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Business News England

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Public sector procurement: Missed targets and opportunities for SMEs

A recent report by the British Chambers of Commerce and Tussell has highlighted the ongoing challenges the public sector faces in meeting its procurement targets for small and medium-sized enterprises (SMEs).

Despite the UK government's commitment to increasing the procurement of goods and services from SMEs, the numbers reveal a persistent shortfall. In 2023, only 20% of the total direct procurement spending in the public sector went to SMEs, amounting to £39.7 billion out of £194.8 billion.

An overview of the current situation

The report shows that while the overall value of public sector spending with SMEs has increased by 77% over the past six years, the proportion of total procurement spend directed to SMEs has remained largely unchanged. Local government fared better than central government in this regard, with 34% of its procurement spend going to SMEs, compared to a mere 2% in some individual central government departments.

The conclusion then is that SMEs continue to face significant barriers in accessing and winning public sector contracts. The complexity of procurement processes, high bid costs, and the recent dominance of large procurement frameworks have made it difficult for smaller businesses to compete with established suppliers.

Could the new Procurement Act provide an answer?

The Procurement Act, which received Royal Assent in October 2023 and is set to come into effect in October 2024, aims to address these challenges by opening up public procurement to SMEs and social enterprises. The Act introduces a more flexible and streamlined procurement system, with a focus on transparency and fairness.

Key provisions of the Procurement Act include:

- A central digital platform: This new platform will give details of all public sector tenders, making it easier for SMEs to find suitable opportunities and compete for contracts.

- Simplified processes: The Act aims to reduce the complexity of procurement procedures, making it less daunting for SMEs to participate.

- Mandatory Feedback: Public bodies will be required to provide feedback to unsuccessful bidders. This will help SMEs understand how they can improve future bids.

- National Procurement Policy Statement: This statement will guide contracting authorities to level the playing field for SMEs by removing unnecessary barriers and avoiding disproportionate contract requirements.

What proactive steps could you take?

If the Procurement Act is successful in reshaping public sector procurement, you could have a significant opportunity to increase your business. Here are some proactive steps you could take to become a public sector supplier:

1. Familiarise yourself with the Procurement Act: Understanding the changes introduced by the Act will be crucial. Keep up-to-date with developments and guidelines as they are released, and prepare to take advantage of the new digital platform once it is live.

2. Engage with procurement frameworks: Although procurement frameworks have been seen as a barrier, they also present opportunities. You should seek to understand how these frameworks work and explore how to become part of them, potentially in partnership with other businesses.

3. Invest in bid preparation: The quality of your bid is crucial in securing contracts. Consider investing in resources or training to improve your bidding skills, including understanding the specific requirements of public sector contracts and how to meet them.

4. Seek feedback and adapt: Take advantage of the mandatory feedback provision under the new Act. If you make a bid that is unsuccessful, use the insights you will now get to refine your approach and increase your chances of success in future tenders.

5. Network and collaborate: Building relationships with larger suppliers and other SMEs can lead to subcontracting opportunities or joint bids, which can be particularly beneficial when tackling larger contracts.

6. Leverage local government opportunities: Since local governments have a higher proportion of spending with SMEs, they may offer a more accessible entry point for you. Focus on building relationships with local authorities and exploring contracts that are well suited to your business’s size and capacity.

While the public sector has fallen short of its procurement targets for SMEs, the forthcoming changes under the Procurement Act could present you with some promising opportunities.

By understanding the new legislation and taking proactive steps, you will be able to better position your business to win public sector contracts and contribute to the growth of your business in this evolving market.

See: https://www.icaew.com/insights/viewpoints-on-the-news/2024/sep-2024/sme-public-sector-procurement-spend-stalls-despite-pledges

Companies undermining the insolvency regime are closed down

In a recent case reported by the Insolvency Service, two connected corporate rescue firms, Atherton Corporate (UK) Ltd and Atherton Corporate Rescue Limited, have been forcibly shut down by the UK courts.

These companies, trading under the Atherton brand, claimed to offer business owners struggling with debt a legal alternative to formal insolvency procedures. However, they misled their clients by encouraging them to sell their financially distressed businesses in a way that would allow them to avoid liquidation and retain company assets without taking responsibility for the company's debts.

The scheme was supported by five associated companies that bought these distressed businesses and appointed new directors to create distance between the original owners and any future legal actions.

Mark George, Chief Investigator at the Insolvency Service, in speaking about the case highlighted that this scheme was an attempt to help former directors and owners disassociate themselves from their company debts while retaining any assets. He said: "These actions would appear to have deliberately undermined the insolvency regime which is why the Secretary of State applied to have them and their associated companies wound-up in the public interest."

Why this case matters: The risks of avoiding proper insolvency procedures

For business owners and company directors, this case serves as a good reminder of the importance of adhering to the correct legal procedures when considering the dissolution of a company.

Attempting to sidestep formal insolvency processes can lead to significant legal consequences, including personal liability for debts, reputational damage, and even criminal charges.

Key takeaways for company directors

If your trading company is facing financial difficulties, this case highlights some important things to remember.

1. Understand your obligations: The actions you take if your company is going insolvent are important. Therefore, get advice from a qualified professional, especially a licensed insolvency practitioner, on the correct procedures so you have the guidance you need to navigate the complexities of insolvency law.

2. Avoid misleading schemes: Be wary of any service that promises a way to dissolve your company while avoiding your responsibilities. If it sounds too good to be true, it probably is.

3. Follow the law: Properly dissolving a company through established legal channels ensures that all creditors are treated fairly and that you avoid personal liability. Trying to circumvent these processes can result in penalties and damage to your reputation.

4. Seek professional advice early: If your business is struggling, oftentimes the earlier you get help the better. You may have options that would help you continue your business without the company going insolvent. It is always better to address issues head-on with the help of a professional rather than delaying and risking more severe consequences later.

If your company is experiencing financial difficulties, we realise what a stressful time this can be. Please feel free to get in touch at any time and we would be happy to help you with advice that can help you protect yourself and potentially to help your business survive.

See: https://www.gov.uk/government/news/companies-promoting-corporate-rescue-scheme-shut-down-after-undermining-insolvency-regime

Companies House online services to move to GOV.UK One Login

Last week, Companies House confirmed that their online services will move to the GOV.UK One Login beginning from autumn 2024.

The GOV.UK One Login is becoming an increasingly important way of accessing government digital services. It means that you only need one account, one username, and one password to access a range of government services.

The Login is already used for a number of government services, including those related to being an apprenticeship provider, finding and applying for grants, and in Wales to manage fishing permits and catch returns.

Ultimately, the GOV.UK One Login will be used to access all GOV.UK services, which eventually would include tax services. Companies House services moving across will be a major step towards this goal.

The Find and update company information service will be the first to move across, with the Webfiling service being moved at a later date.

As part of the changes being made by the Economic Crime and Corporate Transparency Act, any person who sets up, runs, or controls a company in the UK will need to verify their identity.

The GOV.UK Login will be used when Companies House implement this requirement so that users can verify their identity directly.

If you need any help with your company secretarial requirements, please just get in touch, our team will be happy to help you!

See: https://www.gov.uk/government/news/companies-house-to-join-govuk-one-login

Barratt Developments' profit drop sends ripples through construction and property sectors

Barratt Developments, the UK's largest housebuilder, has reported a significant decline in pre-tax profits, down by three-quarters for the year ending June 2024. This comes as the company completed just 14,000 homes, a sharp decrease from 17,000 the previous year, with forecasts suggesting even lower figures of 13,000 to 13,500 homes for the upcoming year.

For businesses in the construction and property sectors, this slowdown could be a signal of challenging times ahead. High interest rates are deterring potential buyers, while inflation continues to push up costs, creating a ripple effect across the supply chain.

If housebuilders are scaling back their operations, then construction firms, contractors, and suppliers of building materials may need to brace for a reduction in demand.

Architectural firms and estate agents and mortgage brokers may also need to look at strategies to maintain profitability, if project pipelines thin and fewer new homes enter the market.

The new Labour government's ambitious plans to build 1.5 million homes over the next five years could counter current estimates if the suggested planning reforms, green belt adjustments, and mandatory housing targets for local authorities are effectively implemented.

While these reforms are being welcomed, analysts are suggesting that a further easing of mortgage rates is needed before activity will pick up significantly.

See: https://www.bbc.co.uk/news/articles/c8rx23jdkd5o

Plan 1 student loan interest rate to change to 6%

The Plan 1 student loan interest rate reduced to 6% (from 6.25%) from 30 August. This rate change applies across the UK with the Department for Education (DfE), the Welsh Government and the Department for the Economy in Northern Ireland (DfE NI) all confirming the change.

The reduction follows the Bank of England Base Rate changing to 5% earlier in August.

Those running payrolls and payroll bureaus should notice a reduction in student loan deductions for relevant employees in their September payrolls. If not, you may need to confirm that your payroll software has correctly updated.

See: https://www.gov.uk/government/news/change-to-plan-1-student-loan-interest-rate-announcement

Norfolk and Suffolk declared a restricted zone for bluetongue virus

The UK Chief Veterinary Officer has declared a bluetongue restricted zone across Norfolk and Suffolk following several confirmed cases of Bluetongue virus BTV3 in the region.

Since 30 August all keepers of cattle, sheep, and other ruminants and camelids in this area have to follow strict restrictions on animal and germinal product movements.

Essential movements of these animals within the Norfolk and Suffolk restricted area can be done without a licence, but they cannot be moved to another area without a specific licence.

The bluetongue virus is primarily transmitted by midge bites and doesn’t affect people. Meat and milk from infected animals are safe to eat and drink. However, it can reduce milk yield and even be fatal to susceptible animals.

Based on current temperatures and midge activity, there is concern that there is a high risk of onward spread. Farmers are encouraged to monitor their animals frequently and report any suspicions of the disease.

To learn more about the symptoms of bluetongue and how to spot and report it, see: https://www.gov.uk/guidance/bluetongue

See: https://www.gov.uk/government/news/case-of-bluetongue-virus-btv3-confirmed-near-haddiscoe-south-norfolk