



Merlin Consultancy



# Third Party Supplier Accreditation Study

December 2005

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## Introduction

The Chancellor's 2005 Budget Statement tasked the Office of Government Commerce (OGC) and the Small Business Service (SBS) with undertaking an investigation into the public sector's use of third party accreditation providers to pre-qualify suppliers:

"In response to particular concerns from SMEs on the public sector's use of third party assessment providers to pre-qualify suppliers, the OGC and SBS will research the effect this has on potential suppliers and identify options to reduce any barriers to SME participation".

## Summary

This report presents the findings of the investigation described above. It identifies that the public sector's use of third party accreditation is currently uncoordinated and does present barriers to suppliers' participation. Recommendations for addressing and reducing these barriers will be developed in full in early 2006.

## Background

There is much activity underway to improve the efficiency and effectiveness of public sector procurement. Many recent initiatives advocate better management of risk during the procurement process.

For all but the simplest, low value procurements supplier assessment is an essential element of this risk management in that Contracting Authorities need to assure themselves that potential suppliers are suitable entities with whom to contract in terms of their legal, financial and technical capacity.

The process of supplier assessment in terms of fitness to tender for public sector contract opportunities is commonly referred to as 'pre-qualification'.

Pre-qualification involves suppliers submitting information specified by the Contracting Authority to facilitate its assessment of suppliers' suitability to tender. The information requested varies according to the Contracting Authority and the nature of the requirement, but is generally fairly closely comparable, addressing the supplier's legal status, finances, capabilities and relevant past experience, quality standard accreditation and so on.

Contracting Authorities routinely pre-qualify suppliers when undertaking procurements above EU thresholds in accordance with the provisions of the EU Procurement Directives, but pre-qualification is also a common feature of sub-EU threshold procurements.

In order to maintain an adequate and appropriate supply base for those procurements below the EU threshold, many Contracting Authorities have traditionally maintained a list of approved suppliers, each of which has been assessed in terms of suitability to tender. Maintenance of a comprehensive supplier assessment service is a significant overhead for Contracting Authorities who have to demonstrate continued efficiency savings in the face of tight budgetary constraints.

Recently third party organisations have begun to offer supplier assessment services commercially. Typically these third party accreditation providers do not make any significant charge to Contracting Authorities for this service; rather it tends to be the potential suppliers that are charged for accreditation.

The use of third party accreditation providers has proved an attractive proposition to Contracting Authorities where:

- Their in-house service has been run down and is no longer capable of providing the required level of assurance in terms of supplier assessment
- Third party accreditation is seen as an assurance of quality
- Efficiency savings can potentially be claimed as third party accreditation providers currently make little or no charge to the Contracting Authority.

Over the past 18 months Contracting Authorities' use of third party accreditation services has been the subject of complaint from industry bodies such as the Federation of Small Businesses and the Federation of Master Builders. They have expressed a fundamental objection to the principle of suppliers having to pay to be assessed for suitability as a tenderer for public contracts. It has been suggested that this requirement to pay for assessment represents a barrier to SME participation in public procurement. Questions have also been raised as to whether local authorities' use of these services can be reconciled with the Local Government Act 1988 which prohibits an authority from charging a supplier to be on an approved list.

In addition to the more general objections raised by trade bodies, individual suppliers have also contacted OGC, the Department for Trade and Industry (DTI), the Office of Fair Trading (OFT) and the Office of the Deputy Prime Minister (ODPM) with specific complaints about their experiences with third party accreditation providers.

### Policy and Legal Framework

UK public sector procurement, including supplier assessment, is governed by:

- EU competition legislation as incorporated into UK law
- EU Procurement Directives
- Government Value For Money Policy
- The provisions of the Local Government Act, 1988 and subsequent amendments.

In the context of this study, the applicable elements of legislation are those concerned with any measures that might be perceived as anti-competitive or discriminatory. The provisions of the EU Procurement Directives are designed to ensure fairness and equality of opportunity for potential suppliers with probity in treatment by Contracting Authorities.

The relevant provisions of local government legislation are concerned with ensuring that local authorities do not act beyond their legal power. For example, Section 22 (1) of the Local Government Act 1988 states that:

*"A public authority which maintains an approved list shall not require a person to pay any sum as a condition of his inclusion or continued inclusion in the list or of his being considered for such inclusion."*

A private sector third party accreditation provider would not be directly subject to these provisions, but where a public authority contributes to the design or content of a list (e.g. supplier selection criteria) then this may be construed as 'maintaining' and thus fall within the scope of this provision.

### Definition of Third Party Accreditation

'Third party accreditation' describes the assessment, by a third party organisation, of potential suppliers' generic suitability to contract with a Contracting Authority across a range of requirements (effectively an outsourced pre-qualification process although not specific to any one contract requirement). Third party accreditation results in the formal accreditation of those potential suppliers which successfully complete the process. The third party accreditation provider may be either a private or public sector organisation.

Generally, third party accreditation is a desk-based process which examines documentary evidence of a supplier's financial viability, relevant insurance cover, and extant policies and procedures (including health and safety and equality among others). Site visits are not usually carried out and, apart from taking up references to validate the supplier's track record, the quality of product or service is not assessed or inspected.

Third party accreditation should not be confused with an accreditation backed by a trade body, which is more likely to provide a 'quality mark' assessment based, for example, on process, site visits and work inspections. Similarly, appointment as a contractor under a framework agreement is not a badge of accreditation.

### Scope

In accordance with the 2005 Budget Statement this study focused purely on the use of third party accreditation services by Contracting Authorities. Contracting Authorities' use of proprietary in-house 'approved supplier lists', requirement-specific pre-qualification exercises and non-assessed supplier databases were therefore not investigated.

### Duration and Conduct

The majority of research and consultation was carried out during October 2005, and the findings were discussed with key public stakeholders in the latter part of November and early December.

The study was conducted on the basis of:

- The assessment of existing written information and guidance
- Approximately forty detailed interviews conducted with a broad selection of stakeholders (further detail at Appendix 1). Standard scripts (included at Appendix 2) were used to ensure maximum objectivity and to stimulate wider discussion
- Statistical information obtained from a survey carried out with the help of several professional and trade associations
- Contact with a cross-section of UK industry, i.e. the study was not specific to any one sector of industry.

## Findings (Supplier Perspective)

The following findings and assumptions are based entirely on the evidence gathered and analysed by the previously described study. Many of the findings are inter-linked and detailed findings are included at Appendix 3.

### 1. Current Landscape

Potential suppliers of goods and services to Contracting Authorities are faced with a number of proprietary or third party accreditation models which have been selected by Contracting Authorities. Although there is a commonality of approach, there is limited standardisation of format/criteria, e.g. Local Authority X can require a certain level of insurance, whilst a central government department can require an entirely different level for the same product or service.

Due to the high number of Contracting Authorities in the UK, it has not been possible to determine the precise extent of use of third party accreditation providers. It is clear however that their use is most prevalent in the local authority sector and is increasing.

### 2. Burden on Suppliers

Many SMEs already regard the rigorous requirements of the public procurement process as a barrier to market entry. The widespread and growing use of third party accreditation providers is therefore seen as complicating an already difficult process.

Suppliers of all sizes feel very strongly about the resource expenditure and costs placed on them by the third party accreditation process. Their concern over this burden is common to all sectors selling to Contracting Authorities, but proportionately the difficulties are greatest for SMEs.

### 3. Mutual Recognition between Third Party Accreditation Providers

In general, third party accreditation providers do not recognise each other's lists. As a result suppliers are faced with the necessity of completing multiple applications in order to register with Contracting Authorities, frequently providing similar information to different third party accreditation providers in different formats. This duplication of effort compounds the already disproportionate burden on SMEs who have less resource to dedicate to the process and lower turnover.

### 4. Cost Transfer

Suppliers have expressed concern over the way in which Contracting Authorities appear to be seeking to achieve efficiency savings (i.e. reduce costs) by outsourcing the supplier selection function to third party accreditation providers who subsequently transfer the cost to suppliers.

*There is a risk here that suppliers will respond by charging the costs of third party accreditation to overheads and recover them across their whole customer base, including Contracting Authorities, thereby increasing prices which may consequently impact on value for money.*

### 5. Support for the Fundamental Principles of Third Party Accreditation

In general, suppliers remain supportive of the aims of third party accreditation as it was originally conceived for the construction industry. In an ideal world they would only register once for a single supplier accreditation scheme which could then be used by all Contracting Authorities to assess supplier suitability to tender against their requirements.

### 6. Lack of Clarity

There is a lack of clarity, particularly in the local authority sector, as to whether registration with a third party accreditation provider can be stated to be a mandatory pre-requisite to be considered suitable to do business with Contracting Authorities or simply a voluntary exercise which may facilitate inclusion on tender lists. Frequently, potential suppliers are either explicitly informed (Case Study 1), or left with the clear impression that joining the list is mandatory (Case Study 2) and that failure to do so will debar the supplier from being considered for inclusion in tender lists.

#### Case Study 1

An SME who provided services to a District Council and was an approved supplier received a letter from the Council to inform him that the Council was compiling a new directory of suppliers that would be managed by a third party. In order to be included in this directory there would be an annual charge. Failure to join the system would mean that a company would not be considered for any future Council contracts.

The SME in question was being asked to pay £225 per year when the council had only spent £3,057 with them over an eighteen-month period. Calculated over a year the sum charged was over 10% of the money he had received in payment for services, which significantly ate into profits thereby making it uneconomical for him to trade with the council.

#### Case Study 2 (extract from a Local Authority website)

“X Council has a policy of procuring works, supplies and services from accredited contractors. When awarding work or requesting quotations or tenders officers use the web-based Y system to select organisations. This system provides a fair and independent selection process in line with Standing Orders. It ensures that all organisations have an equal opportunity to work for the Council providing a rotational system for selection. The system provides transparency by recording all invitations and outcomes for procurement.”

The web-based system requires the supplier to pay a fee.

### 7. Proliferation of Third Party Accreditation Providers

As Contracting Authorities are free to select their own supplier assessment strategy, potential suppliers are frequently asked to register with a number of third party accreditation models. Each registration requires the supplier to expend time and resources and, in most instances, pay fees (as illustrated in Case Studies 3 and 4), sometimes even for multiple lists maintained by the same third party accreditation provider.

In addition to the third party accreditation providers currently operating, this study has identified several other companies which possess the requisite systems and datasets to begin trading as third party accreditation providers.

*The third party accreditation market is recognised as:*

- *having significant future potential both for growth and continued revenue generation*
- *having few barriers to entry, with relatively small initial investment necessary*
- *attractive both to new entrants and as an investment vehicle for lending institutions.*

*An increase in the numbers of third party accreditors, combined with a lack of standardisation and/or mutual recognition could effectively reduce Contracting Authorities' supply base as they may consider the cost and effort necessary to retain a large number of third party accreditations to be unsustainable. This is particularly applicable to SMEs.*

#### Case Study 3

An SME with up to one hundred employees which provides Mechanical and Electrical services to local government, housing associations, utilities and police/fire services paid £3,190 in direct fees to be accredited on five separate lists. The SME declined to join to two further lists, one for the local authority sector where the fee was £520 pa plus £100 for each additional council, and one for the utility sector where the annual fee was £605. The SME had over a period of time been on over one hundred council/housing association approved lists. There was no mutual recognition between lists and the SME considered that, "this has got completely out of hand", because in addition to the direct fees there was an associated overhead burden in terms of responding to the differing questionnaires and in particular where some of the questions "have no bearing on our line of business".

### Case Study 4

A trade association supplied the following as an example of the concerns being raised by its members:

“It concerns me greatly with regard to the way that local authorities, universities and some industries are outsourcing their checking systems for contractors to be added to their “Approved Contractor List”. Examples:

A City and County Council require that we register with one third party accreditation provider at a cost of £345

A University requires that we register with another third party accreditation provider at a cost of £100

A District Council is requesting that we register with another third party accreditation provider at a cost of £520

In addition, a private sector company requires us to register with another third party accreditation provider at a cost of £293

Total £1258 per year

Even with this registration there is no guarantee of work and for a small business this can be a large expense for nothing.

It appears that third party accreditation providers charge the Contracting Authorities for their service and the contractor enabling them to have two bites at the cherry.

If Contracting Authorities are insisting on this type of outsourcing surely it should be only right that they pay for contractors to register as it precludes the small business from taking part in fair competition.

We are fortunate that we already do work for these organisations and see a return for our registration, but still find it hurts when this bites into our tight profit margins”.

### 8. No Guarantee of Opportunities

Generally, suppliers do not consider that third party accreditation provides them with a value for money solution, as third party accreditation does not provide them with any guarantee of work, nor even of tender opportunities.

### 9. Visibility of Performance

Generally, suppliers which have undergone third party accreditation do not receive feedback on the number of times Contracting Authorities include them on tender lists as a direct result of their accreditation. The availability of such information would better enable suppliers to evaluate whether third party accreditation services provide them with value for money.

## Findings (Supplier Perspective)

### 10. Survey Results

Professional and trade associations provided statistical information on behalf of 114 members. 21% of respondents considered the provision of accreditation information to be simple and straightforward, whilst 79% considered the task to present some difficulty or to be very difficult. In addition, 70% of respondents did not consider the time, effort and cost of accreditation to be worthwhile in terms of its return measured in the number of times the supplier had been invited to tender or won contracts.

Two professional/trade associations provided information from internal membership surveys. The first shows its members spend the following time and cost in preparing and submitting documentation (including pre-qualification questionnaires and registrations for third party accreditation):

<b>Cost per month:</b>	<b>Less than £100</b>	<b>Between £100 &amp; £200</b>	<b>Over £200</b>
<b>No of Companies:</b>	26	19	51
<b>Hours per month:</b>	<b>Less than 5</b>	<b>Between 5 &amp; 10</b>	<b>Over 10</b>
<b>No of Companies:</b>	45	34	52

This indicates the necessity to deploy a significant effort on a continuing basis, usually at middle management level, as the task demands not only administrative and clerical effort but also knowledge of the business, its financial structure, the industry sector and the requirement.

The second survey, to which 77 members responded, indicated a high level of dissatisfaction with the quality of service received from third party accreditation providers. Members considered they had derived little business benefit from third party accreditation, with well under half of registrations providing value for money (this assessment varied according to the third party accreditation provider, varying from less than 20% in respect of accreditations provided by two providers, to less than 50% for the third party accreditation provider considered as the best).

## Conclusion and Next Steps

Noting that industry remains supportive of the principles behind third party accreditation, it is now necessary to address the particular concerns now raised by SMEs and wider industry.

This study's findings confirm how important and complex the issues surrounding Contracting Authorities' use of third party accreditation services are, and that potential future actions certainly warrant further investigation and consultation with a wider group of stakeholders. Recommendations will be developed in full early in 2006.

In the meantime OGC's interim guidance for purchasers remains extant and is available on the OGC website (relevant link included in Appendix 4).

## Appendix 1 – Contributing Organisations

OGC extends its thanks to each organisation which provided assistance and data in support of this study.

An anonymised breakdown by organisation type is included below:

- 10 Professional and Trade associations
- 7 Suppliers
- 7 Third Party Accreditation Providers
- 11 Organisations associated with Local Government
- 3 Central Government Departments

## Appendix 2 – Lines of Enquiry

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### Contracting Authorities That Do Not Use An Accreditation Service

How do you assess suppliers for fitness to tender for sub-OJEU competitive tenders? Do you use approved lists?

If you use approved lists, how many lists do you have?

How visible are they – how do firms learn about them and get on?

Is the size limited and what is the rough annual turnover?

How do you assess the suppliers for the lists?

Is the list used on a 'rotation' basis?

Does the use of the list recognise 'performance' as well as 'rotation'?

Can new potential suppliers apply to join the list at any time, or only at specific list refresh times?

How is the list refreshed?

And at what intervals is it refreshed?

What proportion of your time does management of these lists take?

How do you ensure the information about listed suppliers is up to date?

When you invite tenders from listed suppliers for specific requirements do you also ask questions about matters that formed part of the initial listing assessment?

Where do you advertise opportunities?

Can 'non-list' suppliers bid?

If 'non-list' suppliers are allowed to bid how do they learn about individual requirements?

Why haven't you used third party accreditation services?

### Contracting Authorities That Use An Accreditation Service

Why did you opt for use of the third party accreditation service?

Did you consult your local business community before deciding to use the third party accreditation service?

How has your business case stood up?

Do you pay the third party accreditation provider for this service?

What is the intended duration of your third party accreditation provider's contract?

How did you appoint the third party accreditation provider: as a result of (a) competitive tender; (b) an approach by the third party accreditation provider; (c) an approach by you to the third party accreditation provider?

## Appendix 2 – Lines of Enquiry

### **Contracting Authorities That Use An Accreditation Service (continued)**

What was the rationale for the decision?

Do you know how much your third party accreditation provider charges for inclusion on the list?

How did you satisfy yourself that the charges were not disproportionate?

Is there a profit share, or other incentive?

Were you aware of EU rules and did you take advice on this aspect?

If so, were you advised that the service was justified by EU rules?

What legal advice did you get in respect of LGA 1988?

When do you use the service to put together tender lists?

Do you restrict individual competitive tenders to suppliers on the list?

Do you operate the list, i.e. do you select those companies to be invited to tender or is that function outsourced to the third party accreditation provider?

Are all companies on the list invited to tender, or on what basis are bidders selected?

In the 'selection for tender' process, is any account taken of performance in providing opportunities for repeat business?

Did you design any of the content of the list's data set?

How do you feel the results you're getting compare in terms of VFM with before you adopted the service?

What objective assessment measures have you put in place?

Do you perceive any difference in terms of the number of SMEs getting onto the list, and on to tender lists with before?

Has this been objectively assessed?

Any complaints from suppliers and if so on what basis?

How do you assess the performance of the third party accreditation provider?

Are you able to compare his service for you with the service he provides to other users? How is this done?

Do you compare your supplier's performance with those of competitors for other authorities? How is this done?

How frequently do you refresh the appointment of your third party accreditation provider? How is this done? What criteria do you use?

How do you ensure the interests of SMEs/BMEs are recognised?

Because admission to the list brings cash to the third party accreditation provider, is there a tendency to 'massage' results?

Have you put in place any checks on your third party accreditation providers operations on your behalf?

### Professional/Trade Associations

What is your interest in this issue?

What is your perception of how these services operate?

Do you consider the use of these services appropriate/defensible? Why (not)?

Do you believe these services enhance or disadvantage your members? How?

Have you had concerns raised by members and if so, from when and how many?

What is the primary basis for complaints raised? Issues of principle or execution?

Have you had any dialogue with these third party accreditation providers? If so, which?

What were the reasons for the dialogue, and the outcome?

If it is a matter of cost, what would be your attitude if the client body funded the service and there was no charge to your members?

Have those of your members who have applied experienced difficulty in getting on lists?

Have you had any complaints about refusal to admit to lists?

Is there any evidence that admissions to lists are 'massaged' in the interest of profit?

If so, do you believe this could disadvantage your members?

If you think this might be the case, do you consider that, notwithstanding the existence of lists, authorities should ask qualification questions as part of individual tender exercises?

Given that lists are used, how do you think tenderers should be selected from them?

What other engagement have you had with HMG in respect of the use of these services?  
Results?

Do you perceive that HMG's moves to enhance the efficiency of public sector procurement is likely to undermine the use of approved lists?

If so, how would you protect the interests of your members in the longer term?

## Appendix 2 – Lines of Enquiry

### Suppliers

What is your interest in this issue?

What is your perception of how these services operate?

Do you consider the use of these services appropriate/defensible? Why (not)?

Do you believe these services enhance or disadvantage you? How?

Is your view shared by other contractors?

What is the primary basis for complaints raised? Issues of principle or execution?

Have you had any dialogue with third party accreditation providers? If so, which?

What were the reasons for the dialogue, and the outcome?

If it is a matter of cost, what would be your attitude if the client body funded the service and there was no charge to you?

Have you or other contractors you know who have applied experienced difficulty in getting on lists?

Do you have any evidence that admissions to lists are 'massaged' in the interest of profit?

If so, do you believe this could disadvantage contractors?

Do you consider that, notwithstanding the existence of lists, authorities should ask qualification questions as part of individual tender exercises?

Given that lists are used, how do you think tenderers should be selected from them?

What other engagement have you had with HMG in respect of the use of these services?  
Results?

Do you perceive that HMG's moves to enhance the efficiency of public sector procurement is likely to undermine the use of approved lists?

If so, how would you protect the interests of SMEs in the longer term?

### Third Party Accreditation Providers

Explain the origins of your service?

Explain how it works?

How many client authorities do you represent?

What is the usual contract duration?

What percentage of your appointments are the result of competitive tender?

In what other ways do you gain appointment?

What is your information on the legal status?

Explain how your service sits with EU procurement regulations.

How are suppliers assessed – by whom and against what standards?

Do authorities have an influence on selection criteria?

Explain any rating system – allocation of suppliers to particular levels of business suitability?

How large are the lists used for individual procurers – is size restricted? What's the turnover like?

How do you monitor updating of information by suppliers on your list, and what steps do you take to ensure it is up to date and correct?

Do you have a formal process for feeding back client comments on supplier performance, or is that left to the client?

Explain your charging model – do suppliers only pay once and if not what's the justification for multiple charges?

What's the value you deliver to suppliers?

Do you get complaints or compliments from any of the trade associations whose members you accredit?

As a result, have you had any dialogue with any of the trade associations? With what result?

If you get complaints from suppliers do you have formal systems/processes for handling them?

What are your terms of business with suppliers? What redress do they have in the event of problems?

Have you considered charging the client authorities for your service rather than potential suppliers?

Do you select tender panels for any authorities based on 'their' lists?

If so, what is the basis of selection?

Is there oversight of this service by the client with a clear audit trail?

Is the provision of the overall accreditation service overseen by the client?

Do you benchmark your service against services provided by other providers?

What's your view of the impact of competing services in this field? How do you think suppliers view the prospect of paying different service providers?

What views do you have on the introduction of generic list(s)? And common charging regimes?

What are your views about the mutual recognition of lists operated by the different accreditation services?

## Appendix 3 – Detailed Findings

Issue	Detail	Example
<b>Purchasers</b>		
Generally, a lack of guidance and support	A lack of comprehensive advice by government to purchasers about the appointment of accreditation providers, how the service might be utilised in order to provide best value and the legal and regulatory implications of use of accreditation lists	
The in-house services are no longer capable of providing the required level of assurance in terms of supplier assessment	In some instances, due to resourcing pressures, the service has been run down in an attempt to concentrate on maintaining core services	
Out-sourcing is seen as a potential efficiency saving	Third party accreditation providers currently make little or no charge to purchasers	
Though generally it reaches a satisfactory standard, third party services are not universally good		We have interviewed one purchaser which is considering dispensing with the service because it is perceived not to be delivering an acceptable level of service. One purchaser had to threaten to cancel the accreditation agreement before the necessary standard was achieved
No common standard for appointment of accreditation providers	Not all purchasers appointed accreditation providers as a result of competitive tender, though generally some assessment was made of the competing services available	
Lack of financial justification for appointment of accreditation service	We have doubts that a full business case analysis is carried out by purchasers before appointment of the accreditation provider	Some purchasers did not know or were not able to calculate 'cash' efficiency savings
Mis-use of accreditation lists, likely to be against the spirit of the EU Procurement Directives		Some purchasers insist on suppliers being accredited before they can be invited to tender. Once their list is in place some purchasers do not advertise requirements below the EU thresholds. One purchaser we interviewed permits non-accredited companies to tender, but if successful the award of contract is dependent upon the bidder going through the accreditation process and paying for admission to the list of accredited suppliers

## Appendix 3 – Detailed Findings

Issue	Detail	Example
<b>Purchasers (continued)</b>		
NHS/PASA uses its own supplier information database	Not an accreditation service, the system manages pre-qualification data during the procurement process, reducing the administrative burden on potential suppliers by working on a 'once only' registration principle. The system is stated to be compliant with all procurement regulations. It is free for suppliers and purchasers.	
<b>Trade Associations/SMEs</b>		
An overriding need for one accreditation list	The point was made to us that industry was generally supportive of the original purpose of the creation of Constructionline, i.e. a single registration scheme for that industry that would make national registration easier for suppliers, provided all or most public sector clients used it without modification and provided it was the only accreditation list.	
Quality standard for accreditation providers	Need for some form of regulation, inspection or assurance of quality	No barriers to entry mean that number of providers could proliferate in an unregulated manner
Proliferation of accreditation providers does not accord with government SME policy	Difficulties faced by SMEs are already high, e.g. financial capacity criteria, without having to pay numerous additional fees	
Forthcoming launch of another government backed service	Lack of clarity on government policy, i.e. is it a 'National list', or just another provider increasing the market proliferation and adding to SME problems. Important to know to what extent is it government backed	
Lack of consultation at set-up	Extent of consultation varies, and can vary from very good to non-existent, though is usually with local chambers of commerce and individual companies rather than the trade associations	
Different standards between purchasers	In some instances, individual purchasers have their own criteria against which accreditation applications must be judged	
Criteria used by accreditation providers	Some doubts about whether appropriate	An applicant turned down by one service provider on grounds of an unacceptable racial discrimination policy which had been drafted by Company's lawyers

## Appendix 3 – Detailed Findings

Issue	Detail	Example
<b>Trade Associations/SMEs (continued)</b>		
Need to pay for accreditation	SMEs object to paying for the consequences of public purchasers out-sourcing decisions	
Need for multiple payments	Different accreditation bodies; different clients; different sectors	The resulting total sum is frequently over £1,000 even for small companies
Overhead burden	Information (different in each case) is such that can only be provided by management, not support staff	Several comments that the impact on management time is real, with a cost implication, due to calls for additional and refresh information Some comments that paperwork out of proportion to need
Signing up is no guarantee of opportunity to bid	Future aggregation of contracts may further limit opportunities for SMEs	Several instances of suppliers not renewing because of lack of enquiries
No feedback on number of times considered for ITT, nor on quality of performance	Some visibility is enabled by one service provider, but there is a general reluctance by providers to enable full visibility. They state that this driven by the public purchasing organisations	
Insufficient mutual recognition of accreditations/standards between accreditation providers		We found no instances of mutual recognition, and only a few examples of unreciprocated recognition,
No control over pricing	Generally, not policed by purchasers, so no guarantee of future pricing by accreditation bodies	We did find one instance of strong initial involvement by a purchaser, but there could be implications regarding contravening the provisions of the Local Government Act 1988
Perception that suppliers who do not sign up will lose opportunities to tender	Complaints of aggressive marketing by both accreditation providers and purchasers	Refusal by two interviewees to be named 'for fear of victimisation' Letter and email from purchaser requiring/suggesting supplier must sign up to continue to receive opportunities to tender Aggressive letter from an accreditation provider to supplier
Use of out-dated software by one accreditation provider	Complaints against one service provider	

## Appendix 3 – Detailed Findings

Issue	Detail	Example
<b>Third Party Accreditation Providers</b>		
The Government owned and endorsed service is perceived to be subsidised and have an unfair advantage in what should be a free market		
Forthcoming launch of another Government backed service	Unclear to competitors whether its use by public purchasers will be mandated/strongly recommended	
Lack of standardisation in client requirements		
Currently, the market is seen as expanding and more potential providers are known to be considering entering	As a result of the study we are aware that at least two new private sector companies are likely to enter the market, and we consider up to another four companies possess much of the data necessary for market entry	
In the long-term the number of SMEs registered may decline with increasing use of long-term PPPs, framework contracts, buying consortia		
Unless operated properly may contravene the Local Government Act 1988	Generally, providers are aware of the dangers and structure their service so that any contravention is likely to rest with the purchaser.	One leading service provider does not operate in the local authority sector because of their perception of the risk involved

## Appendix 4 – Reference Information

The OGC web page dedicated to this study and containing the related interim guidance for purchasers is <http://www.ogc.gov.uk/index.asp?id=1003758>

The advice letter issued by ODPM to Local Authority Chief Executives in 2002 can be found at <http://www.odpm.gov.uk/index.asp?id=1136745>

The Small Business Service (SBS) website is <http://www.sbs.gov.uk>

The model simplified pre-qualification questionnaire (PQQ) developed by OGC specifically for procurements below the EU threshold is available to download from the dedicated web page on the OGC website at <http://www.ogc.gov.uk/index.asp?id=1003755>

A new, updated edition of the OGC and SBS booklet 'Smaller Supplier Better Value' is available on the OGC website at <http://www.ogc.gov.uk>

ODPMs Small Business (SME) Friendly Concordat is available to download from the ODPM website at <http://www.odpm.gov.uk>

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For general enquiries and hard copies of the majority of OGC and OGCbuying.solutions publications or to reach named contacts mentioned within specific OGC business areas, please contact the respective enquiry points.

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