

# Presentation to the Heads of London Procurement Network

## Small Businesses and Procurement

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**Federation of Small Businesses**

*The UK's Leading Business Organisation*

# 2013 Survey

- Conducted a survey of local authorities, with the Centre for Local Economic Studies, across the UK in Spring of 2012
- Responses from 140 local Authorities UK wide, including 14 London Boroughs (16 in 2012)
- Five key areas of focus from the London report:
  - Spend
  - Barriers to procurement
  - Process
  - Payment terms
  - Areas of improvement



# Percentage of Spend

- 50% of local authorities in London spend between £250million and £500million annually upon procuring goods and services
- The average total annual spend of local authorities in London upon procuring goods and services is £298 million; significantly higher than the national average of £172 million
- 50% of local authorities in London record the amount of spend within their own local authority boundary; lower than the national average of 62%
- On average, local authorities in London spend 19% of their total procurement spend in their own local authority boundary; lower than the national figure of 31.1%
- 50% of local authorities in London record the amount of spend with SMEs; lower than the national figure of 60% but considerably higher than the 20120 London figure of 37%
- On average, local authorities in London spend 35% of their total procurement spend with SMEs; significantly lower than the national figure of 47%. But the London figure has increased from 27%



# Barriers to Procurement

- 79% of local authorities in London felt that SMEs face barriers in accessing procurement opportunities; higher than the national figure of 66%. And considerably more than the 62% figure in 2012.
- 12 of the 14 authorities had initiatives in place to support SMEs in the tendering process and delivering services - compared to all 16 authorities responding in 2012.
- Strong initiatives implemented include:
  - Improved the chances of getting SMEs to bid and win
  - Raised awareness to opportunities through better marketing
  - Have led to jobs being created and the viability of SMEs
  - Enabled a dialogue between local small businesses and procurers
- However – stumbling block remains the catch 22 scenario of ‘aggregation of contracts’ and ‘delivering corporate priorities’ over economic development



# Process

- 53% of authorities require independent accreditations as part of the process – with 69% accepting independent accreditations as evidence of compliance with their own standards. These figures are slightly lower than the national average.
- 79% of authorities adopt different practices for opportunities below the EU thresholds – compared to 85% nationally.
- 71% of London boroughs use the same framework agreements as of 2012. (higher than the national figure).
- Contract aggregation – 9 councils were the same and 3 councils
- 86% of London boroughs stated they ‘regularly’ or ‘occasionally’ broke contracts into lots – this is the same as the national figure
- More emphasis on public portals for advertising then private portals



# Payment Terms

- 92% of local authorities in London have in place policies for the payment of suppliers; higher than the national figure of 95%.
- 50% of local authorities in London seek to pay suppliers in less than 28 days; higher than the national figure of 45%.
- 36% of local authorities in London seek to pass on their payment terms to their main contractors; significantly lower than the national figure of 39%.
- Vital that we support those in tiers 2/3 down the supply chain.



# Improvements

- Be more likely to record local spend
- Understand the challenges over the rest of the country
- more likely aware of our research from last year
- More likely to be changing practices as a result of the Public Services (Social Value) Act



# Key Recommendations

- Strategy and Policy – Think Small First
- Spend Analysis is crucial to steer economic development
- Process Simplification is critical
- Micro and Small business engagement in particular through pre-engagement activities
- Payment Practices means late payments becomes a thing of the past





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