

Supply chain management in public sector procurement: a guide

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Supply chain management in public sector procurement: a guide

1. Outline of this guide

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What do we mean by supply chain management?

In the context of this guide, supply chain management is concerned with the “co-ordination of all parties involved in delivering the combination of inputs, outputs or outcomes that will meet a specified public sector requirement.”

Purpose of this guide

To provide a series of key insights into the management of multi-tiered supply relationships within the government procurement environment. The aim is to encourage contracting authorities to take a more sophisticated approach to supply chain management and understand both the role that they and their main suppliers must play in managing the supply chain.

Target audience

Supply chain management needs consideration at a strategic level and the target audience for this guide is primarily those who take strategic decisions on procurements, programmes and projects in both central government and the wider public sector. In addition, those who implement such decisions will find this guide useful, including individuals involved in contract, commercial and supplier management as well as project and programme managers.

This guide signals a change in attitude to management of the supply chain in the public sector and its messages are also targeted at suppliers to the public sector

Key messages

Strike a balance

Effective supply chain management is a question of allocating management of the supply chain to the parties best placed to understand and co-ordinate the activities of organisations involved in contract delivery. Just as a contracting authority should not automatically seek to manage the entire SC itself, the authority should not assume that transferring the whole responsibility for the supply chain to a sole party will automatically deliver the most benefit.

Wider benefits

Increased openness, transparency and efficiency in the management of public sector supply chains can offer benefits to all parties involved in delivering public services. In particular:

- For contracting authorities:
 - Improved ability to identify strengths, weaknesses, opportunities and threats in their supply chains.
 - Increased value for money and efficiency.
- For existing/potential subcontractors:
 - Better visibility of the routes available to gain access to opportunities in the public sector.
 - Improved communications with contractors and, where appropriate, public sector clients
- For main contractors:
 - Improved early and ongoing communications with public sector clients.
 - More competitive subcontractor base offering better skills, expertise, innovation and value for money.

2. What is supply chain management?

There is no commonly accepted definition of supply chain management - it means many different things to many different people and numerous, overlapping definitions exist. This guide presents its own high-level definition that sets the concepts within the specific context of public sector procurement.

The **supply chain** is the combination of all parties (e.g. external suppliers, partner organisations, internal corporate services units) both inside and outside the organisation, involved in delivering the inputs, outputs or outcomes that will meet a specified public sector requirement.

Related Link

Input/Output/Outcome are defined in the Risk Allocation Model - [Introduction](#)

Supply chain management is the co-ordination of all of these parties.

The supply chain may be **inbound into the public sector** – an operational requirement for internal customers for example, or it may be **outbound from the public sector** – in place to deliver wider organisational objectives to provide services for delivery to citizens, or a combination of both. This relationship is highlighted in Figure 1.

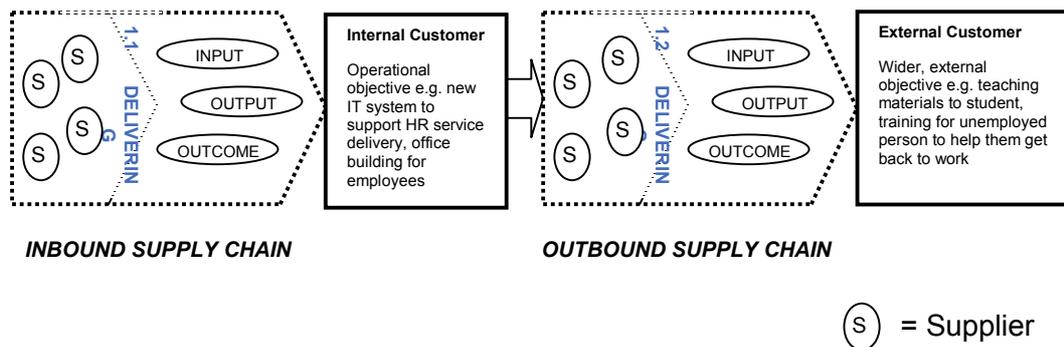


Figure 1: Inbound and outbound supply chains

The shape of the **supply chain** and the **supply chain management** processes employed will vary considerably depending on a range of different considerations.

What might be some of the different characteristics of supply chains (SCs) and supply chain management (SCM)?

<p>SCs can be inbound to the public sector – suppliers delivering goods and services into the organisation to support its operational objectives e.g. office furniture provision for a public sector organisation.</p>
<p>SCs can be outbound from the public sector – directly supporting the meeting of end customers' needs e.g. suppliers delivering public sector-funded external training programmes to unemployed individuals to assist them in getting back into work.</p>
<p>SCs can be fully integrated, networks of interconnected companies with common performance and relationship management processes, or they could be characterised by arms length contractor-subcontractor relationships. Each link within the chain can differ in the nature of the interdependencies and the way in which the relationship</p>
<p>SCs can be long-term, strategic sets of relationships between multiple, diverse organisations which are carried from project to project, or they can be ad-hoc structures established post-contract award to deliver a discrete, one-off</p>
<p>The focus of SCM can differ from government sector-to-sector. In the health sector, the focus may be more on logistics and the effective movement of goods and services in and out of hospitals whereas SCM in the education sector may focus on</p>
<p>The focus of SCM can differ from industry sector-to-sector. In construction, the focus is on the early establishment of a fully integrated client-supplier project team. In IT projects, the focus may be on building scope for innovation and flexibility into the SC to cater for changing requirements and rapidly evolving information and</p>

Figure 2: Sample characteristics of supply chains & supply chain management

3. Why is supply chain management important?

Supply chains and their associated management processes often remain invisible to the public sector client. Government has traditionally focused on the contracting process with **first tier suppliers** – the SC members with whom the procuring organisation directly contracts. The 2004 PAC Report on [‘Improving departments’ capability to procure cost-effectively’](#) highlighted how only 17% of departments, agencies and non departmental public bodies analyse their suppliers’ supply chains as part of their criteria for selecting suppliers and thus suffer from a lack of assurances about the reliability and resilience of their key suppliers’ subcontractors.

In September 2004, OGC undertook a survey of central civil government (CCG) departments and key suppliers to the public sector looking at activities and attitudes in relation to SCM. Several key figures reinforce the PAC Report findings:

- Whilst 94% of responding departments felt that maintaining details of main suppliers’ subcontractors was important, only 57% of respondents maintained such information.
- 68% of respondents did not know how their main suppliers advertised opportunities to potential new entrants to the SC.
- Only 36% of respondents sought feedback from main suppliers’ subcontractors during contract delivery.

In addition, a 2004 survey conducted in the local government sector by IdeA to evaluate progress against milestones for the National Procurement Strategy for Local Government identified that only:

- 41% of councils report that they invite bidders for partnership contracts to demonstrate their track record in achieving value for money through their use of the supply chain, including use of small firms.
- 28% of councils continue to examine suppliers’ use of the supply chain.
- 39% track suppliers’ use of the supply chain in contract management.

Whilst it is relatively common, especially in complex procurements, for the first tier supplier(s) to manage the SC on behalf of the contracting authority, relatively little effort has been made by the public sector to improve its visibility of SCs and its ability to exert influence over how the first tier supplier(s) manages this chain, except perhaps in the construction industry.

A number of public sector construction initiatives, including the Latham Report (Constructing the Team), the Egan Report (Rethinking Construction) and the Government Construction Clients’ Panel identified areas of poor performance amongst suppliers and government clients. These initiatives have emphasised

the benefits of improving supply chain management throughout the entire supply chain, including closer supply chain integration. OGC's [Achieving Excellence in Construction](#) initiative, launched in 1999, provides a series of targets for improving performance of the government client, including SCM performance.

The limited effort in other industries to improve supply chain performance could be for reasons of simplicity, resource constraints, a lack of understanding or perceived need for understanding, or perhaps even a perception on the client side that the policy and legal framework does not allow for such activities.

Increasingly, the complexity of many contracts, a greater appreciation of the need to improve competition and innovation, and an increasing awareness of the impacts of terrorism or natural disasters on SCs and business continuity, means that wider supply chain issues increasingly need to be taken into account in seeking improved efficiency and value for money. There are a number of aspects of the current public sector procurement landscape that the public sector needs to consider from the perspective of the whole supply chain rather than simply focusing on the first tier of suppliers:

- Implementation of the Government's Efficiency Programme across the public sector.
- Sustainable development and the role of public sector procurement as a possible lever for delivering wider policy objectives, for example, in areas such as:
 - Innovation and the harnessing of new ideas in the public sector.
 - The promotion and maintenance of competitive and contestable markets.
 - Opportunities for diverse organisations such as SMEs, VCOs, BMEs, women-owned businesses and social enterprises, which includes the use of technology.
 - Achieving community benefits in local government through, for example, community benefit clauses.
 - Race and gender equality.
 - Promotion of skills and training.
- The impact of increasing aggregation and bundling of public sector demand and/or supply.
- The increasing adoption of eProcurement tools and techniques.

The areas highlighted above represent wider policy considerations from which contracting authorities can achieve both the benefit of increased value for money and efficiency and also, in the case of sustainable development, the benefits associated with delivering wider objectives through procurement.

In developing a whole SC perspective in these areas, it is important to find the optimum balance between accountability and influence of the contracting authority and the efficiencies delivered by the first tier supplier(s), whose competitive advantages are often strengthened by the efficiency and effectiveness of their supply chain management processes.

In striking this balance, there are ways in which authorities can develop their own approach to SCM and promote good SCM practice outside of individual procurements, for instance by encouraging the first tier supplier(s) to consider the involvement of SMEs, VCOs, BMEs, women-owned businesses and social enterprises where they can offer particular benefits.

Related links

Guidance on the benefits that a range of different organisations can offer to the public sector and how they can be encouraged through the supply chain:

[Smaller supplier...better value](#)

[Think Smart...Think Voluntary Sector](#)

[Social enterprise: a strategy for success](#)

[Blue Frog 2: a guide to e-procurement for the public sector](#)

[Public procurement: A toolkit for Social Enterprises](#)

There is a strong body of academic and practitioner-based evidence that good practice in SCM can benefit all participants in the procurement process. This guide will focus on the benefits of improved supply chain management for the public sector.

Benefits of supply chain management

There are a number of clear benefits to contracting authorities of improved efficiency and transparency in the management of public sector supply chains:

- Better risk allocation. In an increasingly complex delivery landscape, effective risk allocation is a critical consideration in procurement. Risk should always be allocated according to the party best placed to manage it, and a better understanding of the way in which the requirement can be delivered allows the authority to assess how

Related links

Risk Allocation Model – [Part 3: Project strategy](#)

[Management of Risk – Principles and Concepts \(The Orange Book\)](#)

[Managing Risks with Delivery Partners](#)

risk can be allocated across the SC and how they can be managed most effectively.

- Greater visibility of subcontracting opportunities for a diverse range of organisations who can bring increased competition, dynamism and particular skills or strengths to the public sector, including organisations such as SMEs, VCOs, BMEs, women-owned businesses and social enterprises. This can increase competition and allow organisations with particular skills or strengths to get involved in the public sector marketplace.
- Greater opportunities for innovation. Supplier innovation in the SC can contribute to better quality, faster delivery and reduced whole life costs. Effective SCM offers strong potential for innovation to be released through the supply chain. A joint initiative between NHS Estates and the DTI has been established to identify how to harness innovation in the supply chain in healthcare construction.
- Better-defined requirements through early supply chain involvement in the shaping of the business need. This could be through [market sounding](#) for example. The case for early SC involvement is likely to be stronger in output or outcome-based approaches or where the requirement is complex or innovative. Involvement of the SC at an early stage can be vital in establishing the right requirements and the approach to meeting them.
- Improved ability to identify risks or bottlenecks in contract delivery through greater authority awareness of exactly how the contract is going to be implemented and of the key SC dependencies.
- Better quality solutions offered by suppliers as opportunities can be more easily identified in their supply chains to improve quality, increase delivery times and reduce costs.

Related links

[Capturing Innovation – Nurturing suppliers' ideas in the public sector](#)

<http://www.innovation.gov.uk/>

[Innovation in Healthcare Construction](#)

These benefits can lead to increased value for money and efficiency for an individual contracting authority. There are also wider benefits for the public sector as a whole:

- SCM can contribute to improved long-term sustainability and better capacity management of supply markets through the availability of a more competitive and diverse supply base at subcontractor level. OGC is undertaking a programme of work looking specifically at [increasing competition and improving capacity planning in the government market place](#) and SC analysis is a component of this programme.

- More effective use of the SC contributes to the wider agenda of improving efficiency and value for money in the public sector's commercial activities, by promoting competition, not just at first tier supplier level, but across the wider supply base and also encouraging more efficient management of suppliers.

It is important that the authority takes appropriate steps to ensure that the first tier supplier(s) have the capability to manage their SCs to the ultimate customer's benefit, and to deliver value for money in public sector contracting.

4. What do supply chains look like?

Each SC has its own individual characteristics according to a wide range of determinants e.g. degree of complexity of requirement, length of contract or project, relative buyer-supplier power, different supplier relationships or risk allocations. In many cases, each individual link in the chain between one or many organisations may have different characteristics. This guide does not seek to map individual SCs and their links. The contracting authority **needs to** map its own SCs and develop an understanding of each individual scenario.

SCs in large-scale procurement activities can often be very complex, with multiple tiers and many, diverse types of organisations involved in delivery. The following section is intended to present a clear and simple analysis of some of the different types of SCs that might be employed in public sector procurement. In reality, the picture for an individual SC may be much more complex, with multiple supply chain tiers and further supply chains at lower tiers. Many modern, commercial supply chains are in fact characterised by networks of interconnected firms rather than simple contractor-subcontractor relationships.

In the construction industry, an integrated project team approach is commonly employed, which brings together multiple, integrated supply chains into one supply team that is then integrated with the client project team. This structure supports the management of the complex SCs often employed in major construction projects.

Related link

Achieving Excellence in Construction – [AE5: The integrated project team: teamworking and partnering](#)

The good principles of integrated project teams, as established in Achieving Excellence in Construction for example, are also applicable outside the construction sector, especially in large-scale procurements with complex supply chains (refer to page 29 for more details).

In some cases, the contracting authority may feel that it is in a position to actively manage the entire SC, contracting directly with all parties involved and co-ordinating their activities where necessary. This approach, highlighted in Figure 3, can provide a much greater degree of control over the parties involved in contract delivery but has strong demands for the skills and resources within the authority.

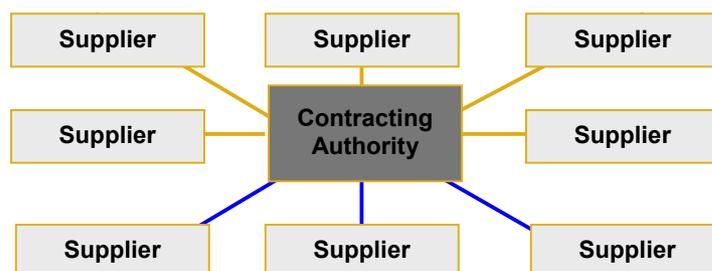


Figure 3: Supply chain managed by contracting authority

In other cases, the contracting authority may choose to contract directly with a key supplier who will manage subcontractors, but also intervene at a particular point in their SC where it can achieve a specific benefit e.g. in leveraging buyer power to achieve a better deal on an input. However, such an approach could have implications on the existing power relationships between suppliers and the power balance in the SC. For example, traditional industry alliances between suppliers may be impacted by the authority's intervention. An example of this approach is highlighted in Figure 4.

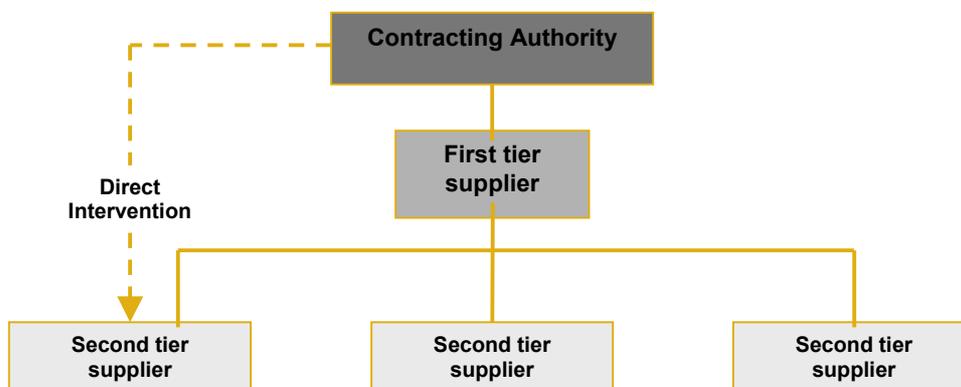


Figure 4: Supply chain intervention by contracting authority

A common arrangement is one in which the responsibility for constitution and management of the SC is awarded to a main supplier(s) who will then manage the other suppliers involved in contract delivery on behalf of the contracting authority. This approach is highlighted in Figure 5.

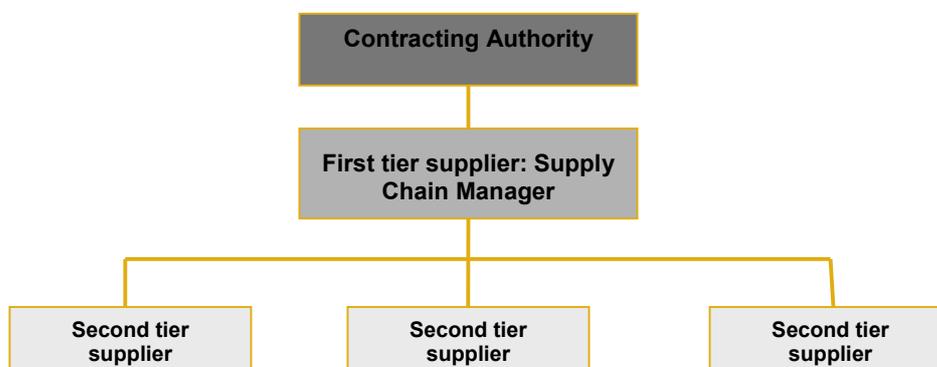


Figure 5: Supply chain management by first tier supplier

The benefit of the approach highlighted in Figure 5 is that it allows the contracting authority to transfer a large degree of responsibility to a main contractor. It provides a clear line of accountability and can often relieve the contracting authority of a potentially complex integration task. This structure is particularly common in prime-type contracting arrangements, in which a single supplier is appointed to manage the SC on behalf of the contracting authority. In addition, a range of other procurement approaches including, for example, PFI or the use of Framework Agreements for goods and services, will often be implemented in a way that provides a sole point of entry to the SC for the contracting authority.

This approach can potentially mean that the authority loses influence and visibility of the activities of those suppliers in the SC with which it does not directly contract. The opportunity for more active management of all suppliers in the SC can become limited and the SCM capabilities of the main contractor(s) will be increasingly important.

1. Outside a procurement

There is considerable scope for encouraging improved competition and performance in public sector supply chains outside an individual procurement cycle, where policy and legal obligations are not as prevalent as inside the cycle.

The 'Within an Individual Procurement Cycle: Supplier & Contract Management' section of the guide ('Influencing the First Tier – Options', page 26) identifies a number of areas in which the first tier supplier(s) could be encouraged or supported in improving the management of their supply chains. Many of these areas can be considered outside an individual procurement cycle, as part of a wider improvement programme e.g. encouraging open, fair and transparent subcontractor selection, developing structured relationship management approaches or developing policies on the use of SMEs, VCOs, BMEs, women-owned businesses and social enterprises.

Improving management of the SC is much more than a technical procurement issue, it is a wider cultural issue related to the manner in which authorities and the supply chain engage. The following section identifies some specific areas in which SCM should be considered outside of an individual procurement cycle.

Self-assessment

As a first step in developing a more sophisticated approach to supply chain management, it is important that a contracting authority understands its own capabilities in managing the supply chain. Whilst individual procurements and decisions on the make-up and management of the supply chain should be treated on a case-by-case basis, the authority must inform these decisions with an understanding of how well it is equipped to increase involvement and interactions with the supply chain, and also how well equipped its suppliers are to manage the supply chain.

The role of an "informed" or "intelligent" customer function within an authority could be particularly important in assessing SCM capabilities. An "intelligent" or "informed" customer function will act as an interface between the customer and suppliers. It will have an in-depth understanding of the authority and its business as well as an understanding of the capabilities of suppliers. This understanding is crucial in assessing an authority's ability to increase its interactions with the SC.

Teamworking and partnering

The public sector delivery landscape is an increasingly complex one, involving a range of different types of organisations and a range of different delivery methods. The role of the SC that underpins public service delivery and the balance between

management of the SC by the public sector client and management of the SC by other organisations will differ according to the delivery methods employed.

One method that has wider implications on the SC is partnering – the delivery of the public sectors' objectives through partner organisations. Partnering is about much more than individual procurement cycles, it is about a collaborative way of working based on teamworking, openness, communication, mutual trust and sharing information.

Partnering necessitates a cultural change in the way that contracting authorities and suppliers engage, and it has clear implications on supply chain management. A closer relationship between the authority and its partners is likely to necessitate a re-definition of relationships in the supply chain. How will the principles of the partnering arrangement be passed down the supply chain? Will the authority become more involved in SCM as part of a more collaborative working arrangement? How will risk be managed in the partnering arrangement and the SC?

Related links

Achieving Excellence in Construction – [AE5: The integrated project team: team working and partnering](#)

Risk Allocation Model – [Part 3: Project strategy](#)

[Effective Partnering – an overview for customers and suppliers](#)

[Managing Risks with Delivery Partners](#)

[Risk Allocation in Long Term Contracts](#)

Two way communications

As a major procurer with significant purchasing power in a number of key market sectors, public sector clients should be leveraging their power to:

- Develop a better understanding of their key suppliers' supply chains.
- Encourage better management of all suppliers.
- Communicate wider public sector expectations around market sustainability, competition and innovation.

Improving ongoing two way communications with industry is an area in which contracting authorities can encourage better SCM. A number of government reports, including the [Kelly report](#) on capacity and competition and the [RIU report](#) on reducing bureaucracy in government procurement, have emphasised the benefits of ongoing communications with the supplier community in terms of

better capacity management and improving the chances of success of procurement projects. Two way communications can also be applied to promote better management of public sector SCs.

Two way communications is concerned not just with how the requirement is conveyed to prospective bidders, but also how engagement and consultation with suppliers can be built into the formulation of clear and realistic procurement specifications and outcomes. Involving suppliers, and potentially building strategic relationships with “communities” of suppliers (as done by the Highways Agency, for example) allows continual assessment of supply capacity, checking of technical and operational viability, generation of new (and often innovative) ideas, and also helps to build trust between parties.

Some examples of good early and ongoing supplier engagement practices are:

- Building a defined supplier management function within the contracting authority. This function needs a clear brief to identify key suppliers and supply chains and to begin to understand the operation and management of their businesses.
- [Concept Viability](#) is an approach used in the IT sector (and run by Intellect, the trade body for that sector) which consults with technically relevant suppliers on the technical and business case viability of new concepts before they enter the Invitation to Tender phase. This approach gives an opportunity to develop specifications which are realisable.
- Building supplier communities or supply chains which meet frequently (in controlled environments) to discuss and comment on authority procurements, policies and management, and gives an opportunity for contract managers to understand issues facing suppliers. These communities can be chaired by lead suppliers.
- “Selling to” events can be held to familiarise suppliers with the types of opportunities available, how to bid for them, and how such contracts are managed (including quality of supply).
- Meet the Buyer events are held by contracting authorities via Business Links and Chambers of Commerce to allow prospective suppliers to meet with procurers. For example, the Strategic Rail Authority holds regular “supplier surgeries.”
- Websites are an excellent opportunity to advertise opportunities, but also to seek input and views from prospective suppliers. Thought must be given to the design of websites in order to create an effective communications channel.
- Promoting the use of the Senior Responsible Industry Executive (SRIE) role in projects and programmes. In some examples, main suppliers to the public sector have chosen to implement the SRIE role throughout the SC.

Related link

Successful Delivery Toolkit provides guidance on the role of the Senior Responsible Industry Executive:

[Senior Responsible Industry Executive role](#)

Contracting authorities as a “Bridge”

Contracting authorities themselves can act as a “bridge” between the first tier supplier(s) and the supply chain to improve visibility of subcontracting opportunities for potential new suppliers and to open new communications channels in the SC:

- Listing details of contracts and main contractors on their own websites. This is good practice identified by the [BRTF](#) and there is strong potential for development in this area. OGC’s 2004 SCM survey identified that:
 - Only 25% of central civil government procurers surveyed provide main contractor details on their websites.
 - 32% provide details of awarded contracts.
 - 43% provide details of upcoming contracts.

The IDeA 2004 survey of progress on milestones for the National Procurement Strategy for Local Government identified that only 22% of responding local councils publish bidding opportunities on their website.

Some good examples of websites that contain contracts information include:

- [Leeds City Council](#)
 - [Oxfordshire County Council](#)
 - [Highways Agency](#)
 - [HM Revenue and Customs](#)
- Acting as a “dating agency” – an organisation that assists in bringing together the first tier supplier(s) and potential subcontractors. [Trade Local](#) (a partnership between Haringey Council, Enfield Council, Middlesex University and Fit to Supply with match-funding from the European Regional Development Fund) hosted a networking event to bring together large

construction contractors and smaller suppliers to explore local subcontracting opportunities.

- Establishing a communications channel e.g. contact telephone number, through which any subcontractors can report issues and concerns regarding main suppliers. In an OGC survey of CCG procurers, only 29% of respondents had such a mechanism in place

2. In a procurement

This section of the guide focuses specifically on the steps that a contracting authority can take, within the procurement cycle, to improve understanding of its own SCs and establish the right environment for good SCM.

It also highlights the policy and legal considerations that can impact on a contracting authority's ability to explicitly use supply chain management based criteria in supplier selection and award processes.

Establish & develop business need

The procurement cycle starts with the identification of the business need. This need will be identified as part of the business strategy. The authority should give due consideration to the business strategy that drives the procurement: is there a single objective that can be clearly defined, or are there more complex objectives? For example, the business strategy that underpins a major IT outsourcing contract could be driven by any combination of cost reduction, service improvement, access to scarce skills, or a need for innovation.

It is at this point in the procurement cycle that the authority should be starting to consider the role SCM will play in the procurement process. If the business need is complex, and the contract likely to be strategic in nature, then it is more likely that the resulting SC will also be complex. Understanding the potential SC enables the contracting authority to decide how important it will be for the first tier supplier(s) to demonstrate SCM competence. Understanding of the SC could be developed through:

Organisational knowledge acquired from previous procurements with similar requirements.

Benchmarking approaches to SCM across different contracting authorities with similar requirements.

Early supplier involvement in shaping the solution to the business need.

A better understanding of how the requirement might be satisfied in turn determines how much emphasis should be placed on influencing the first tier

supplier(s) to improve their SCM performance. It should assist in determining whether the first tier supplier(s) needs to display:

SC Awareness - Managing the SC is unlikely to be a major factor in successful contract delivery e.g. cleaning contractor, legal services provider.

SC Competence - Managing the SC is important for the first tier supplier(s) to deliver successfully e.g. IT hardware distributor, catering services provider.

SC Expertise - Managing the SC in an integrated manner is critical for successful contract delivery e.g. business process outsourcing, major construction project.

Procurement strategy

At this phase of the procurement cycle, the specific and detailed approach to the procurement process needs to be developed – the **procurement strategy**.

There are a number of options at this stage in terms of whether the work should be delivered by a number of first tier suppliers contracted directly with the authority, by a consortium, or by a single contractor who engages other organisations as subcontractors (e.g. prime-type contracting), or a combination of all of these approaches.

There has been increased focus on the use of prime-type contracting arrangements in many contracting situations. This is not only the case in industries where SCs have traditionally been employed e.g. in the construction industry, but also where historically there may have been multiple suppliers contracting directly with the authority e.g. employing a single print management company, or a single agency for providing temporary labour in place of multiple contractors.

Whilst a number of other procurement routes exist (e.g. [Achieving Excellence in Construction](#) identifies PFI, Prime Contracting and Design & Build as the three preferred procurement routes for central government's construction contracts, less so for local government's construction contracts), each of which have particular advantages and drawbacks according to the nature of the requirement, using a single, main contractor to manage a large proportion of contract delivery can offer many advantages.

There are often compelling reasons for following the prime-type contracting route, such as simplifying and taking cost out of the SC, or developing closer SC integration. But there can also be wider implications, such as reducing competition, eliminating opportunities for diverse organisations such as SMEs, VCOs, BMEs, women-owned businesses and social enterprises, or adding another layer of cost mark-up to the procurement.

Related links

Achieving Excellence in Construction – [AE6: Procurement and contract strategies](#)

Risk Allocation Model – [Part 3: Project strategy](#) and [Module 3: Contracting Strategy](#)

A well-structured prime-type contracting arrangement will allow an authority to mitigate the potential drawbacks risks that can be associated with prime-type contracting and to benefit from the particular advantages it can offer. Figure 6 highlights some of the key advantages and drawbacks that should be taken into consideration in evaluating the prime-type contracting option.

Potential advantages of using prime-type approach	Potential drawbacks of using prime-type approach
<ul style="list-style-type: none"> ■ Simple contracting process ■ Clear line of accountability ■ Point of focus for contract management ■ Consistency of service ■ Removal of complex integration task ■ Effective risk management ■ Transfer of responsibility ■ New funding possibilities (e.g. PFI contracts) ■ Co-ordinated management of supply base 	<ul style="list-style-type: none"> ■ Supplier power concentrated ■ Additional layer of mark-up introduced ■ Less authority-supply chain contact - authority can lose ability to intervene if problems arise ■ Reduced ability to set pre-qualification standards for all suppliers ■ Reduced commitment from suppliers to authority - no direct contractual relationship ■ Potential for reduced scope for innovation

Figure 6: Potential advantages and drawbacks of using prime-type contracting approach.

Related link

More information on the relative benefits of single Vs multiple contractor approach in IT contracting is provided in Decision Map for Project Strategy and Procurement - [Module 3: Contracting Strategy](#).

Successful Delivery Toolkit provides guidance on the range of options for procurements – [Requirements Definition and Procurement Strategy](#)

It is important that contracting authorities consider all options when developing procurement strategies and choosing a procurement route to deliver maximum value for money. This was a key recommendation of the [BRTF](#) in its analysis of prime-type contracting and is clearly best practice – ‘Where public sector procurers opt for prime contractors, they should ensure that their business case for doing so in those particular markets brings value for money.’

There are other SCM factors that need to be considered in establishing a procurement strategy. In order to achieve the optimum allocation of risk, the authority needs to consider the extent to which it can transfer risk to the SC. This will be determined by the nature of the risks associated with the requirement and also the risk management capabilities and skills the authority possesses. These factors should be taken into account in developing a procurement strategy.

Options for managing risk further down the SC also need to be taken into account at this stage. For example, if supplier power lies at second or third tier level, a single, main contractor may not be able to accept real accountability or risk. In such cases, it may, for example, be better for the authority to consider contracting directly with the more powerful players in the SC. For instance, in a major software implementation project it may be appropriate for the contracting authority to appoint a service company as the systems integrator, but also contract directly with the software firm. This may reduce risk and achieve better value for money.

Related link

Successful Delivery Toolkit provides best practice guidance on risk allocation including risk categorisation and key considerations at each stage in a contract:
[Risk allocation in long-term contracts](#)

Intellectual property rights (IPR) or allocation of profit margin throughout the chain can be other sources of tension. Understanding how the SC functions in terms of such issues can give the authority a much higher probability of being able to structure the contractual relationships appropriately and set the right commercial environment for good SCM.

Influencing the first tier - principles

It is necessary to understand how important it is for the first tier supplier(s) to have strong SC competence themselves for a particular contract. This will largely define how much work the contracting authority should put in to influencing the supplier to improve SC performance. In many cases, a first tier supplier needs to be highly skilled in this area to deliver value for money for the contracting authority. It is also increasingly important that suppliers understand not just “buying cheaper”, but also are aware of the wider public policy considerations in procurement such as:

- Encouraging innovation in the supply base.
- The need for openness and transparency in the entire procurement process.
- Appropriate use of SMEs, VCOs, BMEs, women-owned businesses and social enterprises.
- Fair and prompt payments down the SC.

But it would be inappropriate and counter-productive to try and influence suppliers where SCM competence is not key to the contract.

Generally, the more **complex** the SC, the more important it will be to influence the first tier supplier(s) in their management of the SC. SCs are more complex when a large number of diverse organisations make an important contribution to final contract delivery. It is also more likely that a **strategic** contract will deserve more input and effort from the authority, where strategic contracts are defined as those that have a significant impact on an organisation's ability to achieve its key goals, both internally and externally.

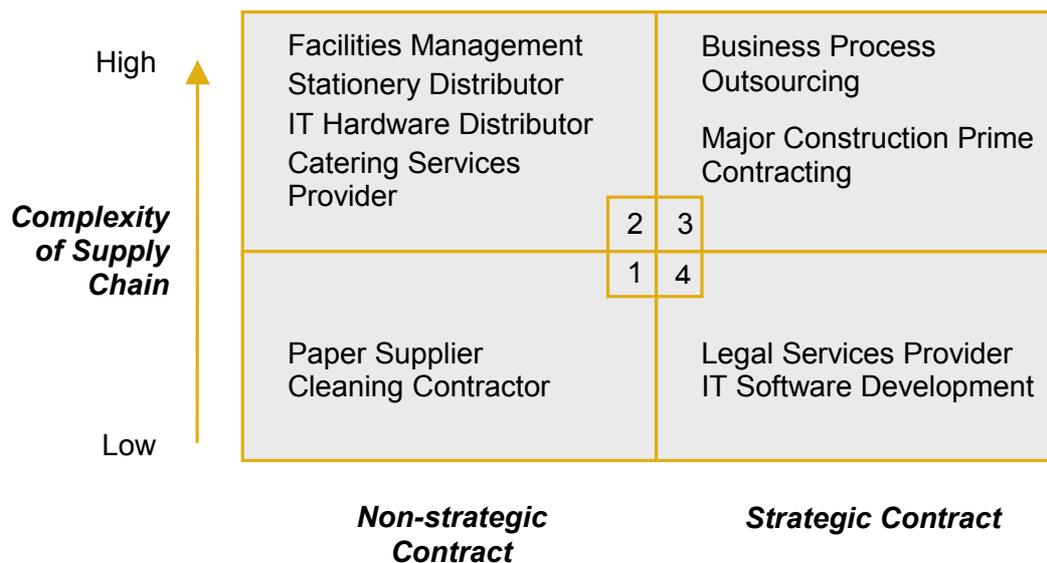


Figure 7: Supply chain matrix

Figure 7 provides a simple analysis of the mapping between the strategic or non-strategic nature of a contract and SC complexity. The contracting authority may well wish to understand **and** influence the first tier supplier(s) for requirements that fall into box 3.

But there are also tactical purchases that have complex SCs, and those in box 2 probably require at least a good understanding. It may not be appropriate to try and influence the first tier supplier(s) – but an understanding will assist in achievement of value for money and management of risk. For instance, awareness of how a facilities management company engages subcontractors could help identify risks, such as over-dependency on an individual subcontractor, or identify opportunities to take cost out of the overall process.

The approach to the first tier supplier(s) can then also be considered using the three level classification set out earlier in the 'Establish & Develop Business Need' stage of the procurement cycle:

1. **SC awareness** – contracts that would be principally located in box 1 (e.g. paper supplier, cleaning contractor) and box 4 (e.g. legal services provider) of Figure 7.

Unlikely to justify specific focus in the supplier selection process.

Does not justify significant effort post-contract in developing supplier competence.

2. **SC competence** – contracts that would be principally located in box 2 (e.g. facilities management, IT hardware distributor, catering services provider) and box 4 (e.g. IT software development) of Figure 7.

Procurer may consider some focus – e.g. specific questions in the supplier selection process.

Justifies some post-contract award effort and ongoing supplier management to drive good SC performance by the first tier supplier(s).

3. **SC expertise** – contracts that would be principally located in box 3 of Figure 7 (e.g. business process outsourcing, major construction prime contracting).

Procurer should include strong focus in the supplier selection process.

Significant post-contract award effort and ongoing supplier management recommended to drive good SCM performance.

This type of analysis will help to determine whether SCM is a major consideration in the procurement strategy. This will in turn influence how much prevalence is given to these issues in the next stage of the cycle: 'Supplier Selection & Contract Award.'

Supplier selection & contract award

Having established a thorough understanding of needs, and the type and depth of SC competence that a contracting authority requires from its supplier(s), the evaluation process should establish which supplier(s) best meet the needs.

The Procurement Policy and Legal Environment

Public sector contracts should be awarded in line with the UK Government's value for money policy as established in [Government Accounting Chapter 22](#). In addition, complex requirements, which will include complex supply chains in delivery, will often have a projected contract value that will exceed the thresholds for goods, works or services as defined in the EU procurement rules.

In this context, it is vital that the selection and award process at all stages is legal and fair – it must be **demonstrably relevant** to the work that will be delivered. The procurement will be open to challenge under EU rules if evaluation criteria are used that are not directly relevant to the requirement, or that are unfair to any potential group of suppliers.

The selection and award process must relate to the requirements of the contract, and the complexity of the whole process should be related to the overall size and complexity of the contract.

Questions around SCM should therefore only be used if the requirement can be clearly shown to require strong capability in that area, or if the requirement indicates that the contract must be delivered through a supply chain. It is therefore essential to highlight in material provided to suppliers **why** SC competence is important. Throughout any selection and award process, a supplier should be able to study the evaluation documents and see clearly which factors are the most important in the authority's evaluation process and how these relate to the overall strategic aims.

In addition, questions must be phrased so that they do not discriminate against suppliers who may have different approaches to their SC. It cannot be assumed, for example, that a first tier supplier is "better" because they have many small subcontractors compared to a firm that is vertically integrated and carries out more of the work itself.

As well as the tender documents, other evaluation techniques such as taking up references, site visits, and supplier presentations can be very useful and can be used to explore some of the key SC issues that have been identified in the procurement strategy.

NOTE: The inclusion of social and environmental considerations in public sector procurement and the implications for SCM is a very complex topic that will not be explicitly covered in this section of the guide. A range of guidance exists already within this topic area that can be accessed through the [Procurement Policy](#) section of the OGC website.

Supplier evaluation

Related link

Achieving Excellence in Construction – [AE6: Procurement and contract strategies](#) (p15) provides guidance on defining specific selection and award criteria for construction procurements

1. Selection stage

At the initial selection stage, which may take the form of a pre-qualification questionnaire (PQQ), questions should focus on technical capability, financial and capacity issues. Selection focuses on assessing which suppliers are capable of carrying out the contract in technical, financial and capacity terms, rather than who is best equipped to do so. Performance-related questions will often focus on track record (as per current EU rules, over the last 3 years for goods and services, 5 for works contracts) – to enable the supplier to demonstrate that they have successfully delivered in similar circumstances.

It is acceptable at this stage to ask whether the supplier plans to use subcontractors. If the answer to this is “yes”, then questions can also cover the technical skills, track record and capability of subcontractors – if they can be identified as specific organisations at this stage. But care must be taken not to discriminate against organisations not planning to use subcontractors.

Related links

Successful Delivery Toolkit provides general guidance on supplier assessment at selection stage, including supply chain issues. It also includes a wide range of specific, supply chain management questions for supplier assessment:

[Supplier Assessment at Selection Stage](#)

As part of contract preparation that occurs after supplier selection, SCM issues may need to be taken into account. The contract terms and conditions should clearly reflect the requirements that are to be delivered and the contract should

explain what the contracting authority requires the supplier(s) to do in terms of SCM. Contractual clauses may, for example, state directly how a first tier supplier should contract with and manage their subcontractors.

SCM considerations may not only be part of the formal terms and conditions - they may also be incorporated into service level agreements. The first tier supplier(s) needs to be incentivised to behave in the appropriate manner in terms of SCM, which may mean that contractual risk/reward mechanisms will be needed. For example, SC requirements could be built into a Balanced Business Scorecard, and some contractual gain (or loss) linked to Scorecard performance. KPIs linked specifically to supply chain management could be incorporated.

Within contract preparation, the authority may also need to consider how risk will be allocated through the SC, who is accountable and will manage it, and how this will be incorporated in the contract. Considerations such as the extent to which risk can, in reality, be passed on to the main supplier (s) may be important. For example, it is possible to stipulate that the contractor releases all appropriate and relevant information on contract termination. The contractor may carry this risk through the SC and contract with their suppliers on an equivalent basis. But if a subcontractor refuses to co-operate and release key information on termination, it is the contracting authority that will carry the risk.

2. Award stage

At the award stage, the contract will be awarded to the tenderer whose offer is the most economically advantageous to the contracting authority.

The information that the authority requests from tenderers at this stage **must** relate directly to the requirement and **must not** discriminate against a certain type of supplier. Again, assumptions that a certain way of delivering the contract is better should be avoided; a supplier must be able to choose for instance whether they do the work themselves, subcontract to one large partner, or engage a complex SC of SMEs for example.

However, it is legitimate to request information that tests the tenderer's ability to offer value for money, including how they will manage their SC. For example, in a major IT outsourcing contract, technical innovation could be identified as a key component of the requirement and specification. In this instance, the authority can ask the supplier to demonstrate how they will achieve technical innovation in service delivery. If service delivery includes a supply chain then the authority can ask the supplier to demonstrate how they will manage the SC to support this.

Related links

Successful Delivery Toolkit provides general guidance on supplier assessment at award stage, including supply chain issues. It also includes a wide range of specific, supply chain management questions for supplier assessment:

[Supplier Assessment at Award Stage](#)

Supplier & contract management

Once a supplier or suppliers are chosen and a public announcement has been made, the tender process is completed. At this point, there is considerable scope to work with suppliers to develop SC capabilities. Effective contract management is critical in ensuring that the framework established in the procurement process for good SCM is implemented over the duration of the contract.

There is also a range of activities that the authority could undertake, as part of the general supplier and contract management relationship, to encourage the first tier supplier(s) to improve their own SC performance, through voluntary agreements for example.

The extent of SCM activities that the authority considers appropriate at the post-contract award stage will depend on the SC capabilities required of the first tier supplier(s). Where the supplier requires only **SC awareness** then the authority is likely to take a relatively **inactive** approach. There will be little planned input to the first tier supplier's engagement with their own SC other than basic monitoring and encouragement, and also ensuring that the supplier is behaving in an appropriate and legal way.

Where the supplier requires **SC competence** then the authority is likely to need a **monitoring** approach. This means ensuring that the first tier supplier(s) have appropriate SCM processes and competence in place through performance measurement, monitoring and the use of KPIs, but with limited direct intervention by the procurer.

Where the supplier requires **SC expertise** then a degree of **intervention** by the authority is likely to be necessary to increase its visibility of the critical components of contract delivery. This would include the authority seeking more active involvement in the supplier's SCM processes. This approach requires strong client skills, experience and resources to be effective. It is particularly relevant for the most strategically important contracts where such intervention can add real value.

In addition, there will be some variation in the types of skills required from suppliers depending on the specific nature of the contract. So within the **SC expertise** category, the most important factor may be a supplier's ability to manage complex, operational inter-dependencies, while another contract may need a strong focus on delivering innovation in the SC through the use of SMEs and specialist providers.

Influencing the first tier - options

There is a range of options available to the contracting authority in encouraging or supporting the first tier supplier(s) in developing their SCs:

- Identifying potential new entrants into their SCs, including encouragement for organisations such as SMEs, VCOs, BMEs, women-owned businesses and social enterprises. Tools might include:
 - Publishing details of subcontracting opportunities on corporate websites, such as a “selling to” guide or displaying contract details. Only 7% of key supplier to government questioned in the OGC 2004 SCM survey publish details of opportunities on their corporate website or elsewhere.
 - Monitoring of supply base data to identify areas of opportunity (e.g. under-represented sectors).

- Ensuring that their approved supplier list, if they maintain one, is managed in an equitable manner and refreshed on an appropriately regular basis.
- Ensuring that their own procurement process with regard to selection of suppliers is open, fair and transparent (from initial advertising through to selection and contracting).
- Ensuring that, where appropriate, they have policies covering wider public policy considerations such as SMEs, corporate social responsibility, local sustainability or environmental procurement.
- Ensuring that, where appropriate, best practice and shared standards are driven throughout the entire SC. Standards in SCs are very important as they can:
 - Encourage development of a common understanding across the entire supply chain.

Provide assurances on quality management e.g. [ISO 9000](#).

- Establish expectations as to how suppliers should behave e.g. [IT Supplier Code of Good Practice](#)

Related links

[British Standards Institution](#)
[United Kingdom Accreditation Service](#)
[Successful Delivery Toolkit – Organisational Standards and Certification](#)

- Establishing standards may be particularly important when dealing with international SCs, where main contractors and subcontractors may operate in different countries with different national industry standards.
- Ensuring that payments are made promptly throughout the SC in accordance with contract terms and conditions, another key piece of best practice identified by the [BRTF](#). Payment issues down the SC can often present significant challenges in good SC performance and problems have been especially prevalent in the construction industry. The Fair Payment Task Group was established by the Chief Secretary of the Treasury to review payment practices in construction SCs.
- Developing structured relationship management processes with their own SC - such as schedules of meetings, escalation processes, or account plans – to develop and sustain strong relationships with suppliers.
- Developing measurement processes with their entire SC, such as a “Balanced Business Scorecard” approach to supplier performance.
- Developing, where appropriate, a “partnering” approach between the first tier supplier(s) and its key suppliers and subcontractors.

- Encouraging processes to capture and release innovation in their SC or deal with IPR issues – these may range from informal workshop sessions with suppliers to very detailed research and development programmes across the SC.
- Encouraging their own SC to become more efficient and improve quality and service, perhaps through quality or continuous improvement programmes or supplier audits for example.
- Adopting a more structured approach to risk management through the SC – e.g. assessing continuity of supply issues, mitigation strategies, shared risk methodologies.

Ministerial recommendations

This guide has been produced in response to two recommendations from two ministerial-level reports into commercial activities in the government marketplace:

Recommendation 9 of the '[Government: Supporter and Customer?](#)' report, produced by the BRTF and SBC in May 2003. The report analysed the barriers SMEs in competing for public sector contracts and made a number of recommendations that were accepted by Government. Recommendation 9 identifies good practice that can be employed to decrease the barriers to entry for SMEs in accessing opportunities within the SCs of suppliers to the public sector:

Where public sector procurers opt for prime contractors, they should ensure that their business case for doing so in those particular markets brings value for money. Public sector procurers should ask prime contractors during the procurement process to demonstrate their track record in achieving value for money through effective use of their supply chain – including use of small and medium-sized enterprises. This should also be examined as part of the on-going contract management. Public sector procurers should ensure that prime contractors pay subcontractors on time and that when paying progress payments to prime contractors the payments flow down through the supply chain. In order to make subcontracting opportunities more transparent to small and medium-sized enterprises, Government Departments and local authorities should list details of prime contractors and contracts on their websites.

BRTF Recommendation 9

The recommendation was implemented on a regional basis as part of a pilot project conducted in partnership between OGC and the SBS in the West Midlands. The pilot was completed in June 2004 and a [formal evaluation](#) was undertaken. The findings and lessons learned were incorporated into the research that supported the development of this guide.

Recommendation 10 of the 'Kelly Report' on 'Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place.'

The OGC should research the wider applicability of Achieving Excellence principles on the make-up and management of the supply chain and draw on this and other experience to articulate and embed best practice guidance in supply chain management.

Kelly Recommendation 10

Development approach

OGC initiated a project to develop the two recommendations from the Kelly and BRTF reports. The project researched SCM in both the public and private sector through a combination of:

- Desk-based research
- Workshop
- One-to-one meetings with procurers from central government and the wider public sector
- One-to-one meetings with key suppliers to the public sector
- Survey of SCM attitudes and activities amongst central government procurers and key suppliers to the public sector

The outputs from these research channels have formed the evidence base for this guide. The results from the survey of government procurers and key suppliers were produced towards the end of the research and were used to validate the concepts and ideas that had been developed. The survey results largely supported and reinforced existing research.

Achieving excellence in construction principles

The survey sought in part to evaluate the wider applicability of OGC's Achieving Excellence in Construction guidance. 79% of procurers and 91% of key suppliers with awareness of the principles of Achieving Excellence in Construction considered that the guidance has wider applicability outside the construction sector. The high-level principles of Achieving Excellence in Construction that relate to management of the supply chain are illustrated in Figure 8.

<p style="text-align: center;">Management</p> <p>Commitment and Leadership Empowerment and Skilling Consistent and Skilled Project Management</p>	<p style="text-align: center;">Measurement</p> <p>Advance Planning of Success Measurement Standard Key Performance Indicators (KPIs) Post Project Reviews Benchmarking</p>
<p style="text-align: center;">Standardisation</p> <p>Standard Practice on:</p> <ul style="list-style-type: none"> ■ Procurement based on value for money ■ Risk management ■ Output and performance specifications ■ Whole life costings ■ Robust change control <p>Information Technology and Standard Document Handling</p>	<p style="text-align: center;">Integration</p> <p>Team Working and Partnering</p>

Figure 8: Achieving Excellence in Construction SCM principles

These high-level principles should be considered as having wider applicability outside of the construction sector, particularly where requirements are complex and there will need to be strong involvement of the SC throughout the project.

The following stakeholders have been involved in the consultation of this guide and we would like to thank them for their contributions:

4Ps	HM Treasury
Avail Consulting	HO Criminal Justice IT
British Telecom	IBM
Capgemini	Jobcentre Plus
Carillion	Local Government Task Force
Centre For Construction Innovation North West	Mantix
Confederation of British Industry	NHS Purchasing and Supply Agency
Construction Products Association	OGCbuying.solutions
Dell	OGC: Procurement Policy Property & Construction Best Practice Contract Innovation Supplier Relations
Department for Education and Skills	Partnerships For Schools
Department for Work and Pensions	Procurement Excellence
Department of Finance and Personnel for Northern Ireland	Professional Contractors Group
Department of Health	Quest4 Consulting Ltd
Department of Trade and Industry	South West of England Regional Development Agency
Euro Environmental Containers	Taylor Woodrow
Fujitsu	University of Salford
The Hemingway Corporation	Wates
Highways Agency	

SCM is a huge subject area encompassing a diverse range of issues. A range of these issues are dealt with from a public sector perspective in more depth in the following materials:

Guidance	Background	Sector focus	Produced by
Achieving Excellence in Construction	Initiative for improving government's performance as a client in construction projects	Construction	OGC
Aggregation	Discusses the advantages and disadvantages of aggregation and the key issues involved in the decision-making process about whether to aggregate	Generic	OGC
Capturing Innovation	Guidance on encouraging innovation and practical advice about how to deal with innovative proposals and propositions	Generic	OGC/DTI
Concept Viability	Brochure detailing the Intellect service which provides a framework for enabling public sector organisations to use industry as a "sounding board."	IT	Intellect
Risk Allocation Model	Best Practice guidance which helps customers determine which procurement approach best suits their particular needs for procurement projects	Parts 1-3: generic Part 4 onwards: IT-specific	OGC
Effective Partnering – an overview for customers and providers	Summarises the key issues around considering, planning and creating a partnering relationship with a service provider	IT	OGC

Government Code of Good Practice For Customers and Suppliers	Code of conduct for all members of the supply chain in government procurement projects	Generic	OGC
Government response to Government: Supporter and Customer?	Response to BRTF report which highlights how the Government will implement its recommendations	Generic	Cross-government
Government: Supporter and Customer?	Better Regulation Task Force report on barriers to entry to the government marketplace for SMEs	Generic	Better Regulation Task Force
IDeA Knowledge	Portal for local government providing in-depth content on improvement issues, examples of good practice from councils across England and Wales and information on the IDeA's range of tools and services.	Generic	IDeA
Increasing Competition and Improving Long-Term Capacity Planning in the Government Market Place	'Kelly Report' into improving public sector market stimulation and management	Generic	OGC
IT Supplier Code of Good Practice	Establishes a clear set of standards that public sector clients can expect from their IT suppliers	IT	Intellect
'Making a Difference' - Reducing Bureaucracy in Central Civil Government Procurement	The report seeks to identify the causes of inefficiency in public sector procurement and the actions that need to be taken to remove or reduce them.	Generic	Cabinet Office/OGC

Management of Risk – Principles and Concepts (The Orange Book)	Document providing broad based general guidance on the principles of good risk management	Generic	HM Treasury
Managing Risks With Delivery Partners	Guidance for government departments on managing risk in engagements with partner organisations	Generic	HM Treasury/ OGC
National Procurement Strategy For Local Government	The National Procurement Strategy sets out how councils can improve the delivery and cost effectiveness of high quality services through more effective, prudent and innovative procurement practices.	Generic	ODPM/LGA
Rethinking Construction in Local Government	Guidance for local government on the implementation of the principles of the Rethinking Construction initiative. Recently updated to reflect publication of the National Procurement Strategy and the Efficiency Review.	Construction	LGTF
Risk Allocation in Long-term Contracts	Best practice guide on risk allocation and management in long-term service contracts	Generic	OGC
Small Business Concordat: Good Practice Guide	This guidance provides examples of good practice and explains how Local Authorities can deliver their procurement strategies in accordance with the principles of the Small Business Concordat.	Generic	ODPM/LGA/ SBS

Smaller supplier...better value	Raising awareness of the value for money SMEs can bring to government contracts, the difficulties they can face and how procurement professionals can help	Generic	OGC
Social enterprise: a strategy for success	Launched in July 2002, the document set out a programme for the following three years of how the Government will work with key partners to promote and sustain social enterprise activity.	Generic	SBS
Strategic Forum For Construction Integration Toolkit	Best practice toolkit for clients, advisers and supply chain partners that was developed in response to the Accelerating Change initiative	Construction	SFC
Successful Delivery Toolkit	Portal for access to a wide range of proven good practice for procurement, programmes, projects, risk and service management	Generic	OGC
West Midlands Pilot Project Evaluation (Management Summary ; Full Report)	Evaluation of the West Midlands Pilot Project which undertook regional implementation of recommendations from the BRTF report: Government: Supporter and Customer?	Pilot project focused on 6 sectors: <ul style="list-style-type: none"> ■ IT ■ Telecoms ■ Professional Services ■ Support Services ■ Construction ■ Transport 	OGC

Taking Stock: The National Procurement Strategy for Local Government One Year	This report sets out progress to date on the National Procurement Strategy for Local Government, identifies issues that need to be addressed and provides recommendations for action so that authorities are able to firmly focus delivery on the strategy's milestones.	Generic	IDeA
Think Smart...Think Voluntary Sector	Good practice guidance on the procurement of services from the Voluntary and Community sector	Generic	OGC/Home Office

BME – black and minority-owned enterprise.

BRTF – Better Regulation Task Force.

CCG – Central civil government.

DTI – Department of Trade and Industry.

IDeA – Improvement and Development Agency.

IPR – Intellectual property rights.

IT – Information technology

KPI – Key performance indicator.

LGA – Local Government Association.

LGTF – Local Government Task Force.

OGC – Office of Government Commerce.

ODPM – Office of the Deputy Prime Minister.

PAC – Public Accounts Committee.

Prime-type contracting – A model whereby a single contractor acts as the key point of responsibility to a public sector client for the integration and management of the supply chain involved in the delivery of a project. This is a broad definition that encompasses a range of different types of arrangements, and should be distinguished from the construction industry term ‘prime contracting’, which has a specific definition.

RIU - Regulatory Impact Unit.

SBC – Small Business Council.

SBS – Small Business Service.

SFC – Strategic Forum for Construction.

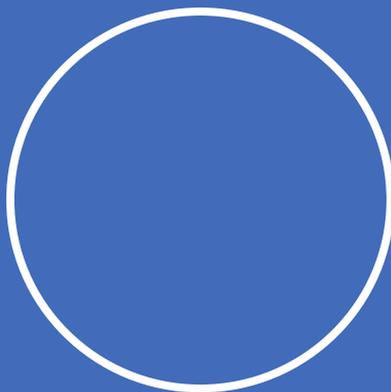
SME – Small and medium sized enterprise. Defined by the Department for Trade and Industry as having no more than 249 employees.

Social enterprise - A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Supplier – The definition of supplier in this guide encompasses suppliers, contractors and service providers as defined in the UK Procurement Regulations.

Tier – A level in a supply chain. A main contractor to a contracting authority would be at *first tier* level and a subcontractor to the main contractor would be described as being at *second tier* level in the supply chain.

VCO – Voluntary and community organisation. Guidance on the benefits they can offer and their role in public sector procurement is available in the OGC/Home Office publication [Think Smart...Think Voluntary Sector](#).



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