



Innovation through public procurement

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The public sector purchases a large volume of goods and services and has the potential to drive innovation through procurement. Government is responsible for 55 per cent of all purchases of IT and medical equipment and its overall procurement budget is worth £175 billion per annum, yet small businesses struggle to receive a fair proportion,

The FSB believes that current and future governments need to turn public procurement into the key driver for innovation. The FSB believes that the UK should adopt the United States' Small Business Innovation Research Programme (SBIR) model. With a budget of \$2 billion, SBIR informs small businesses of its purchasing needs and timetable, creating demand and markets for new products and services to be met by small businesses.

Government should commit an initial £100 million to fund purchasing. It should be ring-fenced for the small business community, promoted twice a year to ensure uptake and should be accompanied by an audit of all departments and public sector agencies for their future technology and service needs.

Encourage local authorities to buy local

Competitive procurement plays an important role in local community sustainability. It is estimated that 50-70 pence in every pound spent with a local business goes back into the local economy. Awarding public procurement contracts to small businesses offers value for money, reliability and innovative solutions. It makes good economic sense, good business sense and good environmental sense.

Despite this, small businesses struggle to win public-sector contracts. Research commissioned by the FSB indicates that nearly three-quarters of small businesses rarely or never bid for government work. A similar proportion believed that there were barriers to awareness of government opportunities and the same number again felt that the public sector was more difficult to deliver work to than the private sector owing to a greater amount of formality, a lack of responsiveness and unrealistic timescales. The Glover Review found that although there was much good practice in both local and central government, it was clear from the evidence gathered that small firms still faced substantial hurdles to competing on an equal footing with larger enterprises.

FSB recommendations:

- Achieve a 10 per cent, year-on-year increase, on the value of contracts awarded to small businesses
- Implement clear policies for local buying due to environmental, economic or social criteria which are also of benefit to local communities
- Hold more 'open days' to brief businesses on future procurement opportunities. These will also give small businesses the opportunity to form consortia to work together and engage with larger companies to be part of their supply chain
- Provide detailed, specific and timely feedback to all short-listed businesses that tender on each occasion
- Framework agreements must, wherever possible, be divided into smaller lots to make them really accessible to small businesses

Key statistics

- **Nearly three-quarters of small businesses rarely or never bid for government work**
- **Nearly three-quarters of small businesses believe that there are barriers to awareness of government opportunities**
- **Nearly three-quarters of small businesses feel the public sector is more difficult to deliver work to than the private sector owing to a greater amount of formality, a lack of responsiveness and unrealistic timescales**

For further information

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