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**HEALTH AND SAFETY EXECUTIVE
CONSTRUCTION INDUSTRY ADVISORY COMMITTEE (CONIAC)
Government procurement and SMEs**

Summary

This paper is for discussion at CONIAC on 23 June 2008.

Issue

1. Government procurement and its health and safety impact on SMEs.

Recommendation

2. Those responsible for public sector procurement should be encouraged to:
 - a) acknowledge the situation, the trends, and the likely negative implications;
 - b) establish best practice recommendations based on examples of clients who have procurement methods which are SME inclusive; and
 - c) establish a mechanism for monitoring and measuring SME involvement.

CONIAC Members are asked to support these recommendations and use their influence to see them enacted as soon as possible.

Background

3. Public sector procurement has been moving rapidly from so called Traditional Methods to Long Term Framework Agreements involving partnering and often packaging and bundling of smaller value projects. The ways in which these new procurement methods have been implemented have, in many cases, erected barriers to SME participation and thus excluded them from one of their traditional markets.

4. The implications if this trend becomes widespread are serious not only for construction SMEs but also clients and the Industry as a whole. This is not just a matter of commercial and economic concern, but will also impact on the maintenance of standards and spread of best practice in many areas, including health and safety.

Argument

Research

5. The Strategic Forum's SME Group received much anecdotal evidence regarding these matters but wished to establish a clearer picture and understanding of the current position. In early 2007, on its behalf, the National Federation of Builders undertook a scoping exercise amongst its members, the results of which were published under the title "The Impact of Public Sector Procurement on SME Construction Companies".

6. The results, not surprisingly, showed that there was a mixed picture with some "winners" but many more "losers":

- 32% of respondents reported that the proportion of public sector work had decreased during the past 5 years and expected this downward trend to continue.
- The most frequently cited cause of this trend was the "changes in public sector procurement practices" (83%).

Implications for health and safety

7. The HSE is continuing to target the SME sector as one where, on average, standards of health and safety performance are below the industry norm. Reaching and communicating with companies within this sector is challenging and historically has proved difficult. There are a number of key issues including:

- The public sector is a major force in setting best practice and driving up standards in areas such as health and safety.
- The public sector provides an interface with large numbers of SMEs and provides an effective conduit for the transfer of health and safety "message".
- Those SMEs which meet public sector standards of health and safety management and performance provide those same standards to one-off and occasional clients.
- Most projects for one-off and occasional clients are undertaken by SMEs.
- The supply chains of SME main contractors are largely made up of SME specialists, including micro organisations. Thus they provide a means of reaching the very base of the Industry.
- There are examples of clients in the public sector that have ensured that their procurement methods, under framework agreements, are inclusive of SMEs.

8. In conclusion, if the link between SMEs and the public sector continues to be weakened the ability to influence SMEs will be reduced and one of HSE's key strategies will be hindered. Whilst aspirational SME organisations will continue to achieve excellence in health and safety performance, standards generally are likely to decline or at least not improve as they should. This will not only affect work carried out within the public sector but also within the private sector.

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