

“Our members say that they often face a costly and confusing procurement process – money and time they cannot afford” says FSB Development Manager, Ann Scott

Ann Scott is a Development Manager at the Federation of Small Business (FSB) in Essex. We met her at an FSB networking event in Braintree and discussed what members are telling her about the obstacles they face when attempting to navigate the public procurement system at the local level.

Local procurement and the importance of small businesses

Ann was keen to stress the fundamental importance of small business to the UK economy, suggesting that this should be reflected by the public procurement system, particularly at the local level:

“We have 5.6 million small businesses here in the UK, which account for three-fifths of employment and around half of turnover in the UK private sector. They really are at the heart of our communities and the backbone of our economy.”

“Doing business locally is often better value for money and helps small business to invest and grow, which in turn feeds back into the local community, supporting a circular economy. It is therefore imperative that local authorities seek to empower small businesses to deliver goods and services to local communities.”

“Many of our FSB members say that they often face a costly and confusing procurement process – money and time they cannot afford. Only one in five small businesses have tried to bid for a public sector contract in the last three years due to such roadblocks.”

For every small business, time is precious

We asked Ann to list off a few of the common complaints that she hears from FSB members in her area regarding the public procurement system. As she did so, it became clear that bureaucracy and a lack of clear communication from local authorities were key themes:

“The process of applying for a public contract varies across Essex, depending on the local authority. Some authorities have highly bureaucratic processes, whilst others take a more streamlined approach.”

“The associated paperwork can also be overwhelming and contain confusing or complicated language.”

“One issue I hear about a lot is that unsuccessful applications often do not receive feedback. This either puts small businesses off from applying for other contracts, or rather they continue to make unsuccessful applications, and therefore lose money in the process.”

“There are also far too many cases of small businesses who have successfully obtained a contract with a local authority but don’t get paid on time. This can be devastating to small firms during a cost of doing business crisis, many of which find themselves unable to pay their bills and are therefore forced to close down.”

“Time is often just as valuable as money to a small business owner and therefore the prospect of a complicated, bureaucratic tender application processes can be very off-putting”

Local authorities must support small businesses in their communities

When asked what areas of improvement local authorities need to prioritise in order to make their procurement processes more accessible for small business, Ann provided a few key recommendations put forward by the FSB:

“We are asking Local Authorities in their Local Leadership Pledge to ensure the bidding processes and monitoring are proportionate to the size of the contract. They should also advertise all contracts, regardless of size, especially those where no full tender

is required. Where a tender process is required, this process should be simple, accessible, and quick. Furthermore, they should allow consortium or in-partnership bids.

The costs associated with small businesses preparing themselves for the tender process, is further compounded by the increasing issue of late payments - a further squeeze on our small businesses owners who are already battling the cost of doing business crisis.

Previous FSB research found that if late payments had been made on time and as promised, in line with other comparable countries, 50,000 business closures could be avoided each year. That is why we are asking government and local authorities to pay promptly, at most within 30 days, without charging small businesses for the privilege. Furthermore, a zero-tolerance approach should be taken and late payers barred from public sector supply chains.”

Social value - principle vs reality

On the question of social value, we asked Ann whether rules requiring tender applicants to prove that they have taken climate, equity and sustainability considerations into account are a significant obstacle for small businesses looking to obtain a public contract.

“The issue of social value considerations as part of the public procurement process at the local level is not a concern I hear about a lot from [FSB] members. Small business owners are aware that climate change is a significant global challenge and have therefore voluntarily invested money into making their firms more sustainable and climate compliant. In principle, they generally don’t take issue with having to demonstrate their commitment to providing social value during the tender application process.”

“However, due to the current economic situation, this is not so easy in practice. I do hear from some members that much of the money that they had previously put aside to make their small business more sustainable has been wiped out by the impact of COVID and the cost of doing business crisis.”

“As a result, many of our members feel that they do not have the time, money or resources to adequately prove that a contract with them would provide social value benefits to their community. They feel as though they can’t compete with larger companies in this respect and are therefore put off from applying for tender opportunities in many cases.”