



Says...

KEEP TRADE LOCAL

FEDERATION OF SMALL BUSINESSES

Public Procurement

Helping Small Businesses Succeed





The Keep Trade Local Campaign

Small shops are struggling to survive because of local, regional and national government policies, together with the failure of the competition authorities to deal with the aggressive policies of supermarkets.

The loss of the UK's independent retailers has far reaching socio-economic and environmental implications for the whole community. 42% of English towns and villages no longer have a shop of any kind¹. By 2010 many local communities will have no shops or services.

The Keep Trade Local campaign was launched in March 2008 and has since been taken up by local communities across the UK. In addition to its grassroots campaign activities, the FSB is gathering signatures to the Keep Trade Local petition at <http://petitions.pm.gov.uk/keeptradelocal/> which calls for the Prime Minister to secure the future of small shops across the UK and safeguard the choice and competition that people expect in the market place.

¹ 'Nightmare on every street' Report by NIIRTA (Northern Ireland Independent Retail Trade Association) 2008

Public Procurement

Introduction

Public procurement is an underused tool when it comes to keeping trade local. By using local suppliers, contractors can expect better value for money, better quality of service and a more innovative and punctual completion of the contract.

Evidence from a recent survey of FSBs members suggests that SMEs experience significant barriers in tendering for government contracts. Small businesses are not always given a fair chance to compete against larger businesses, and also are not always aware of ways in which they can maximise their chance of winning public sector contracts.

On average, SMEs find the private sector easier to sell to than the public sector – their rate of success in winning private sector contracts is double their rate of success in winning public sector contracts.

Nearly three quarters of SMEs feel that the public sector is more difficult to deliver work to than the private sector, due to a greater amount of formality, a lack of responsiveness and unrealistic timescales.

The information in this booklet is taken from a study of just under 600 small businesses¹. It aims to highlight a number of simple ways in which small businesses can be encouraged to bid for public sector contracts and examples of what government can do to help establish a keep trade local trend.

Key facts:

- *Nearly three quarters of SMEs rarely or never bid for government work.*
- *Over three quarters of SMEs believe that there are barriers to awareness of government opportunities.*

Case study:

Elaine Webb and her husband runs a company called MW Heating and they employ 2 full-time members of staff. They are based in Bromsgrove and have been in business for around 3 years. Elaine said:

“For a small business it is really about the time. In our case it’s my husband and I, plus 2 employees that are working flat out. I do not have the time to sit down and fill out pre qualification questionnaires. Instead we target the private sector through advertising in local news papers. I would not mind tendering for public sector contracts; it just takes up far too much of my time that I need to spend on running the business.”

¹ The study was carried out by Fresh Minds Research for the Scorecard Working Party in the autumn of 2008. The Scorecard working party is made up of Britain’s three leading business organisations BVCA, FSB and CBI.



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The Government should earmark 30% of the value of the annual procurement budget for micro businesses.

Key facts:

- *According to the latest figures only 16% of the total value of public contracts go to SMEs².*
- *Only 33% of SMEs who bid every time they find an appropriate opportunity are successful in winning the contract.*

According to EU data, overall SMEs secured 42% of the value of contracts above the thresholds fixed by the EU directives on public procurement which is £139,893³. However, when we see these kinds of figures we are talking about medium sized businesses, which are performing much better than small and micro businesses⁴.

The Federation of Small Businesses therefore believes that it is essential to set a target of 30% of low value public procurement contracts going to micro businesses to help them getting a share of the very lucrative public procurement market.

An increased involvement of micro businesses into public purchasing will result in higher competition for public contracts, leading to better value for money for contracting authorities⁵.

83 pence of every pound spent with a local business goes back into the local economy.

² BERR 2006

³ BERR

⁴ http://ec.europa.eu/enterprise/entrepreneurship/public_procurement.htm

⁵ http://ec.europa.eu/internal_market/publicprocurement/docs/sme_code_of_best_practices_en.pdf

2

Small businesses should have free access to public contracts and pre-qualification questionnaires (PQQs) should be simplified.

Key facts:

- *Over half of SMEs feel that the process of tendering for government contracts requires more time and resource than their business can allow.*
- *50% of SMEs find it significantly more difficult to deliver to Government agencies than to the private sector, predominantly because of the additional formalities required by public sector clients.*

The Federation of Small businesses is calling on government to improve SME access to information on public procurement opportunities.

The FSB has found that 51 per cent of small businesses do not tender for public procurement contracts because they do not have free access to the supply2.gov.uk website advertising new contracts⁶. Currently there is a £180 registration fee if businesses want to access contracts across the UK⁷. It is free for a limited geographical area of your choice, but should also be free for nationwide access.

The FSB is also calling for a simplified and universal pre-qualification questionnaire that could be used for low value contracts and that would only have to be filled in once and then logged for future bids. The time it takes to resubmit a full pre-qualification questionnaire for each new bid is time that small businesses do not have.

One FSB member made the comment:

“Local authorities expect small business owners not only to spend time on tendering for work which they may or may not get, but also to spend additional time on attending preliminary staged events at which they can learn the tendering processes, without actually getting any orders there either.”

⁶ “Evaluating SME Experience of Government Procurement” Joint report from FSB, CBI and BVCA, October 2008

⁷ http://www.supply2.gov.uk/pricing_matrix.shtml





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Improve channels of information so that small businesses know what contracts are up for tender.

Key facts:

- *Three quarters of SMEs lack awareness of where to find information about public procurement opportunities.*
- *Two thirds also lack the time required to look for opportunities.*
- *Just under two thirds of SMEs are not sure of which information sources to use when looking for opportunities.*

Over three quarters of SMEs feel that they lack awareness of the government procurement opportunities available to them. The majority of these do not know where to look for opportunities, and believe it is too time-consuming to try to find out about them.

Over half of SMEs find the tendering process too costly/time-consuming and half of SMEs feel that their lack of awareness of appropriate contracts prevents them from bidding.

Many SMEs do not bid because they feel they are unable to compete with larger suppliers. One in five SMEs believes they are unsuccessful in a bid because they are unable to offer better value for money than other suppliers.

SMEs believe that in general, public sector organisations require a greater number of formalities, can be indecisive and unresponsive.

One FSB member said:

“Local authorities are the bureaucratic mind at work, busily inventing disproportionately complicated procedures for crumbs that may be allowed to fall from the table. The authorities will probably claim that they have to be seen to be free of bias, but they take this to ridiculous lengths for small orders that a small business would find significant.

If other much larger bodies (such as, in my case, a sizeable European project funded by the European Commission) can find a small-business supplier without indulging in any such rigmarole, local authorities ought to be able to do the same.”

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How can small businesses improve their chances?

Key facts:

- *Become aware of appropriate opportunities and select the right ones*
- *Get prepared before you bid*
- *Engage with your target clients*
- *Identify and use support schemes*
- *Fully meet the clients' needs*
- *Combine expertise with innovation*
- *Become a sub-contractor*

Apart from actions that Government can take, there are practical steps that SMEs themselves can take to increase their chances of winning government contracts.

The first step to winning a public sector contract is to identify suitable opportunities for your business. Opportunity gateways are one of the more efficient ways of searching but it's important to make sure you're investing time wisely in identifying the most useful opportunity gateways.

Once you're looking in the right place for public sector opportunities, it's important that you're selective about those opportunities you're investing time and resource into bidding for.

Bidding for smaller contracts initially can help you to establish a foothold, gain valuable experience in delivering to public sector clients and can reassure procurement professionals of your business' capability. It can also be easier to deliver smaller contracts, as they often have no, or much lower, tendering requirements.

Developing personal relationships with suppliers will strengthen any bids you make, and may help you to become aware of opportunities before they are advertised. You should seek to actively develop relationships with targeted public organisations/offices through the use of mail-shots, networking events, phone & email campaigns, etc. and ensure that old clients are contacted on a regular basis to encourage re-purchasing and/or referral.

An effective marketing campaign can help to raise the profile of your SME with both procurement teams and potential end-users.

Consider working together with other SMEs to create an offer that is competitive and attractive to public agencies. As well as considering consortiums, you may want to examine working as a subcontractor for a larger company.

Case Study:

By taking some professional advice throughout the tendering process (from bid writing to presentation) a small architectural practice that had attended a procurement training programme successfully won a tender from the University of Reading, worth around £2million.

The project was advertised in the Official Journal of the European Union (OJEU) and expressions of interest were invited. The pre-qualification questionnaire (PQQ) was a substantial and very complex document. However "Architect A" had participated in the '*Bidding for Gold*' programme that improves the skills of companies associated with the construction industry. The '*Bidding for Gold*' trainers explained the process and gave advice on some of the specific issues raised in the PQQ. The submission and subsequent oral presentation was successful.

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Leading by example

Some local authorities are already giving a massive boost to the local economy. In Essex, public procurement is worth over £574 million a year for small businesses.

Councils in Essex have found that awarding contracts to small businesses in their area is cost effective, offers quick turnaround time and greater flexibility while at the same time keeping the carbon footprint low as delivery distances are less.

With 83p of every £1 spent with local businesses going back into the local economy, it makes good economic sense, good business sense and it keeps trade local. Below is the league table:

Position	Council	Year	Amount spent	Essex %
1	Havering London Borough*	2007/08	79,470,000	78.5
2	Rochford District	2007/08	5,402,446	71
3	Southend-on-Sea Borough*	2007/08	68,200,000	62
4	Thurrock Borough*	2007/08	29,391,248	59.4
5	Tendring District	2007/08	13,671,283	51.7
6	Essex County	2007/08	276,000,000	46
7	Chelmsford Borough	2007/08	6,320,356	40.3
8	Brentwood Borough	2007/08	5,500,000	35
9	Redbridge London Borough*	2007/08	61,700,725	33.4
10	Braintree District	2007/08	3,035,322	29.8
11	Harlow District	2007/08	17,050,000	27.5
12	Colchester Borough	2007/08	8,700,000	15

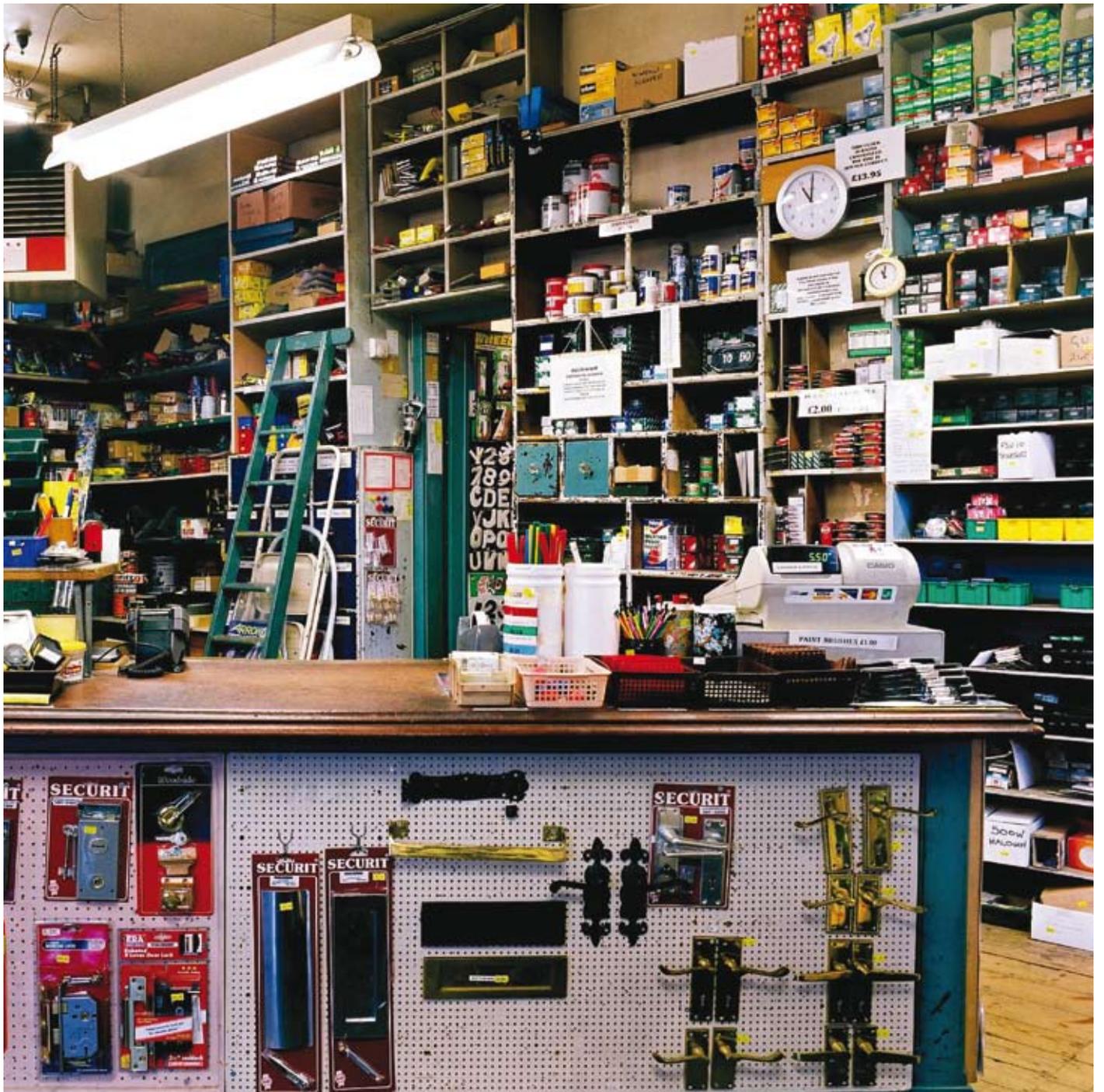
* are unitary authorities

Total: £574,441,380

The FSB is now undertaking similar surveys across the UK as part of its Keep Trade Local campaign.



COUNTY
BUILDING



How can you help Keep Trade Local?

This campaign can only succeed if people like YOU get involved.

The Keep Trade Local campaign was inspired by FSB members, adopted by members at annual conference in March 2008, and is now being delivered by members in local communities across the country.

The campaign seeks to unite communities, businesses and residents associations across the country that find themselves under threat from the range of problems currently driving small independent retailers out of our high streets.



Says...

**KEEP TRADE
LOCAL**

Things you can do to make a difference:

- Write to your local MP ensuring that they understand the problems small businesses are facing
- Write to your local newspaper
- Sign the Keep Trade Local petition: <http://petitions.pm.gov.uk/keeptradelocal/>
- Join your FSB's Keep Trade Local network
- Ensure that FSB posters and campaign materials are in the windows of small shops on your local high street
- Run a local campaign in your branch/region

And last but not least,

- Shop local and use your local businesses – if we don't use our local shops and tradespeople we will lose them

Keep Trade Local has already been endorsed by leading political figures from across the political spectrum. It has achieved celebrity endorsement and has struck a chord with people up and down the UK.

We now need your support to carry the campaign forward. Our local communities deserve nothing less.

We will follow up this document with more information on each campaigning area.

For more information about the campaign please contact Aviva Bresky: aviva.bresky@fsb.org.uk

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