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Jobs at risk if small businesses miss out on local authority e-Procurement revolution

- **Stephen Timms MP calls for more action to engage SMEs in e Procurement as Councils go online**

October 21, 2005 - A recent study suggests that thousands of jobs across the country could be affected as local councils turn to e-Procurement and risk leaving small businesses behind.

Arising out of the Office of the Deputy Prime Minister's (ODPM) national strategy for local e-Government, local councils have been instructed to make their purchasing more efficient by December 2005 through the introduction of e-Procurement systems. Stephen Timms, MP for East Ham and Minister of State at the Department of Work and Pensions (DWP), addressing the need to encourage small and medium enterprises (SMEs) to gear up to local authorities' electronic trading requirements, commented: "Local authorities spend £25bn annually with suppliers. It is estimated that they could be saving at least eight percent in price reduction by better procurement and as much as 17 percent through e-Procurement technologies. This is an important opportunity for improved cost efficiency, with big numbers attached, but it is also a challenge as it will have a big impact on suppliers and needs to be managed well."

However, with the deadline looming, a worrying number of SMEs appear to have ignored the need to get ready for the new, online trading environment. The e-commerce technology and online trading over the web which provides small companies with new opportunities to offer tailored services to ever-wider markets, also provides larger organisations, including public sector agencies, with the means to streamline their procurement processes, excluding many of their smaller suppliers. The potential consequences are significant. SMEs could end up losing business to larger companies, impacting heavily upon the local economy.

The findings of a comprehensive supplier and spend analysis pilot involving over 50 local authorities across the country, including a London pilot involving 15 local public sector organisations, put this into perspective. The analysis indicates that six percent of trade suppliers, on average, may be at risk nationally as a result of the changes being made by local authorities and 17% of London-based suppliers to London councils are at risk if their public sector customers decide to stop using them.”

The National e-Procurement Project (NePP) has been heavily involved in supplier engagement. NePP has helped to establish best practice to help authorities balance the advantages of e-Procurement with care for their own local suppliers.

Martin Scarfe, local e-gov National Projects Programme Director, said: “With Priority Service Outcomes targeting excellent authorities to work with local suppliers, local authorities have a duty to ensure that these modern procurement processes embrace local SMEs rather than exclude them, for the good of the local authority, the local business and the local community. Councils must build targets for local business inclusion into their procurement and e-Procurement plans.

“Significant progress is being made by a number of London boroughs and councils in the country to achieve a sustainable level of local suppliers, while still meeting their procurement improvement targets. Of particular success is KickStart, the scheme in East London which is beginning to encourage and e-enable SME suppliers in Newham. The scheme is about to be piloted in Tower Hamlets and Canary Warf, with other London Councils being invited to join the scheme next year.”

For further information regarding NePP visit www.localgovnp.org. Alternatively, for more details about the KickStart project visit the East London online portal at www.eastlondononline.co.uk

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Notes to Editors:

KickStart

KickStart is a project set up by the London Borough of Newham in 2004 to encourage and e-enable SME suppliers in the borough. Working with Newham College and @UK PLC, an e-commerce service provider, KickStart provides local SMEs with training and support to set up their own e-commerce websites and connect to these via Broadband. Neighbourhood Renewal funding means that online training from learndirect can be offered free to local companies and they are even able to take advantage of other incentives such as subsidised

Broadband and the loan of a PC. The companies targeted by the KickStart project in Newham are not confined to the council's suppliers - any SME in Newham is eligible to join the scheme. (Encouraging minority-owned businesses is particularly important in a borough where 54 percent of the population is of an ethnic origin, but where this is not represented in the council's supplier base.)

The project has already contacted and spoken to over 1,000 Newham companies, and helped over 50 of these to set up their own e-commerce websites and to start trading online with the borough and with their other customers. The project has already raised the level of e-enablement by 5.4 percent and is project to increase it by a further 5 percent by March 2006.

The London Observatory pilot

The London Observatory pilot, conducted by Spikes Cavell, analysed the 12-month spend data provided by a broadly representative cross section of public sector bodies in London. At the heart of the pilot lies the Observatory [<http://www.spikescavell.net/live/analytic.php?Item_ID=87>](http://www.spikescavell.net/live/analytic.php?Item_ID=87) - an online database that contains standardised, consolidated, de-duplicated, enhanced and extended expenditure data extracted from the financial systems of a growing number of local authorities, universities, NHS trusts and other public sector bodies. Today the Observatory provides instant online access to 420,012 creditors, financial transactions worth more than £9.78bn and 7,158,516 invoices. Of the 420,012 creditors in the Observatory, 105,216 are trade creditors where the aggregate spend in the prior 12 months was more than £1,000 (so called 'Core Trade').

Each core trade creditor was assessed as to its exposure as a result of the cessation of trade by comparing the businesses total turnover with the spend by an individual public sector entity. In the event that the proportion of trade is in excess of 20 percent of turnover, they are deemed 'at risk' and placed into one of three categories dependent on the extent of exposure: A: 50 percent; B: 30-50 percent; and C: 20-30 percent of turnover respectively. On average, six percent of the core trade suppliers were deemed at risk.

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