

Outline Notes Regarding Consultation with Kent County Council Select Committee Commissioning and Procurement of Services

Context

These notes are prepared by a Director of Partnership Working Limited (PWL), a micro-business with offices in Kent and Hampshire. PWL specialises in provision of support to public and private sector bodies involved in the procurement process, whether as “buyers” or “sellers”.

PWL also has considerable experience of working with the voluntary sector.

We confirm that as at the time of the consultation, PWL are not directly or indirectly involved in any tenders or other procurement processes involving KCC.

Overview

There can be no doubt whatever of the benefits of procuring goods and services from MSE's (Micro and Small Enterprises – with less than 50 employees) and the voluntary sector.

A number of recent reports – including the 2013 Federation of Small Businesses report on Public Sector Procurement – have shown that procuring from small, local, organisations has a major impact on the economic sustainability of the area, both in pure fiscal and social terms.

Small organisations also have a history of very competitive prices and greater flexibility than large organisations – particularly if there are changes to the scope of contract during the supply process.

However there are barriers to MSE involvement, including:

- Lack of transparency regarding low value contracts that are available. For MSE's – including the voluntary sector – contracts as low as £5,000 can be of considerable interest, yet tend not to be publicised.
- Lack of understanding of the procurement process – including the “mechanics” of actually completing tender documentation, and deciding whether or not to bid.
- Contract terms that are disproportionate to the contract value - including levels of insurance and turnover.
- Aggregation of contracts to the point where their value excludes small suppliers.
- Pre Qualification Questionnaires that are disproportionate to the value of the contract – i.e. too complicated and too long.

These issues all have solutions which are proven and used by other Local Authorities across the United Kingdom.

- Low value contracts can be publicised through portals such as CompeteFor or the SouthEast portal.
- Many LA's run regular training sessions explaining the procurement process to MSE's, explaining how to get "ready to bid" and then how to actually answer the questions raised in the tender document.
- Many LA's are now introducing contract terms that are proportionate to the risk involved in that particular procurement exercise.
- Specific dis-aggregation of contracts into lots that are accessible to MSE's is increasingly common across the UK – with LA's such as Basingstoke and Deane Borough Council leading the way in this process to the point where they have won an award for their "small business friendly" approach to procurement. The recently announced changes to EU Procurement Legislation will also include "encouragement" to split large contracts in to small lots.
- Hampshire County Council have developed a simplified PQQ that works very well at all levels of procurement across the county, and which is now being adopted by individual LA's as well as HCC themselves. However the proposal by Lord Young to completely eliminate PQQ's will have a devastating effect on both small suppliers and LA's. LA procurement teams will see their own costs rise as they will need to evaluate more full tender responses, and many MSE's have stated that always having to participate in full tenders will be too costly and will lead to them totally withdrawing from Public Sector business.

Consortium Bidding

Many LA's apparently encourage consortium bidding yet introduce contract conditions that prevent all but the largest organisations forming consortia. Whilst EU legislation is clear regarding how consortia are established for contracts over the EU Threshold, there needs to be a similar approach by KCC – particularly regarding consortia where members are MSE's or small voluntary organisation.

Payment Terms

A major barrier to MSE participation in Public Sector tenders – even as sub-contractors – is the difficulty in getting paid. Indeed many small businesses are forced out of business due to cash flow problems caused by late payment.

It is therefore strongly recommended that KCC should require Tier 1 suppliers to pass on prompt payment terms to their sub-contractors and thereafter all the way down through the supply chain.

Tim Colman – Director

