

COMMITTEE FOR FINANCE AND PERSONNEL, NORTHERN IRELAND ASSEMBLY

INQUIRY INTO PUBLIC PROCUREMENT POLICY AND PRACTICE IN NORTHERN IRELAND PUBLIC CONSULTATION - EXPERIENCES OF SMEs

- 1.1 **Introduction-** This paper has been produced for the Committee by Lestas Consulting - a local Management Consultancy Company specialising in supporting SMEs and SEEs to procure to the public sector and supporting the public sector to examine good procurement practice. This paper aims to highlight a number of issues that SMEs experience when tendering to the public sector that have been raised in our ongoing work with SMEs and public bodies (Central and Local government and non departmental government bodies) in the area of public procurement.
- 1.2 **The Context for Lestas Consulting Responding -** Lestas Consulting is an indigenous Northern Ireland Management Consultancy Company with an international presence having offices in Northern Ireland and Cyprus. The company was established in 2000 and has been successfully operating as a partnership with 4 permanent staff and up to 15 associate consultants who are specialists in a variety of fields. We expanded our operations to Cyprus in 2007 and have successfully delivered on contracts to the private sector and with Central Government on the Island. Lestas Consulting specialises in management and strategic planning and corporate governance. We are currently on the Department of Finance Central Procurement Directorate Framework for the undertaking of contracts across the whole of the NI Civil Service in the following categories:
- Corporate Governance
 - Strategic Management
 - Performance Measurement
 - Projects
 - Feasibility Studies
 - Organisational Development
 - Evaluations
 - Economic Appraisals
- Our clients include the following types of organisations:
- Local Authorities
 - Public/ Private Partnerships
 - Central Government Departments
 - Non- Government Departmental Bodies
 - Private Sector Companies
 - Social economy Businesses
 - Private Sector Network Organisations
 - Cross Border Institutions
 - Statutory Bodies/Agencies
 - The Voluntary & Community Sector

Lestas Consulting, has extensive experience in the provision of specialist procurement advice, developed and promoted over the past 5 years for both the public and the private sector. In the past number of years, Lestas Consulting has acted in an advisory role on public sector procurement and the implementation of the EU Directives and national law to Local Government, Central Government (both here and in the EU) and over 280 companies from the private sector. In this regard we are well positioned to provide comments on public sector procurement for SMEs in Northern Ireland.

- 1.3 **Definition of an SME for Northern Ireland purposes** - In the first instance it is important for the Committee to provide the definition of SME. Public Bodies in Northern Ireland consider that they have 100% submission from the SME sector in Northern Ireland to its tender notices and a 100% success rate of award of contracts to SMEs - given that the definition relates to all businesses employing up to 250. In Northern Ireland over 90% of our SMEs are micro enterprises employing less than 10 people. The current definition used by public bodies makes it difficult to make a case for the real barriers for the majority of our businesses.
- 1.4 **The cost of Public sector tendering to SMEs** - This has not been examined in detail yet. However initial indicators are that it is often a very expensive process, involving extensive input from senior staff and owner/managers. Estimates are that it can be up to 35% of annual turnover depending on the size of the company and its dependency on the public sector.
- 1.5 **Public Body Frameworks** - The documentation and process involved in the primary stage of frameworks is lengthy, cumbersome and expensive for small businesses. Experiences to date indicate that the primary process for frameworks does not in any way lessen the documentation required for the secondary process. SMEs still need to complete a tender response in the secondary process in the same way as any other open competitive tendering process. Frameworks at present mean double the tendering work for an SME.
- 1.6 **Success Rate for SMEs in Government Frameworks** - Central government needs to provide statistics on how successful small companies are on getting onto the framework but more importantly, how successful small companies are at securing contracts from the framework. Initial indicators are that the success rate for companies on the framework (and who have therefore proved their capacity and capability to deliver government contracts) to secure contracts is a very staggering figure and certainly below 20%. This paper calls on the Committee to investigate these figures as part of a detailed research report.
- 1.7 **Contract Management Skills by Managers in the Civil Service** - It seems that one of the biggest barriers to small companies securing contracts through the frameworks is the lack of belief by the project managers in the capacity and capability of the smaller businesses to deliver on a contract. This is in direct contrast to the fact that the company has been placed on the frameworks and has therefore proved their capacity and capability.

- 1.8 The use of the Accelerated process in an economic downturn** - In order to assist the current economic crises for the business sector, the EU is calling on government bodies to increase the use of the accelerated process in the restricted process. This means that when procuring public contracts the response time is reduced to 10 days from issue of tender notice to tender submission dates. Although this is positive in one sense it also has the potential to create another barrier for a small company, The shorter response time is unlikely to allow small companies enough time to prepare their tender documents.
- 1.9 Contracts below the EU Thresholds** - Most small companies in Northern Ireland procuring to the public sector are working on contracts below the EU thresholds. Most public bodies procuring contracts below the thresholds are not taking the care and direction of good and similar practice as set out in the EU Directives. The processes used for these contracts and the Terms of Reference documentation produced is often of poor quality, that does not adhere to an open, transparent and objective procurement process. For example, decisions are made on contract award without clear understanding of evaluation of award criteria. Award criteria and sub criteria are not published in terms of reference so SMEs are unclear of the emphasis required in their tender response or how the award decision is reached.
- 1.10 The Debriefing Process** -There is a complete lack of consistency across public bodies on the debriefing process from central government through to local authorities. Small companies must be encouraged to use the debriefing process in its entirety as a business development tool and civil servants need to appreciate the importance of this process for SMEs. FSB members highlight the significant barriers to them receiving any useful information in the debriefing process. The OGC provide extensive guidelines to public bodies in the UK of which there is little reference by public bodies in Northern Ireland. Public bodies still do not take the debriefing process seriously even with all the guidelines highlighting the importance of this part of the procurement process. In a number of cases public bodies "hand over" the debriefing process to a junior member of staff who has not been involved in the procurement process. Importantly, this lack of consistency and priority of the debriefing process appears to be increasing the use of the FOI act by SMEs when a more structured debriefing process would have been satisfactory. Given the significant financial commitment that SMEs can invest in public tendering (as outlined in section 1.4) it is important that the breadth and depth of debrief information provided by public bodies also acknowledges this commitment.
- 1.11 Freedom of Information** - There is a complete lack of consistency across public bodies on what information can be disclosed from a procurement process under the Act. Small companies highlight many instances where one public body does disclose information and another does not. Public bodies need to agree and have a consistent approach to enable SMEs to effectively use this process.

1.12 Recommendations - This paper concludes with a number of recommendations to ensure the procurement process from public bodies has a greater emphasis on supporting SMEs.

- It is important that the Committee clearly establishes and communicates a definition of SME for the remainder of this investigation into public sector procurement to ensure that it recognises that micro enterprises (employing less than 10 people) form almost 90% of our business population.
- There is a need for the Committee to fully investigate the current public body framework approach to ensure that any secondary process is minimal to reflect the current depth of information provided in the primary process.
- There is a need for the Committee to examine the success rate of direct contract award in the secondary process to the micro enterprises currently on the framework that have already proved their capacity and capability in a primary process.
- There is a need for an educational process for contact managers in public bodies on the opportunities provided by SMEs in delivering public contracts. It is important that civil servants are supported to award contracts directly to smaller companies that have proved their capacity and capability and change the current "comfort in a larger company" culture.
- There is a need for the Committee to ensure that public bodies engage in the accelerated procurement process with caution.
- There is a need for the Committee to ensure there is consistency in approach across public bodies when tendering under EU thresholds and to ensure an open, objective and transparent procurement process.
- The Committee needs to ensure that procurement managers across public bodies are properly trained in the tender debrief process and to standardise the information provided during this process when any public funds are involved in the contract either directly or indirectly through a third party such as a partnership.
- The Committee needs to ensure public bodies have a consistent approach to FOI requests from SMEs in relation to a public procurement process in which they are involved and to effectively use this process.

Signed

Date 26 February 2009

A handwritten signature in black ink that reads "Michelle Lestas". The signature is written in a cursive style with a large, stylized initial "M".

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