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Creating sustainable communities

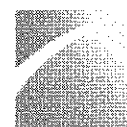
# Small Business Friendly Concordat: Good Practice Guidance

## Addendum

October 2005



*Local Government Association*



small  
business  
service

## **Small Business Friendly Concordat: Good Practice Guidance – Addendum**

This Addendum updates the section on Fair Tender Processes (pp24-25) of the *Small Business Friendly Concordat: Good Practice Guidance* issued on 1 March 2005. Its purpose is two-fold.

First, the Addendum sets out extant policy advice on pre-qualification short-listing. It also includes a new paragraph, which encourages authorities to ensure that the costs and time taken in tendering are kept to a minimum and are proportionate to individual contract processes.

Secondly, the Addendum includes a Case Study on the DTI's register of construction suppliers *Constructionline*, which provides further information on pre-qualification tools that authorities can make use of.

## 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. Authorities should therefore seek to ensure that the costs and time taken in tendering are kept to a minimum and are proportionate to individual contract processes.

For certain classes of contract, pre-qualification shortlisting could be simplified by using appropriately recognised databases such as *Constructionline*, although this does not preclude the need to advertise the contract and follow the European Public Procurement procedures where relevant. Such a database can be used to identify contractors who are fitted to carry out the work and to ensure that there is a sufficient core of likely or possible tenderers. For all contracts a database can also reduce the burden on clients and contractors of issuing and responding to pre-qualification questionnaires. However, the presence of a contractor on a database does not automatically mean that it should be invited to tender, nor can the absence of a contractor from a database preclude a potential contractor from consideration.

*Constructionline* is the DTI's register of construction suppliers pre-qualified to work for the public and private sectors. The Local Government Task Force (LGTf) established that *Constructionline*'s questionnaire covers 95% of all questions asked at the pre-qualification stage including all common core questions appropriate under the UK's legal and regulatory framework. The register helps drive out waste from the construction procurement process for both buyers and suppliers, thus making considerable savings in time and money for both, in particular for SMEs. The *Constructionline* register also reflects the non-construction specific elements of OGC's recently published Pre-Qualification Questionnaire for sub-OJEU thresholds. The data range has also been extended into non-construction sectors under the National Pre-qualification Service.

***Constructionline case study:*** the North Wales *Constructionline* Pathfinder Project report (available at [www.constructionline.co.uk/news/list.asp?blocktypeID=2](http://www.constructionline.co.uk/news/list.asp?blocktypeID=2)) identified potential significant efficiency savings achievable by the full adoption of *Constructionline* across the entire Welsh public sector, equating to approximately £1.2m per annum for public sector organisations and approximately £1.4m per annum for Welsh firms. As a result of the report, Edwina Hart, the Welsh Assembly Government Minister for Social Justice and Regeneration, wrote to all Welsh public sector organisations and registered social landlords to strongly urge them to adopt its register of local and national pre-qualified construction services (letter also available at the above link).

*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, primarily for low-value services and supplies procurement (only the smallest value construction works). The OGC model

PQQ document can be downloaded from the “Government Marketplace” section of the OGC website ([www.ogc.gov.uk](http://www.ogc.gov.uk))

**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.