graphics_version/root/Business/Supplying_the_council/index.asp)

**Leeds City Council case study:** The Corporate Procurement Unit produces a range of guidance and information for suppliers, which is published on the Council's website: [www.leeds.gov.uk/procurement](http://www.leeds.gov.uk/procurement). This includes: 'Passport to the Environment', 'Passport to Equal Opportunities', 'Winning Council Business', 'Guidance on partnering', 'The Corporate Procurement strategy', details of the Council's Approved List and a pre-qualification questionnaire. There is a feedback facility on the site.

**Northumberland County Council case study:** The Corporate Procurement section produces a range of guidance and tender information for suppliers, which is published on the Council's website: [www.northumberland.gov.uk/business](http://www.northumberland.gov.uk/business). This includes: 'How to do Business with the County Council guide for Suppliers', 'An example Business Questionnaire', all current tender notices and the Corporate Procurement Strategy. The 'How to do Business' guide includes a specific section for SMEs and in particular small and local suppliers with key links to the SBS and Business Link websites.

**East Sussex County Council case study:** This is one of the first councils in the country to establish, in conjunction with BIP, a Procurement Portal where any company, large or small, can register interest in business opportunities and access a wealth of information about the Council's procurement activities and practices. This can be viewed at: [www.eastsussexcc.gov.uk](http://www.eastsussexcc.gov.uk) (search for the word 'purchasing', which takes you to the 'purchasing and contracts' section). This contains the following pages of high relevance to SMEs:

- *business profile,*
- *current contracts and tenders,*
- *rules, regulations and policies,*
- *information for suppliers,*
- *eProcurement.*

**Lewisham case study:** The Council recognised the importance of information in their contracting procedures:

*"A lack of information and a lack of understanding about how the Council's contracting procedures operate often prevents firms from applying to tender for Council Contracts."*

*This resulted in the Council issuing guidance on their website ([www.lewisham.gov.uk/business/tendering.asp](http://www.lewisham.gov.uk/business/tendering.asp)) on how to tender for their contracts.*

**Sheffield City Council case study:** To assist its suppliers, the Council has published on its website a 'Guide for Suppliers': [www.sheffield.gov.uk/business--economy/contracts/guidance-for-suppliers](http://www.sheffield.gov.uk/business--economy/contracts/guidance-for-suppliers).

The Concordat states:

- We will give potential suppliers an opportunity to discuss the procurement in order to understand our requirements and assess their own suitability. Nothing will be done, however, which would give a particular business or provider an unfair advantage in competing for a specific contract.

To help achieve a thriving supplier base, procurers should get to know their market. This could be through regular and ongoing dialogue, understanding the players in the market, their capabilities and interests and the barriers they perceive in bidding for and gaining contracts. The National Procurement Strategy suggests this could also be done via supplier surveys and pre-procurement market sounding. A strategic and systematic approach to developing the supplier base should be adopted, rather than simply engaging with the market on a short-term, contract-by-contract basis.

Councils can work with the private sector to discuss possible options for service delivery before advertising the contract opportunity. This may provide councils with alternative options for service delivery that they may not have had previously. This should, however, be done in such a way to maintain open and fair competition and ensure that no one potential tenderer is advantaged.

Work is underway, within the OGC Kelly Programme, to collate methods and examples of good early and ongoing public body/supplier engagement, with a view to encouraging Departments to adopt these. There are many examples of early engagement practices, which have led to greatly improved project timescale, cost and quality performance.

The opening up of access to contract opportunities does not have to be restricted to the suggestions contained in the Concordat. The National Strategy, for example, asks councils to market themselves to suppliers. For instance, many councils and public sector bodies have run 'meet the buyer' events, often in conjunction with local business groups or Business Link.

These events are useful for:

- increasing diversity of suppliers,
- increasing competition for contracts,
- discovering what products and services are available in the local area, and
- networking with the local business community.

The advantages work two ways and small businesses may find them useful for:

- learning about the purchasing practices of the public sector,
- making direct contact with potential customers,
- seeing what help is available from business support organisations,
- raising/maintaining competitiveness, and
- networking.

**Leeds City Council case study:** *The Council holds an annual supplier day every year in the Civic Hall, in which existing and prospective suppliers can talk to all the relevant staff and raise issues with them. A number of presentations on 'hot topics' are available during the event. The Corporate Procurement Unit publishes a range of guidance for suppliers, including a new booklet entitled 'Winning Council Business', which is produced in collaboration with other councils in the region.*

**Northumberland County Council case study:** *The Corporate Procurement department holds regular 'meet the buyer' events, often in conjunction with Business Link and other support agencies, and provides the opportunity for suppliers both current and prospective to discuss any opportunities or issues. This has been successfully enhanced to include potential and current suppliers when contracts become due for re-tendering. This produced tangible and positive results in 2004 when the Corporate Procurement and Regeneration departments of the County Council held an event relating to the renewal of Food Supply Contracts for the County.*

While it is possible to make contracts more accessible to smaller businesses, it is also important to make sure that businesses are 'fit to compete'. Small firms often have the right product or service at the right price, but find it difficult to put together a convincing public sector tender.

Many councils work with their local business community through the various business support groups, be they Business Link, private providers or other business network or support groups to help develop the supply base.

**Supply London case study:** *Business Link for London delivers Supply London. It is funded by the London Development Agency and the Cross River Partnership (an alliance of 12 partners, including local councils). It is a package of activities aimed at helping small businesses exploit the commercial opportunities presented by the public and private sector supply chain in London.*

*The Supply London package provides a programme of workshops and advice with a tailored action plan to implement the processes required to be successful.*

**South-west of England Regional Development Agency (RDA) case study:** *As part of their Corporate Plan's Sustainable Economic Performance, the RDA, in conjunction with a private provider, are operating the 'Profit through Procurement' project. The project is running a major regional campaign to make SMEs across the South-West aware of the commercial opportunities available in the public sector. It is achieving this by stimulating action that is designed to assist SMEs to identify and exploit available opportunities. Actions have included awareness-raising events, training workshops, and specialist training.*

A number of Local Authorities in the region have been involved since the project's inception.

Local Authorities should also be aware that the OGC and the SBS are working on the provision of national training for both public sector procurers and SMEs. Details can be found on the [www.supplyinggovernment.gov.uk](http://www.supplyinggovernment.gov.uk) web portal. A Procurement Pilot run in the West Midlands showed that running training in parallel for small businesses and procurers offered greater benefit to the small businesses involved as it reinforced

government's commitment to supporting small business. Therefore OGC is developing and delivering training for procurers that will focus on promoting the benefits of working with small businesses. The SBS will be delivering the training to SMEs through the Regional Development Agencies (RDAs).

Finally, the National Strategy recognises that the market may not always be able to respond to the Council's requirements. In these cases, the Council may need to encourage existing suppliers to enter a new market (for example, by encouraging consortium bids) or develop new suppliers (for example, by working with the voluntary or community sector). There may sometimes also be a need to attract suppliers from abroad.

**'Counciltenders' website case study:** *www.counciltenders.net is an electronic tendering website developed by Leeds City Council and now available to 12 councils across Yorkshire and Humberside. Apart from its main function, which is to enable the downloading of tender documentation and the secure lodgement of electronic bids, the site allows the publication of details of awarded tenders -- information that has been identified by small and specialist firms as being useful in identifying potential business leads. There is a feedback facility on the site.*

## Developing the supply chain

Supply chains are an important feature of economic activity. Local Authorities' buying power is well-placed to utilise any potential for both social and economic benefit, where it is relevant to the contract.

Although small firms may not be in a position to be a prime contractor, there are opportunities for them to be a sub-contractor, particularly where they can provide specialist products or services. The choice of specific sub-contractors is a commercial decision and usually rests with the prime contractor. Where relevant to the delivery of the contract, it can be appropriate to consider the supplier's sub-contractor management arrangements and ensure there is visibility of the supply chain.

OGC has developed guidance materials on supply chain management which are aimed at supporting public sector procurers in developing their understanding of when and to what extent it is appropriate to increase their involvement in supply chains to improve visibility. In addition, OGC is embarking on a programme of work with key suppliers to government to improve openness and transparency in public sector supply chains.

A Reference to OGC's recently published supply chain guidance is on the OGC website: *Draft OGC Supply Chain Management guidance document*  
See: [www.ogc.gov.uk/sdlkdev/new\\_content/supp.y\\_chain.html](http://www.ogc.gov.uk/sdlkdev/new_content/supp.y_chain.html)

The Concordat states:

We will work with prime contractors – both at tender stage and during the life of a contract – to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. We will provide details of our prime contractors on our website.

The National Procurement Strategy asks councils to work with strategic partners to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. This should continue to feature as part of contract management.

In approaching this issue, it is possible to signal to tenderers, outside of the procurement process (for example, at initial information meetings) that the Council, as part of its procurement policies, would welcome small firms being considered for use in the supply chain. Bidders would then have the opportunity to demonstrate their track record in the supply chain.

## eProcurement, SMEs and the National Procurement Strategy

The National Procurement Strategy asks councils to ensure that by 2005 they have implemented an appropriate eProcurement solution as part of their e-government programme.

Research work<sup>4</sup> has identified that some of the benefits of eProcurement are specific to the SME community. These include the following:

- Competition with any other supplier, regardless of their size – any supplier with access to the internet is now on a par with even the largest suppliers.
- Being strategically valuable, as it helps them to win other business elsewhere.
- Receiving payment more quickly as there is less of a paper chase at the buyer end.
- Business does not need to be limited to one geographical area.
- Removal of some of the process costs associated with supplying to government.

**Chief Economic Development Officers' Society (CEDOS) case study:** *To ensure that the eProcurement strategy delivers the benefits, which may result in local economic benefits for the Authority, consideration will need to be given to a supplier adoption plan as part of the overall strategy. CEDOS has recommended that this could be achieved by the following actions:*

- *Assessing the capability of local businesses to trade electronically.*
- *Working with partner agencies to support the local business community and improve their capability.*
- *Running supplier adoption seminars and training for current and potential local suppliers.*
- *Promoting investment to achieve full availability of broadband in their areas.*

<sup>4</sup> eProcurement: Cutting through the hype: A guide to eProcurement for the public sector', OGC, Autumn 2002.



**West Yorkshire case study:** *The West Yorkshire Councils have recently undertaken an eProcurement project, which has enabled them to consider ways of collaborative working, and make increasing use of ICT in the procure-to-pay cycle. One strand of the project was devoted to engaging with SMEs and demonstrating the benefits of tendering for council contracts. A joint statement of intent was produced as part of the project: this supports the development of a comprehensive sub-regional procurement infrastructure that will help the councils meet the Government's electronic service delivery (ESD) and National Procurement targets.*

European research indicates that only 33 percent of SMEs are aware of the possibilities for companies like themselves to participate in Local Authority tendering procedures, and that less than 20 percent of those who are aware, actually participate.

**Bristol City Council (BCC) case study:** *The Council needed to reduce, and if possible eliminate, manual handling of purchase orders and invoices. eProcurement was the obvious answer. There were other significant benefits, however, as Russell Darling of BCC emphasises:*

*"This is also about Local Economic Development... Because of the way we are enabling local businesses of all sizes, each can trade electronically with us but also other councils plus businesses, and consumers."*

*The Kickstart™ approach used by BCC has been extremely successful. Suppliers are invited to meetings in groups of around 50 companies and addressed by BCC and their e-enablement supplier, @UK plc. The most attractive features for small companies are the promise of on-time payment in full for correct invoices submitted electronically, and the considerable reduction in overheads they can achieve. The latter is made possible by elimination of invoice postal costs, reduced need for telephone order-takers and vastly decreased order errors. An '@Advisor' visits each company to assess their most appropriate next step. This may be a simple trading website allowing a service provider to take enquiries, create quotes, receive orders and raise invoices. It may be able to provide a sophisticated multi-page online catalogue website with multicurrency and multilevel pricing. By ensuring easy, appropriate solutions, Kickstart™ has achieved close to 100 percent take-up of e-commerce by those attending, and the volume of invoices handled by BCC is now trending downwards.*

Less than half of European SMEs (42 percent) have direct internet access. Lack of information is a particular barrier preventing SMEs from taking part in public procurement procedures. The EU GoDigital initiative aims to overcome this barrier by encouraging and supporting SMEs to get online. Other obstacles arise from the perception that working with Local Government is cumbersome, complicated, bureaucratic and mysterious. Electronic tendering systems such as 'counciltenders.net' help to overcome these perceived obstacles and barriers by making information about Council tenders more widely available, thus making the whole process more transparent.

**Leeds City Council case study:** *Leeds City Council has produced a basic eTendering Toolkit for SMEs as part of the EU GoDigital initiative. It is available on both the Council and the eTendering website ([www.counciltenders.net](http://www.counciltenders.net)). A more detailed booklet, 'A guide for Suppliers and Contractors to the Council Tenders electronic tendering system', is also available.*



**North-eastern Purchasing Organisation case study:** A purchasing consortium of 16 of the north-east Local Authorities (NEPO) has developed a range of standard tender documents which can all be accessed by a single entry point. The regional portal ([www.nepoportal.org](http://www.nepoportal.org)) includes comprehensive eTendering functionality which benefits both suppliers and the Authorities by providing a consistent electronic procurement process across the region.

## Fair tender processes

The Concordat states:

- We will apply our own rules and policies fairly.
- At pre-tender stage and during the tender process we will ensure that all tenderers have equal access to relevant information.
- We will keep the tender process as simple as possible in order to help minimise the costs to suppliers.
- If a pre-qualification stage is used we will use a Council-wide pre-qualification questionnaire containing common core questions with limited bespoke additions for each contract. We will work with regional and national partners to ensure a consistent approach to pre-qualification.
- We will assess potential suppliers against published pre-qualification and tender evaluation criteria. These criteria will be proportionate to the risks of the individual contract process. In particular the criteria relating to financial standing will not be set to unreasonably exclude newer businesses.

For detailed information on financial appraisal it is recommended that procurers refer to the OGC Supplier Financial Appraisal Guidance, details of which can be found in 'Further Information'.

A government report was issued in December 2003, setting out a series of actions aimed at cutting red tape in the Government Procurement process across departments. The report, *Making a Difference: Reducing Bureaucracy in Central Civil Government Procurement*, was developed to identify the causes of inefficiency in public procurement and the actions needed to remove or reduce them, thereby driving out excess cost.

Among the findings was the recognition that long procurement timescales slow down the delivery of projects and increase all-round costs. The effect of this on SMEs is perhaps more acute, as small firms do not have the resources or planning capacity to deal with these timescales. It should also be borne in mind, however, that if timescales are too short, small businesses might not have the capacity to produce the required documentation in time.

Although this report was directed at Central Government, the lessons learnt are also applicable in the Local Government.

See: [www.ogc.gov.uk/embedded\\_object.asp/docid=1002703](http://www.ogc.gov.uk/embedded_object.asp/docid=1002703)

To approach these issues, Local Authorities should consider examining their current procedures to ensure that procurement timescales are predictable and to identify where timesavings can be made in the procurement process.

One way to address this issue is by using the smarter procurement process documentation, including common questions on the pre-qualification questionnaire (PQQ). Previously, different bodies required similar information but in different formats. Small businesses consistently report that they do not have the resources to put together all the information in the numerous ways it is asked for.

*The BRTF/SBC Report: recommended that OGC should address this issue by developing and piloting a proposed standard pre-qualification document for use in low value procurements incorporating an expression of interest stage. OGC subsequently developed such a Pre-Qualification Questionnaire and piloted its use with project partners as one element of the West Midlands SME Procurement Pilot Project. A pilot run in Haringey also developed a streamlined PQQ in parallel with the West Midlands. The lessons learnt are informing the wider promulgation of the PQQ document as a recommended model for the public sector.*

**St Helens Council case study:** *One Form was developed after a consultation with the DTI, UKOnline and professional bodies. St Helens Chamber successfully obtained funding from the Merseyside Objective 1 European Regional Development Fund for a two-year pilot programme to develop an on-line electronic pre-qualification tool. This project is being carried out in partnership with the University of Liverpool.*

*The project is developing a web-based pre-qualification tender form, designed to be completed once, so that suppliers no longer have to repeatedly fill in a variety of pre-qualification tender forms. It is interactive and works like a company C.V, where SME suppliers simply complete one form which will be stored in a database. Buyers will then be able to readily access the supplier pre-qualification information, in a format that is tailored to their requirements. One of the buying organisations which has had a pivotal role in the development of the online tool is St Helens Council.*

*At present, there is no cost to either buyers or suppliers. It is an opportunity for buyers to promote e-business strategies and the use of technology to enhance purchasing procedures. For suppliers, it is an opportunity to place their business in front of buyers they have not necessarily been able to contact previously.*

## Feedback and complaints

The Concordat states:

- We will offer meaningful feedback to suppliers following the procurement process in order that suppliers can improve for future tenders.
- We will seek feedback from suppliers, and their respective trade organizations, on our tender processes and address, where we can, any problems that are brought to our attention.
- We will publish a complaints procedure.

While feedback, where requested by a bidder, is a requirement under EC procurement directives, there is no legal right for feedback to be given for lower-value contracts. However, for contracts below the thresholds, public sector authorities should be operating in the spirit of the directives. It is public sector policy under the OGC's Government Procurement Code of Good Practice (for Central Government) that 'feedback that is as helpful as possible and designed to promote future improvement' should be provided.

Good, clear and appropriate feedback is essential, as recipients to help improve bids for the future, particularly for unsuccessful bidders, can use this. Local Authorities should make clear that feedback is available and make clear what its purpose is. They should also seek feedback on their tender process.

Successful bidders may also benefit from feedback, as it can be helpful to know which aspects of the bid were seen as the strongest, and whether there were any weaknesses. This approach can improve future bids and generally raise the level of tenders in the future.

It is useful for council procurement departments to gather feedback on their procurement procedures. Positive feedback helps to reinforce good practice, whilst negative feedback in the form of complaints can also be valuable in providing useful information to assist in developing efficient and effective processes.

The proper handling of complaints is an important part of good procurement practice and Local Authorities should put into place robust complaints procedures and investigate all complaints of non-compliance with the Concordat.

In considering the mechanisms to be adopted locally, councils should refer to the Cabinet Office's Better Public Services website at:  
[www.servicefirst.gov.uk/1998/complaint/b5summ.htm](http://www.servicefirst.gov.uk/1998/complaint/b5summ.htm)

## Contract management

The Concordat states:

- We will treat suppliers openly and fairly. Suppliers will:
  - Be paid on time. No more than 30 days from receipt of an undisputed invoice.
  - Receive honest and constructive feedback on the supplier's performance of the contract.
  - Be given notice of any performance problems and an opportunity, if appropriate, to put matters right.
- All contracts will require our suppliers to pay their sub-contractors, throughout the supply chain, within 30 days from receipt of an undisputed invoice.

The basis for effective contract management should be established early in the procurement process. Contract management processes, reporting and review requirements, escalation and change control procedures should all be set out in the tender documentation. There is a cost involved in these procedures that suppliers need to be in a position to accurately estimate. In addition, the contract management regime should be proportionate to the scale and complexity of the contract. The arrangements are likely to be more effective if they are informed by knowledge of the market and consultation with the supplier base.

The barriers faced by the small businesses of all types in this area include over-complex reporting requirements, inadequate notice of changes to services required by the client, and undue expense or difficulty in implementing such changes. Small businesses are particularly sensitive to reductions in service requirements that reduce the payments they achieve from contracts and may even pose a threat to organisational viability.

## Innovation

The Government's Innovation Report<sup>5</sup> identified innovation as the key economic driver to higher productivity. By acting as an intelligent customer and one open to new ideas, Government can provide a vital incentive for business to develop new products and services. In turn innovative products and services can help Government achieve better value for money through better quality, faster delivery and reduced whole life costs.

Achieving the benefits of innovation requires a professional approach to procurement and consideration of innovation at an early stage in the procurement process. The OGC and DTI published a guide to *Capturing Innovation*<sup>6</sup> which offers procurers a practical guide on how to be intelligent, demanding customers open to new ideas.

<sup>5</sup> [www.dti.gov.uk/innovationreport/chapter5.pdf](http://www.dti.gov.uk/innovationreport/chapter5.pdf) Report: Competing in the global economy: the innovation challenge, published by DTI December 2003

<sup>6</sup> *Capturing Innovation: Nurturing supplier's ideas in the public sector report* [www.ogc.gov.uk/embedded\\_object.asp?docid=1001717](http://www.ogc.gov.uk/embedded_object.asp?docid=1001717)

The guide encourages procurers to consider the consequences of excluding small innovative firms from contracts owing to lack of capacity on their part, suggesting that breaking the requirement into smaller chunks may create better opportunities for smaller firms to participate, thus capturing innovation from those small firms. In addition, procurers should encourage their larger suppliers to open up their supply chain and form alliances with smaller, creative partners.

## Monitoring

A good management information system is a useful tool in procurement. It is intended that Local Authorities will monitor their performance in engaging with SMEs, including social enterprises. Authorities will also monitor the impact their procurement strategies have on SMEs.

Local Authorities should also monitor payment records.

## Supplier commitments

Effective procurement exercises and contract delivery are founded on good relationships. It is important that suppliers understand their own responsibilities and the standards expected.

Local authorities can work effectively with suppliers through the following ways:

- Being open about aims, objectives, strategies and alliances as they relate to the Local Authority's business.
- Making clear any assumptions and/or risks to the customer that underpin the ability to deliver the required goods or services.
- Respecting, and acting on, the need for integrity, decency and fairness in the tender process and after the contract award.
- Pursuing continuous improvement and actively seeking to identify and share experiences, innovations and market advances. This could include working with the Council to adopt eProcurement methods etc.
- Being proactive in the improvement of the trading relationship.
- Working with potential sub-contractors to promote an integrated and visible supply chain and to make effective use of skills and resources.
- Fostering professionalism and staff training to enable effective delivery against customer targets.
- Only bidding where realistic and behaving in such a way as to maintain customer confidence throughout the contract life.
- Receiving tender feedback as a means of improving future tender prospects.
- Working collaboratively with the customer and other parties, as appropriate, to ensure that the focus is maintained ultimately on the public interest at all times.

# Checklist

The following sets out a number of questions to consider when devising a procurement approach or letting a contract. This is only a guideline and assessments should always be proportional to the value of the contracts being let.

## **a) Procurement approach**

1. What will be the likely effect of your procurement approach on Best Value and on the market?

## **b) Advertising opportunities**

1. How easy is it for prospective suppliers to find out about your commercial requirements?

2. Can prospective suppliers find the right contact in your organisation?

3. How will you make sure that the best potential suppliers will know about your contract opportunity?

4. Do you know how to reach them?

5. Are you tapped into the national procurement portal?

## **c) Capability and financial assessment**

1. Do assessments of capability and financial standing take into account the nature of the requirement and risks associated with each supplier?

## **d) The procurement process**

1. Is the procurement timetable realistic?

2. Are requirements clear and output based?

3. Are tender and other documents concise and in plain language?

4. Is it clear how to respond to them?

5. Do suppliers know whom to contact to discuss their concerns and your requirements?

6. Are evaluations based on value for money, not lowest cost?

7. Is feedback always offered, and given where requested?

8. Are supplier lists refreshed regularly and visible?

## Glossary

- **Best Value:** Section 3 of the Local Government Act 1999 describes the general duty of best value. Section 1 sets out those authorities subject to the duty (this legislation does not include health authorities). See [www.hms.gov.uk/acts/acts1999/19990027.htm](http://www.hms.gov.uk/acts/acts1999/19990027.htm)

The duty requires best value authorities to make arrangements to secure continuous improvements in the exercise of their functions, with regard to a combination of economy, efficiency and effectiveness. Under best value, local authorities are required to carry out reviews of their functions, having regard to the principles of:

*challenge* why, how, and by whom a service is being provided;

*compare* processes and performance with other service providers;

*consult* users, partners, businesses; and

use fair and open *competition* wherever practicable to secure efficient and effective services.

- **BRTF:** Better Regulation Task Force.
- **CEDOS:** Chief Economic Development Officers' Society.
- **DTI:** Department of Trade and Industry.
- **EC Directives:** the EC Public Procurement Directives, and the UK Procurement Regulations giving effect to the Directives in the UK.
- **EC rules:** the EC Treaty, EC Procurement Directives, UK Procurement Regulations and relevant decisions of the European Court of Justice.
- **EMB:** an ethnic and minority owned business – more specifically, a business 51 percent or more of which is owned by members of one or more ethnic minority groups. Alternatively, if there are few owners, where at least 50 percent of them are members of one or more ethnic minority groups.
- **ESD:** electronic service delivery.
- **Framework agreement:** an agreement setting out terms and conditions under which specific purchases ('call offs') can be made throughout the period of the agreement.
- **GO:** Government Office.
- **HMT:** HM Treasury.
- **ICT:** Information and Communication Technologies
- **LGA:** Local Government Association.

- **NPS:** National Procurement Strategy for Local Government
- **ODPM:** Office of the Deputy Prime Minister.
- **OGC:** Office of Government Commerce.
- **OJEU:** This is where all Local Authorities must place tender notices where the value of the tender falls within the scope of the EC Procurement directives
- **PQQ:** pre-qualification questionnaire.
- **RDA:** Regional Development Agency.
- **RRAA 2000:** Race Relations (Amendment) Act 2000.
- **SBC:** Small Business Council.
- **SBS:** Small Business Service.
- **SME:** small and medium-sized enterprise – a small firm is defined as one with 0–49 employees (includes micro) and a medium firm as one with 50–249 employees.
- **Social Enterprise:** a business with primarily social objectives whose surpluses are principally reinvested in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.
- **VfM:** Value for Money – the optimum combination of whole-life cost and quality to meet the requirements of the Local Authority.
- **VCO:** Voluntary and Community Organisation.
- **VCS:** Voluntary and Community Sector.
- **Whole-life cost:** the total of all costs in a project, including capital and revenue implications such as construction, maintenance and running costs and ultimate decommissioning/disposal.
- **Women-owned business:** a business 51 percent or more of which is female owned.



## Further information

### USEFUL PUBLICATIONS:

#### **National Procurement Strategy for Local Government (Office of the Deputy Prime Minister/Local Government Association)**

The National Procurement Strategy (October 2003) sets out how Central and Local Government, working together with partners from the public, private and voluntary sectors, intend to set about improving Local Government procurement.

See:

[www.odpm.gov.uk/stellent/groups/odpm\\_localgov/documents/page/odpm\\_locgov\\_029231.hcsp](http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_029231.hcsp)

#### **Delivering efficiency in local services: further guidance**

2004 Spending Review expects efficiency gains in Local Government of 2.5% per annum. This document details how local authorities will measure & report efficiencies, the change agents supporting them & areas where it's expected efficiencies can be made.

See:

[www.odpm.gov.uk/stellent/groups/odpm\\_localgov/documents/page/odpm\\_locgov\\_034633.pdf](http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_034633.pdf)

#### **Local Performance indicators for Procurement (Improvement and Development Agency (IDeA)/Audit Commission)**

This publication includes voluntary PIs that enable local authorities to measure the proportion of corporate spend placed with SMEs and SME satisfaction regarding access to contracts and support from the council.

See:

[www.local-pi-library.gov.uk](http://www.local-pi-library.gov.uk)

#### **Procurement Essentials (IDeA)**

This guide is intended to support the implementation of the 'National Procurement Strategy for Local Government' by helping managers in Local Government to play an effective role in the procurement process.

See: [www.idea.gov.uk](http://www.idea.gov.uk)

#### **Smaller Supplier.....better value? (Small Business Service/Office of Government Commerce)**

The purpose of this publication is to raise awareness of the value for money that small firms can offer, to explore the issues making it difficult for them to win public sector business, and to set out some ideas about how public sector purchasers can help. It is aimed at all those involved in procurement in the public sector.

The publication is available as hard copy, online, video or CD Rom format and is available from the SBS. It is produced jointly by the SBS and the OGC.

See: [www.supplyinggovernment.gov.uk/hotTopics.asp](http://www.supplyinggovernment.gov.uk/hotTopics.asp)

**Tendering for Government Contracts (Small Business Service/ Office of Government Commerce)**

The aim of this publication is to help SMEs in three ways. It explains where to find opportunities, how to prepare a bid for the work and advises on further contacts that may be of use.

Copies of the publication are available online and from the SBS. Local small firms may find these of assistance when approaching the public sector market place.

The publication is produced jointly by the SBS and the OGC.

See: [www.supplyinggovernment.gov.uk/hotTopics.asp](http://www.supplyinggovernment.gov.uk/hotTopics.asp)

**The Successful Delivery Toolkit (Office of Government Commerce)**

The toolkit describes proven good practice procurement, programmes, projects, risk and service management, bringing together policy and best practice in a single point of reference.

See: [www.ogc.gov.uk/sdtoolkit](http://www.ogc.gov.uk/sdtoolkit)

**The Government Procurement Code of Good Practice (Office of Government Commerce)**

The Code sets out the core values and behaviour for all members of Central Government's supply chain, both purchasers and suppliers. It encourages all participants to work together openly and co-operatively.

Although written for Central, Civil Government, the values and behaviours are also applicable to Local Government.

See: [www.ogc.gov.uk](http://www.ogc.gov.uk)

**Aggregation: Is bigger always better? (Office of Government Commerce)**

This publication is designed to inform decision-making during the development of procurement strategies. It particularly aims to clarify what is meant by 'aggregation', identifies the possible advantages and disadvantages and discusses the key issues to inform the decision-making process.

See: [www.ogc.gov.uk](http://www.ogc.gov.uk)

**Supplier Financial Appraisal Guidance (Office of Government Commerce)**

This guidance provides advice on how to conduct the financial appraisal of suppliers bidding for public sector contracts.

See: [www.ogc.gov.uk](http://www.ogc.gov.uk)

**Supplier debriefing guidance (Office of Government Commerce)**

This publication assists those involved in debriefing by outlining the rationale, setting out a possible approach and providing suggestions on debriefing.

See: [www.ogc.gov.uk](http://www.ogc.gov.uk)

**Supply Chain Management in Public Sector Procurement (Office of Government Commerce)**

This is intended to provide a series of basic insights into the management of the supply chain within public sector procurement. It emphasises the importance of effective supply chain management and provides guidance on when and to what extent public sector procurers both inside and outside of the procurement process should take supply chain management into consideration.

See: [www.supplyinggovernment.gov.uk/hottopics.asp](http://www.supplyinggovernment.gov.uk/hottopics.asp) for more information.

### **Government: Supporter and Customer? (Better Regulation Task Force/Small Business Council)**

The Better Regulation Task Force is an independent advisory group established in 1997. Their terms of reference are:

'To advise the Government on action to ensure that regulation and its enforcement are transparent, accountable, proportionate, consistent and targeted.'

The SBC is an independent advisory body established in 2000. The Council's terms of reference are:

'To advise the Secretary of State for Trade and Industry and the Chief Executive of the Small Business Service on issues relating to small businesses.'

The joint report, 'Government: Supporter and Customer?' (May 2003), considers the barriers faced by SMEs in doing business with the public sector. The wider benefits to the economy of procuring from SMEs are also considered. The report recommended the development of a SME-friendly procurement concordat.

See: [www.brdf.gov.uk](http://www.brdf.gov.uk) and [www.sbs.gov.uk/sbc](http://www.sbs.gov.uk/sbc)

### **Race Equality and Procurement in Local Government (Commission for Racial Equality)**

RRAA 2000, which amended the Race Relations Act 1976, has important implications for Local Authorities. The amended Act now outlaws discrimination in all Local Authority functions, including procurement. To assist Authorities, the Commission of Racial Equality has issued the guide: 'Race Equality and Procurement in Local Government – a guide for authorities and contractors'.

The guidance gives Local Authorities the information they need to be confident of meeting the race equality duty when carrying out procurement, within EC rules, Best Value, and other UK laws and policies.

See: [www.cre.gov.uk](http://www.cre.gov.uk)

### **A Government Action Plan For Small Business (Small Business Service)**

The Government is committed to making the UK the best place in the world to start and grow a business. The Action Plan, which was issued in 2004, sets out a government-wide action plan to make that vision a reality. It builds on existing government support for small businesses, marshalling the whole of government behind the small business agenda.

Amongst other initiatives, the Action Plan commits the public sector to the development of the small business Procurement Concordat.

See: [www.sbs.gov.uk](http://www.sbs.gov.uk)

### **Public Procurement: A Toolkit for Social Enterprises (Department of Trade and Industry)**

To support the involvement of Social Enterprises, the DTI has produced a toolkit: 'Public procurement: A Toolkit for Social Enterprises'. This has been written to give social enterprises across the UK access to the best possible information and advice on how to win public sector business.

The toolkit aims to demystify and describe the procurement process and provide insight into the steps needed to prepare bids and win contracts.

See: [www.dti.gov.uk/socialenterprise](http://www.dti.gov.uk/socialenterprise)

### **Think Smart...Think Voluntary Sector (Home Office/Office of Government Commerce)**

To support the involvement by the voluntary and community sector in the provision of public services, the Home Office Active Community Unit and the OGC have produced good practice guidance on procurement entitled 'Think Smart...Think Voluntary Sector'.

The guidance aims to:

- emphasise some of the benefits and expertise that voluntary and community organisations can offer,
- highlight some of the barriers faced by voluntary and community organisations in competing successfully, and
- summarise what can be done during the procurement process to boost the participation by the voluntary and community sector in the successful delivery of service contracts.

See: [www.homeoffice.gov.uk/docs3/thinksmart\\_040608.pdf](http://www.homeoffice.gov.uk/docs3/thinksmart_040608.pdf)

### **Capturing Innovation (Office of Government Commerce)**

The guide is intended for all those involved in policy development, procurement and commercial activity, project and programme management. The guide seeks to encourage public sector organisations to be intelligent, demanding customers open to new ideas.

See: [www.ogc.gov.uk/embedded\\_object.asp?docid=1001717](http://www.ogc.gov.uk/embedded_object.asp?docid=1001717)

### **USEFUL WEBSITES**

[www.odpm.gov.uk](http://www.odpm.gov.uk)

[www.lga.gov.uk](http://www.lga.gov.uk)

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

[www.ogc.gov.uk](http://www.ogc.gov.uk)

[www.sopo.org.uk](http://www.sopo.org.uk)

[www.4ps.gov.uk](http://www.4ps.gov.uk)

[www.idea.gov.uk](http://www.idea.gov.uk)

[www.sbs.gov.uk](http://www.sbs.gov.uk)

# National Procurement Concordat for Small and Medium-sized Enterprises (full text)

A statement of principles to encourage effective trade between local authorities and small businesses.

## Introduction

We are committed to delivering locally the National Procurement Strategy for Local Government. The strategy asks local authorities to adopt a small and medium sized enterprise (SME) friendly procurement concordat and to encourage a mixed range of suppliers in order to help develop and stimulate a varied and competitive marketplace. The concordat sets out the actions that local authorities will take to make their contracts more accessible to SMEs.

Although the principles should relate to all SMEs, the concordat is particularly focused on small businesses of less than 50 employees.

We recognise the important contribution that small businesses can make to the delivery of public services and the vital role these businesses play in the national and local economy. We are committed to making the most of the benefits offered by them.

## Underlying Principles

Contracts are awarded in order to support the Best Value delivery of local government services. We will deliver value for money and take into account the whole life costs in contract decisions; this means considering quality, longer term cost and benefits as well as initial price.

We will make appropriate use of our legal powers including the power to promote the economic, social and environmental well being of our community.

All tender processes and contract awards will comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and our duties under UK law.

## Local Authority Commitments

### *Procurement strategy*

We will publish a corporate procurement strategy. The strategy will include a commitment to:

- The role procurement plays in delivering the Council's objectives and its contribution to the community strategy, workforce issues, diversity and equality and sustainability.
- How we will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.

- A commitment to ensure that our approach to individual contracts, including large contracts and framework agreements etc, is supported by a sound business case and options appraisal.
- A commitment that where we decide that the best value option is to aggregate supply or let a longer term contract or framework agreement we will invite bidders to demonstrate their track record in achieving value for money through effective use of their supply chain.
- *A commitment to consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.*

#### *Access to contract opportunities*

- We will publish on our website;  
Guidance for suppliers on how to do business with the council;  
details of forthcoming bidding opportunities, and;  
contact details for each contract, with appropriate links to any regional site and the national public sector opportunities portal (to be launched Summer 2005).

#### *Details of our key suppliers.*

- We will advertise contracts. We will use a range of publications and other means in order to encourage greater diversity and competition.
- We will give potential suppliers an opportunity to discuss the procurement in order to understand our requirements and assess their own suitability. Nothing will be done, however, which would give a particular business or provider an unfair advantage in competing for a specific contract.
- We will work with prime contractors – both at tender stage and during the life of a contract – to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. We will provide details of our prime contractors on our website.

#### *Fair tender processes*

- We will apply our own rules and policies fairly.
- At pre-tender stage and during the tender process we will ensure that all tenderers have equal access to relevant information.
- We will keep the tender process as simple as possible in order to help minimise the costs to suppliers.
- If a pre-qualification stage is used we will use a Council-wide pre-qualification questionnaire containing common core questions with limited bespoke additions for each contract. We will work with regional and national partners to ensure a consistent approach to pre-qualification.

- We will assess potential suppliers against published pre-qualification and tender evaluation criteria. These criteria will be proportionate to the risks of the individual contract process. In particular the criteria relating to financial standing will not to be set to unreasonably exclude newer businesses.

### **Feedback**

*We will offer meaningful feedback to suppliers following the procurement process in order that suppliers can improve for future tenders.*

- We will seek feedback from suppliers, and their respective trade associations, on our tender processes and address where we can any problems that are brought to our attention.
- We will publish a complaints procedure.

### **Contract management**

- *We will treat suppliers openly and fairly. Suppliers will:*

Be paid on time. No more than 30 days from receipt of an undisputed invoice.

Receive honest and constructive feedback on the supplier's performance of the contract.

Be given notice of any performance problems and an opportunity, if appropriate, to put matters right.

- All contracts will require our suppliers to pay their sub-contractors, throughout the supply chain, within 30 days from receipt of an undisputed invoice.

### **Supplier commitments**

As customers we will make clear to our suppliers, and those wishing to do business with us, what is expected of them.

**DECLARATION OF SUPPORT FOR THE SMALL BUSINESS FRIENDLY  
CONCORDAT**

The ODPM, the LGA and Small Business Service want to see all local authorities sign-up to the Small Business Friendly Concordat. The Concordat is a voluntary, non-statutory document, and your signature will not only demonstrate a pledge to actively engage with small businesses, but it will also show your authority's commitment to good procurement practices in general. This in turn should help foster a professional approach to managing procurement in your authority and, in doing so, help you implement key strategic objectives and milestones in the National Procurement Strategy for Local Government.

Name of your Authority: \_\_\_\_\_

Signed by: \_\_\_\_\_ Date: \_\_\_\_\_

Position in Local authority: \_\_\_\_\_

Thank you for your support.



## ANNEX

### **BRIEF BACKGROUND TO THE NATIONAL PROCUREMENT STRATEGY**

In July 2000, the Government and the LGA invited Sir Ian Byatt to chair a Taskforce, charged with reviewing and reporting on Local Government procurement in England. The Report's starting point was the critical contribution that procurement can make to the quality of services of public services. Local Authorities were asked to review their current procurement structures and processes and set out clear policies as to how procurement is to be managed across the authority.

The joint Government/LGA response to the Byatt Report was published in July 2002. It fully endorsed the approach recommended in the Report and set out how each of the 39 recommendations would be taken forward. As recommended in the joint response, the ODPM/LGA convened a Local Government Procurement Forum (the Forum) in November 2002. The Forum has a membership of over 80 people from Central and Local Government, and from the public, private and voluntary sectors. The ongoing role of the Forum has been to encourage and facilitate an exchange of views on how best to implement the 39 recommendations of the Byatt Report and to secure real improvement in Local Government procurement. It also considered the role and development of a National Strategy for Local Government Procurement.