

Cabinet Secretary for Finance and Sustainable Growth
John Swinney MSP

T: 0845 774 1741
E: scottish.ministers@scotland.gsi.gov.uk



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Dear Colleague

PROMOTING THE INVOLVEMENT OF SMES IN PUBLIC CONTRACTS - SIX SIMPLE STEPS

The Scottish Government's Economic Recovery Programme states that it will do all it can to help Scottish businesses. As part of this, the Government believes that it would be beneficial and timely in the current economic climate to issue a clear statement of our commitment to ensuring fair SME access to public sector contracts in Scotland, and to require all public bodies to take six simple steps to promote SME involvement. I am writing to you to make you aware of the statement and the messages it contains.

SMEs – whether businesses, social enterprises or third sector bodies – make a significant contribution to the delivery of public services in Scotland and to the supply of goods and works to the Scottish public sector. They are often ideally placed to provide innovative solutions to public sector requirements and to deliver value for money. The public procurement market place also offers considerable opportunities for SMEs to generate business, either individually or as part of a consortium. Access to public sector contracts can play a key part in supporting a SME's longer-term sustainable growth.

We are determined that the Scottish public sector should be an intelligent and approachable customer, that public bodies award contracts transparently and on merit and conduct their dealings with suppliers on the basis of the highest legal and ethical standards. We are aware of the potential tension between collaborative contracts and the greater involvement of SMEs if public purchasing bodies do not think constructively and flexibly about the content and structure of contracts. Inevitably there will be some contracts which lend themselves to larger suppliers. Against that background, contracting authorities need to do what they can to ensure that SMEs can access public sector contracts and we have taken some significant steps to assist that process.

The cross-sector Procurement Policy Handbook, published in December 2008, includes guidance on working with suppliers. The Handbook requires that tender costs be kept to a minimum and that barriers to participation by small firms, the self-employed and third sector should be removed.

In order to achieve the requirements set out in the Procurement Policy Handbook, we are asking all Scottish public bodies to take the following six steps:

1. **Adopt the “Suppliers’ Charter”** – which commits public bodies to improving the way they work with businesses.¹
2. **Use the Public Contracts Scotland advertising portal.**

Public bodies should:

- **publish their “buyer profile” on the portal** – to help suppliers find out quickly and cheaply whether a public body is a potential customer;
 - **advertise as many contract opportunities as possible and publish contract award notices** – to give suppliers free access to contract opportunities across the Scottish public sector; and
 - **use the ‘quick quote’ facility for very low value contracts** – to allow suppliers to bid for very low value contracts with the minimum of bureaucracy.²
3. **Review contract award procedures** – to ensure that they place the minimum possible burden on suppliers, for example through use of a core supplier questionnaire.
 4. **Use outcome based tender specifications** wherever possible – to allow businesses to propose innovative and alternative solutions to public sector business needs.
 5. **Include in their terms and conditions a requirement that contractors pay any sub-contractors within 30 days of receipt of a valid invoice** – to ensure that sub-contractors, as well as contractors, receive prompt payment.
 6. **Monitor spend with SMEs** – use data from the Scottish Procurement Information Hub to monitor spend with SMEs³. The BPI Working Group – which has representation from across the public sector and the procurement Centres of Expertise – has endorsed the introduction of a new BPI to enable public bodies to demonstrate their success in engaging with SMEs⁴. As information is already available from the Scottish Procurement Information Hub, there will be no additional burden on organisations in terms of data collection.

Colleagues will recognise that these steps are, in the main, not new. As a package, however, they demonstrate our commitment to SMEs and a way of marketing this to all areas of the public sector. I am confident that the six steps will make a significant contribution to ensuring that SMEs enjoy fair access to public sector contracts in Scotland. I

¹ <http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/Supplierscharter2>

² <http://www.publiccontractsscotland.gov.uk>

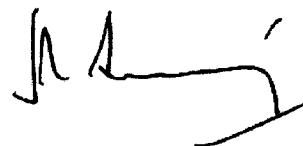
³ <http://www.scotland.gov.uk/Topics/Government/Procurement/Resources/BPIs/>

⁴ <http://www.scotland.gov.uk/Topics/Government/Procurement/Resources/BPIs/>

would like to take this opportunity to ask that you review your organisation's processes and procedures with a view to adopting, as far as possible, the measures identified in this letter.

If you would like any further information on the six simple steps, or any other aspect of the Scottish Government's work to develop a competitive supply base, please contact Calum Webster in the Scottish Procurement Directorate at calum.webster@scotland.gsi.gov.uk or on 0131 244 0221.

Yours sincerely,



JOHN SWINNEY