

Public Procurement

a guide for **small** and **medium**
sized enterprises



A GUIDE TO SMES

FOREWORD

Public procurement is an essential element of delivering better public services in Northern Ireland.

Small and medium sized enterprises (SMEs) provide a valuable contribution to the needs of the public sector through innovation, responsiveness and quality in the provision of goods, services and works and are vital to the Northern Ireland, National and European economy.

As chairman of the Procurement Board I believe that SMEs should be encouraged to play an even greater role in public procurement. The Northern Ireland public sector spends over £1.6bn each year on procurement of its business needs and is always looking for new and innovative suppliers. Whatever the business of an SME, there are likely to be markets within the public sector in which it can compete by contracting directly or as a sub-contractor.

This Guide, produced by the Central Procurement Directorate, DFP, on behalf of the Procurement Board, provides information on accessing and competing for public sector business opportunities for SMEs seeking to widen their customer base to include the Northern Ireland public sector.

I hope that SMEs find the Guide useful and that the information provided leads to increased business opportunities.



IAN PEARSON MP

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CROSS BORDER A

INTRODUCTION

The European Commission in its 1998 publication *Public Procurement in the European Union* recognised the importance of small and medium sized businesses both from the general benefit of national economics and also in public procurement. The Commission's definition of what constitutes small and medium sized business is based on a combination of the following criteria: number of salaried workers, turnover, balance sheet and independence. A business is considered to be medium sized if it has between 50 and 250 employees and small if the workforce is less than 50. A diverse group of businesses fall into this category, ranging from sole traders to established firms and include start ups, partnerships, ethnic-minority-led businesses and social enterprises. For ease of reference in this Guide that group is referred to as SMEs (Small and Medium sized Enterprises).

In Northern Ireland there are estimated to be 85,000 small or medium sized businesses employing some 450,000 people.

The public sector in Northern Ireland spends approximately £1.6bn each year on public procurement out of a total budget of £7bn and is always looking for new suppliers. However small your business, there are always opportunities to supply this market. Even if you are already supplying one part of the public sector, it is worth looking for opportunities in other areas.

If you work in a small or medium sized business, this Guide aims to help you in three ways. Firstly it will tell you about where to find opportunities within the public sector. Secondly it will explain how you can bid for work. Thirdly, it will advise you of the further contacts you may need to make.

WHAT IS THE PUBLIC SECTOR?

The public sector employs more than 31% of the NI workforce and includes:

- Central government departments and agencies;
- The health sector;
- The education sector;
- Northern Ireland Assembly;
- Public Corporations;
- Local authorities; and
- Cross Border Agencies.

Whatever your business, there is almost certainly a market for it somewhere within the public sector, whether by contracting directly or by becoming a subcontractor.

WHAT ARE THE BENEFITS TO YOU?

Public-sector organisations are good customers. They have to be fair, honest and professional in the way they choose suppliers and in any dealings with them. They are also long-standing, stable customers, and have to pay promptly and in line with agreed contract terms. Public-sector organisations have to pay accounts within 30 days (or any other agreed credit period) of receiving a valid bill or invoice. You will find more information on prompt payment law later in this guide.

THE WAY IN

EC procurement directives

All public-sector procurement contracts within the European Community are covered by the EC treaty, no matter what their value. The treaty sets down principles to prevent discrimination against firms from any Member State to remove restrictions on moving goods and services freely.

The principles of the treaty are backed up by a series of EC procurement directives. The directives have been included in UK law as a number of regulations. The directives and regulations set down procedures and standards (based on openness, non-discrimination and competition) for choosing tenderers and awarding contracts with an estimated value above a set limit. Anyone who has supplied a tender can take action in the High Court if they have been harmed, or are at risk of harm, by the public sector breaking these

regulations. Anyone who feels they have not been treated fairly under the process can also complain to the European Commission. You can find information about the EC procurement directives and regulations on the OGC website: www.ogc.gov.uk or from the Euro Information Centre (EIC).

Where are opportunities advertised?

Opportunities for contracting with the public sector may be advertised in a wide variety of places. Contracts below the EC limit are often advertised in the three provincial daily newspapers, or in trade journals and some public sector bodies advertise forthcoming contracts on their websites. However, public-sector organisations are not compelled by law to advertise low-value contracts at all.

Official Journal of the European Union (OJEU)

Almost all public procurement contracts for business worth more than an EC limit must be published in the daily supplement of the Official Journal of the European Union (OJEU). This provides information on the current requirements and invites suppliers to express an interest, or to tender directly in some cases, depending on the contract procedure. It also sets out information about contracts which have been awarded.

The regulations that say precisely which contracts must appear in the OJEU are very detailed. You can get information about these from Central Procurement Directorate, Department of Finance and Personnel, (telephone (028) 9025 0055 or e-mail: procure.info@dfpni.gov.uk.) A rough rule-of-thumb is that tenders for more than £100,000 of services and supplies or for more than £3.8 million of works must appear in the OJEU. However, there are many exceptions to these limits. Some organisations have made it their policy to advertise more widely in the OJEU than they have to.

There are several ways of gaining access to the OJEU

- Tenders Electronic Daily (TED) is the on-line version of the OJEU. It uses subject and country codes to give you direct access to notices which may interest you. However, many businesses find it easier to use the TED service offered by Business Information Services-Invest NI, Business Link Operators, Euro Info Centres and commercial organisations. You can gain access to TED, free of charge, from the website: www.ted.eur-op.eu.int
- You can get copies of the OJEU (available only in CD-ROM format) by paying a subscription or by buying copies from the Stationery Office. If you want an individual copy, you should contact the Stationery Office Orders Department (contact details www.tso.co.uk telephone 0870 600 5522, fax 0870 600 5533, e-mail customer.services@tso.co.uk). You should send your requisition to pay by subscription to European Subscriptions at the same address.

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- The Stationery Office also has a Scanfax Service which is one of a number of OJEU scanning services that will fax specific extracts from the OJEU.
- You can also see copies at some Euro Info Centres, central libraries or Chambers of Commerce.

Business Information Services – Invest Northern Ireland

Business Information Services offers Northern Ireland companies and entrepreneurs access to a wealth of business and commercial information ranging from reports on local and international markets, to company data and public procurement opportunities.

Public Procurement Information Services

The Public Procurement (PP) information service delivered to companies by Invest NI uses TED data combined with dedicated matching software to provide companies with details of all EC above threshold procurement opportunities on a daily basis through e-mail. During 2002-2003 180 companies registered for the service and won combined orders of over £80m as a result of using the service. Invest NI also offers an advisory service on pursuing public sector tender opportunities to all companies and offers companies access to other tendering publications and databases which enable companies in specialised sectors such as ICT and construction to access information more easily.

The Euro Information Centre

The Euro Information Centre is open to any business that needs information on European legislation, programmes, funding and business issues. The Centre is also represented on a specialised European working group for public procurement and through this group the Centre also has access to other resources and specialist expertise. These services are based in Upper Galwally, Belfast, BT8 6TB.

Tel: (028) 9023 9090
Fax: (028) 9049 0490
E-mail: info@investni.com

There are five Regional Information Centres in Ballymena, Belfast, Londonderry, Newry and Omagh which provide useful information and advice. See the Invest NI website for further details of these centres – www.investni.com

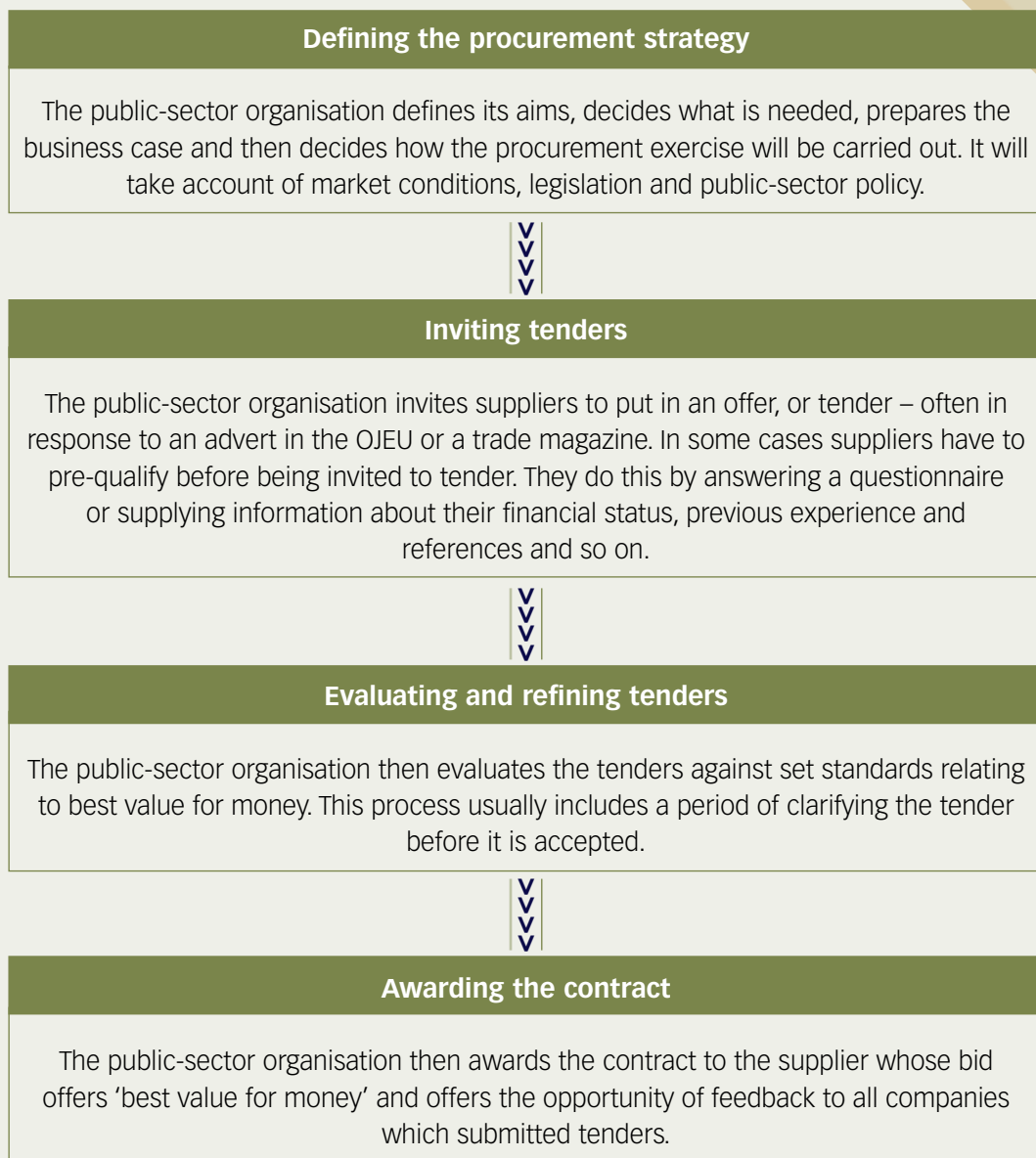
Tendering journals

Other useful sources of information on public sector opportunities are tendering journals which provide details on tender opportunities for goods, services and construction contracts. There are two journals currently published in Northern Ireland. (contact details: Business Information Publications Ltd, Park House, 300 Glasgow Road, Shawfield, Glasgow

G73 1SQ tel 0141 332 8247, fax 0141 331 2729, www.bipcontracts.com or Commercial Information Company, Jennymount Business Park, North Derby Street, Belfast BT14 3HN, telephone 028 9075 5100 www.cicireland.com)

A typical procurement process

The following diagram shows a typical procurement process within the public sector. It is likely that low-value, specific purchases will follow a simplified version of that described below.



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Managing how the contract is put in place

Everyone involved works together to put operations in place for the forthcoming contract.



Managing the contract

The supplier and the public-sector organisation manage the contract and the supplier's performance is checked and monitored by the organisation.



Review the testing

The need for the contract will be reviewed regularly and after a set period of time the contract will be advertised again.

We define 'best value for money' as the optimum combination of whole-life costs and quality (or fitness to purpose) to meet the customer's requirements.

This definition gives public sector bodies scope to compile a procurement specification which includes economic, social and environmental objectives.

Contract, terms and conditions

Most government contracts are based on standard contract documents appropriate to the supplies, services or works being purchased. You should contact the relevant organisation for specific details. It is important for you to fully understand the responsibilities both sides have under the contract.

There are many types of contracts – from one-off purchases to long-term service contracts. For certain requirements, such as stationery, purchasers will often let 'call-off contracts' which last for a period of time which allows them to place orders to meet the needs as they arise. 'Framework arrangements' allow organisations to identify a number of companies that have successfully met the standards in open competition, without the need to use the full tender process each time. Framework contracts are often used for consultancy services.

Increasing your chances

Although there are clear benefits from doing business with the public sector, it is important to realise that bidding procedures are testing and that the process is a competition. This is because the public sector must award contracts on the basis of getting best value for

money for the taxpayer. At each stage of the tendering process there are issues you should consider. We have outlined some of these issues below. Some of the advice is obvious, but we have included it in this guide because it is not always followed.

Be on time

You will always be asked to provide information by specific dates and to return the tender by a specific time. Remember that the date given is the last date by which the organisation needs information. It is important to make sure that information and tenders arrive promptly.

The advertisement

For most requirements there will be an advertisement in the OJEU, newspapers, trade magazines or on the website of a contracting authority. The advertisement is the first of a number of selection processes – an opportunity for you to decide whether your business can carry out the contract. If there is a contact name and number in the advertisement, it will often be useful to phone or write in with questions or just to check that you really understand the requirement. Be aware that OJEU advertisements are limited to a certain number of words and you may be able to get extra clarification from the contact.

Pre-qualification

There may be a number of pre-qualification stages that you are asked to go through before being invited to submit your tender. If you have expressed an interest in the contract, you will then be asked to send in information such as evidence of your financial position, previous experience and references. You must provide all the information you are asked for. For example, if you are asked about previous experience, you should tailor your reply to your audience and emphasise the experience that is most relevant. The information provided at these stages will be evaluated and will form the basis of deciding whether you will go to the next stage. If you are in any doubt about what is needed, ask the contact.

Invitation to tender (ITT)

If you receive an invitation to tender, you are being invited to make an offer which may then be accepted by the buyer. You must keep to all the requirements at this stage. The decision about who is chosen is based on certain criteria which are usually listed according to how important they are in the contract notice or ITT (delivery, quality, method, personnel, price and so on). It is important to concentrate on the most important criteria but you must make sure you provide relevant information on all criteria. Again, if you are in doubt, you should contact the buyer. Of course, you need to make sure that your offer is competitive and represents best value for money.

Quality assurance

Public-sector organisations may want to assess their contractors against certain quality assurance standards. If you are in an industry where external assessments are normal, or are becoming normal, and if it is appropriate to the contract, you may find this a requirement.

If your firm operates an approved quality management system, you should be able to guarantee to provide consistent quality of your products or services. Purchasers, including some government procurement agencies, encourage their suppliers to use quality standards. You can also gain added confidence if you get independent assessment of the system in operation.

You can get more information on standards from the Department of Trade and Industry website www.dti.gov.uk/strd/certify.htm.

If you are unsuccessful

If you are unsuccessful you may ask for feedback if you wish. Under the UK regulations a public-sector organisation has to provide feedback to you, within 15 days, if you have asked for this information. Being unsuccessful in one contract does not mean you will be unsuccessful in future. You should use the feedback to help with any future bids.

OTHER ROUTES IN

Subcontracting opportunities.

Many of the highest-value government contracts are let to large companies. However, small companies can still play a part in these contracts, perhaps as subcontractors or by forming consortia.

There is no single way of finding out about subcontracting opportunities. Public-sector organisations may give you information about their main contractors or you might identify and contact a supplier who has won a major contract, for example through the OJEU.

Approved supplier list

Many public-sector organisations (in particular local authorities) hold lists of potential suppliers for certain types of work, usually for lower-value contracts below the EC threshold limits. If an organisation has an 'approved list', it must still advertise any requirement above the relevant EC limit. The nature of these lists varies between organisations. However, the lists should be regularly reviewed to include new suppliers and to make sure that the existing suppliers continue to provide best value for money. If your firm is accepted onto a list, it does not necessarily mean that you will be invited to tender

straight away. To find out about lists held by specific public-sector organisations you may want to contact the organisations listed on the joint Enterprise Ireland, Invest NI and Intertrade Ireland website: www.go-source.com

Constructionline

If your products or services are in the construction industry, you should register with Constructionline. Constructionline is owned by the Department of Trade and Industry (DTI) and operated as a concession by the Capita Group. It is a register of contractors who have already pre-qualified, and is often used by public-sector organisations when they are inviting suppliers to tender. Constructionline's registration fees are on a sliding scale. Users of Constructionline are particularly keen to see small businesses registered and there is a special registration scheme for new firms. The advantages include:-

- Being on a level playing field with large companies if you meet the client's standards;
- Greater visibility within government; and
- Reduced paperwork – one application form rather than having to qualify for every contract.

To get more information you should contact Constructionline on 0870 240 0152 or visit the website: www.constructionline.co.uk

E-Business

The use of Information Technology is an ever increasing feature in public procurement. Many public sector organisations use their websites to notify suppliers of current and forthcoming tenders. While e-tendering is in its infancy, pilot exercises indicate that such a means of issuing and submitting tenders would be cost effective. Once the evaluation of the pilot exercises is completed, roll out will commence. Similarly, e-procurement systems offer a cost effective means of ordering and can be used with the Government Procurement Card.

Government Procurement Card

The Government Procurement Card (GPC) is a Visa charge card, issued by Ulster Bank, which reduces the need to issue purchase orders or deal in paper-based systems. Orders are placed directly with suppliers who can accept Visa cards, either by electronic ordering systems, personal visit, phone, fax, e-mail or over the Internet. The supplier keys the transaction into a terminal, including the card holder's unique identification number. Once accepted, approval to release the goods or service is given and a delivery is made.

The GPC has been in use across central government and is now available across the wider public sector. It is used mainly to buy low-value goods and services directly from suppliers and within the controlled environment of e-procurement systems can be used for all

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purchases. The advantage to you when public-sector organisations use the GPC is that it removes a lot of the paperwork and speeds up the payment process. Your account is credited within two to four days.

For more information on the GPC see the CPD website: www.cpdni.gov.uk

Private Finance Initiative/Public Private Partnerships

The Private Finance Initiative (PFI) and Public Private Partnerships (PPP) provide opportunities for suppliers to bring a wide range of managerial, commercial and creative skills into providing public services. Although it may not be appropriate for small and new businesses to take on these high-value and long-term contracts there are many opportunities for subcontracting and consultancy work.

PFI and PPP focus on buying services rather than assets. Private firms provide services over the long term rather than simply being upfront asset builders. They combine the responsibilities of designing, building, financing and operating assets to provide improved public services. For further information on developments in PFI/PPP visit the Office of Government Commerce's website: www.pfi.ogc.gov.uk, the Strategic Investment Board's website: www.sibni.org, or the Office of the First Minister and Deputy First Minister, Public Private Investment Unit's website: www.ppp-ni.gov.uk.

Paying on time

The government has introduced legislation to give small businesses a legal right to claim interest if another business pays its bills late. You can find more information in a booklet entitled 'Better payment practice – your guidance to paying and being paid on time'. You can get a copy from Invest NI, Business Information Services.

SELLING TO EUROPE

The EC procurement directives make sure that public-sector organisations in all EU countries advertise contracts greater than the threshold limit. This means that there is a greater scope for you to do business across Europe.

The first step is to assess which markets are open to you and whether or not you can meet their needs. As well as looking in the OJEU, and Invest NI, Trade Division and Business Information Services, UK Trade and Invest has a wide range of market information ranging from country profiles to individual sector reports. For more details see the UK Trade and Invest website: www.uktradeinvest.gov.uk or contact the Business Link Contact Centre by phoning 0845 600 9006 or visit the website www.businesslink.org.

You can get specific information on Western European Markets from UK Trade and Invest, European Directorate, in London by phoning 020 7215 8885 and from Invest NI, Business Information Services.

LIST OF USEFUL CONTACTS

- info@investni.com
- procure.info@dfpni.gov.uk
- www.bipcontracts.com
- www.businesslink.org
- www.cicireland.com
- www.constructionline.co.uk
- www.cpdni.gov.uk
- www.dti.gov.uk/strd/certify.htm
- www.go-source.com
- www.ogc.gov.uk
- www.pfi.ogc.gov.uk
- www.ppp-ni.gov.uk
- www.sibni.org
- www.ted.eur-op.eu.int
- www.tso.co.uk
- www.uktradeinvest.gov.uk

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