



# Making the Most of Supplier Accreditation

Towards a Pan London Strategy

**Author: Hannah Bishop,  
RSe Consulting**

**Date: October 2005**

**Version: 2.1 Final**

# **MAKING THE MOST OF SUPPLIER ACCREDITATION**

---

**© LONDON REGIONAL CENTRE OF EXCELLENCE 2005**

**THIS DOCUMENT MUST NOT BE REPRODUCED IN ANY FORMAT WITHOUT THE WRITTEN PERMISSION OF THE  
LONDON REGIONAL CENTRE OF EXCELLENCE**

## CONTENTS

---

1.	Introduction	4
2.	Why have a Supplier Accreditation Strategy?	5
3.	Current Status Of Accreditation	6
4.	Towards More Strategic Accreditation	9
5.	Next Steps	14
6.	Useful Sources of Information	15
	Appendix A – List of Contributors	16
	Appendix B – PQQ Criteria	17

## 1. INTRODUCTION

---

Following on from the review of the Avalon Supplier Accreditation system (developed by the London Borough of Hammersmith and Fulham), the London Centre for Excellence (LCE) has produced this strategy to help Boroughs focus and improve the accreditation process for procurement.

The audience for this report is chief officers of any department in a local authority; especially those responsible for delivering efficiency gains.

The methodology was short and focused; it involved:

- Researching the current supplier accreditation process, including a brief overview of existing pre-qualification questionnaires and the Avalon supplier list
- Conducting interviews with half a dozen key stakeholders, including SOPO (Society of Procurement Officers), the FSB (Federation of Small Businesses) and LFEPA (London Fire & Emergency Planning Authority)
- Researching work already done in this area, such as the OGC work on a generic pre-qualification questionnaire
- Collating the results into this report

## 2. WHY HAVE A SUPPLIER ACCREDITATION STRATEGY?

London local authorities procure a diverse range of products and services, with an average London Borough spending around £250 million each year on externally sourced goods and services, and all London authorities (including LFEPA) spending £8 billion p.a. in total. About 1,000 suppliers account for 60% of London's influenceable third party expenditure. Many of these are used by a majority of Boroughs and are often not only high value but also high risk vendors. This is one of the reasons why the LCE has produced an on-line Contracts Register Service. As an aside, it is also a further reason to support information sharing, particularly as many accreditation agencies require payment for inclusion.

This strategy assesses where the accreditation process can be changed to deliver a better use of time and resources. In particular it looks at the impact that accreditation might have on:

- **Cost** – Are local authorities getting the best price based on the full life-cycle of the product / service (not necessarily the cheapest up front)
- **Quality** – Are the products / services fit for purpose?
- **Capacity** – Are there enough suppliers in the market to deliver, and to create a good competitive market? Can our chosen supplier cope with demand?
- **Diversity** – Is the right mix of SMEs/BMEs and large companies being used?
- **Market Dynamics** – Is this an appropriate form of contracting – does it avoid adversely affecting the market, such as by creating a monopoly situation?
- **Innovation** – Does the process encourage innovative solutions?

### How do we define supplier accreditation?

This report uses a broad definition, namely all the procedures which take place before a supplier is invited to tender to supply good or services to the procurer; this covers:

- Approved lists, shared, commercial and council-specific lists
- The pre-qualification questionnaire (PQQ) process

Aside from the general need to review all elements of procurement there are a number of emerging trends which may have an impact on the accreditation process and so make now a particularly good time to test it:

- New technology, such as the potential to store approved lists of suppliers online and developments in areas such as e-auctions
- The natural risk-aversion of some procurement officers and their legal advisors, which may prevent iterative improvements
- Partnership working in the public sector is expected to increase, so there will be more pressure to have a standard and consistent accreditation process for partners working together

## 3. CURRENT STATUS OF ACCREDITATION

---

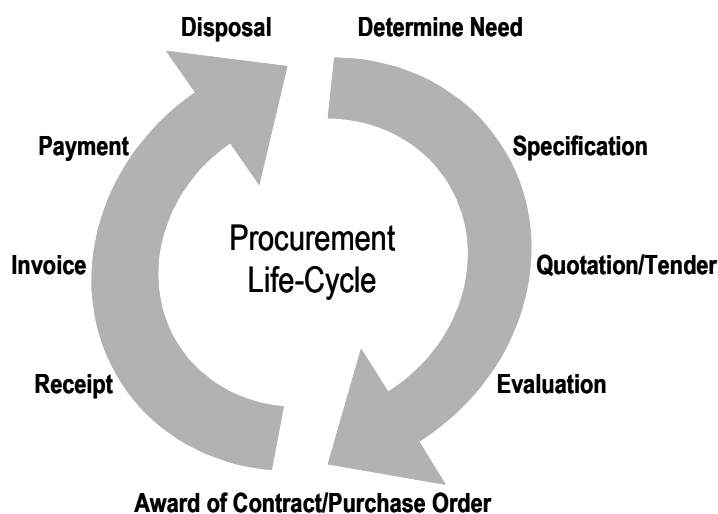
### SUMMARY

There is currently no obvious need for any major new initiatives to improve the accreditation process although there are a number of small changes that could bring about marginal improvements

- Local authorities do not feel that the accreditation process has a large impact on procurement as a whole
- There is also no evidence that suppliers see accreditation as a major blocker to effective procurement<sup>1</sup> – although such evidence would probably be hard to come by
- The major potential initiative – namely of sharing accreditation to save local authorities and suppliers from going through the accreditation process for every new contract is worthy of further investigation
- Procurers are generally more concerned with other areas of the procurement process (see diagram below), such as contract negotiations or attracting the right suppliers in the first place

### THE PROCUREMENT PROCESS

The process can be represented in a diagram as follows



---

<sup>1</sup> This conclusion should be treated with some caution as it is based on anecdotal evidence rather than any primary research; it is possible that suppliers might be reluctant to say publicly that they do not like the current process

# MAKING THE MOST OF SUPPLIER ACCREDITATION

## WHAT LOCAL AUTHORITIES SAY

- In a recent survey<sup>2</sup> of those involved in procurement, only 11% of respondents felt that simplification of the Pre Qualification Questionnaire (PQQ) would encourage supplier diversity
- An accredited list was felt to be a good way of encouraging more supplier diversity, with 49% of those surveyed supporting the approved list option – in addition, the standardisation of the process which this route would bring is attractive to both suppliers and local authorities
- Interviews with those involved in local authority procurement suggest

the PQQ process is not costly or time-consuming, and even if an approved list of suppliers was in place, one procurer thought they would still check each individual PQQ from the list

- Authorities feel they get good, robust suppliers using the current process and that the tender process picks up any risks that PQQ doesn't; i.e. the process is proportionate
- Procurers do not feel that it is ruining the marketplace; we did not come across any issues of insufficient capacity, and lack of diversity and innovation were not mentioned

### Accreditation is not a significant cost for one London Borough<sup>3</sup>

For contracts worth more than £75k, or where there is a significant risk involved (e.g. in the procurement of social care), the standing orders at the council specify that a PQQ process should take place.

- There are around 10 of these PQQs annually
- Processing and evaluating the completed PQQs received takes about ½ day for standard projects, and 1 day for more popular bids
- This is equivalent to 6 days of FTE time per annum, or approximately £1,000
- PQQs are generally emailed or posted out to potential suppliers, but the cost of this is not significant

## WHAT SUPPLIERS SAY

- After recent workshops run by Trade Local for Haringey based suppliers, 82% of potential SME suppliers felt their understanding of the public procurement process had improved. Learning about how a PQQ is used was mentioned as helpful by a number of suppliers, though none felt the PQQ process should be changed
- The Federation of Small Businesses (FSB) do mention the PQQ process as one of the barriers to trading with the public sector, however, this is more around the hurdles within the PQQ being set too high, rather than the PQQ process itself
- There is very little evidence from SMEs or other businesses that the PQQ process is arduous, though this evidence would be difficult to collect. There is anecdotal evidence that SMEs / BMEs often fill out PQQs incorrectly, and do not seem to understand where they fit in with the procurement process

<sup>2</sup> Trade Local e-survey of people involved in procurement in Haringey, February 2005

<sup>3</sup> This data is based on a single interview rather than detailed research

## MAKING THE MOST OF SUPPLIER ACCREDITATION

---

- It has not been possible to calculate the costs to a supplier of the PQQ process

### CURRENT INITIATIVES TO CENTRALISE ACCREDITATION

There are a number of initiatives already underway around the issue of the PQQ process within accreditation, most of which are looking to develop a standard PQQ

- OGC – As part of the Better Regulation Task Force (BRTF) the OGC working on a template standard PQQ for the whole public sector to use
- SOPO – A standardised PQQ which suppliers only fill out once is the aim of the SOPO work. The SOPO website would be used to store PQQs and note different levels of accreditation
- Trade Local – This ERDF (European Regional Development Fund) project with LB Haringey, L B of Enfield and Middlesex University, evaluated many parts of the procurement process, particularly from the point of view of SMEs
- Pan London Social Care project – This has resulted in a pan-London contract on children's services, including all boroughs except Wandsworth and City of London. Part of setting up this contract involved looking closely at the procurement process
- The National Procurement Strategy does not mention accreditation specifically, but it does mention that: "Councils should.... Redesign process to minimise the number of steps, cycle time and costs"
- There are also a number of providers of accreditation services which are providing services to try and increase participation of SME / BME suppliers

## 4. TOWARDS MORE STRATEGIC ACCREDITATION

---

Although there is no case for large scale new initiatives, it is still possible for Boroughs to improve accreditation by applying the existing processes more strategically. This will involve acknowledging that different types of purchase carry different levels of risk to an authority and therefore require different levels of supplier accreditation.

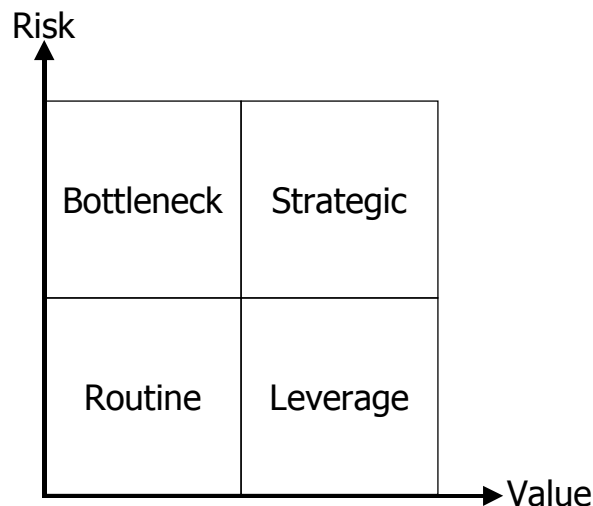
### GENERIC ACCREDITATION

There are 10 standard categories of accreditation, listed in appendix B<sup>4</sup>. This section examines whether they all need to be applied with the same force to:

- the four generic types of procurement as defined in the risk-value matrix below
- the top nine procurement categories by value for London Authorities

### Risk/Value Matrix

The risk value matrix provides a mechanism for discriminating between the various categories of goods and services that are purchased and for developing a specific sourcing strategy to meet the needs of the organisation with respect to each category.



Categories of spend are plotted on a two dimensional chart in which the x-axis represents the relative cost of the category and the y-axis represents supply exposure or vulnerability. Positioning against the y-axis is determined by an organisation's situation and needs and is usually based on supply availability, business impact and how general the specification is.

---

<sup>4</sup> This is based on the Avalon list which was developed by three London Boroughs; Hammersmith & Fulham, Ealing and Hounslow

# MAKING THE MOST OF SUPPLIER ACCREDITATION

---

## Risk

This is all types of risk, not just financial. Under this category we could consider

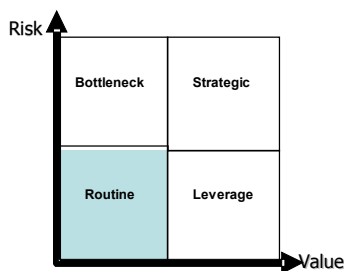
- Likelihood of finding an alternative supplier capable of “filling the gap” should the contracted vendor fail
- Potential for a monopoly or oligopoly to be created or the market distorted
- Impact on the ability of the Council to carry out its statutory duties should the provider fail or withdraw from the contract

In these cases, it is important to consider the effect of this happening on the local authority, rather than simply the likelihood of the risk occurring. The office furniture supplier may go bankrupt and be unable to deliver orders, but the effect of this will be minor, as there are many other suppliers who can step in and fill these and future orders. The specialist supplier with few, if any competitors, will need careful management and encouragement to ensure that the advantage is not exploited to the detriment of the council concerned.

## Value

This axis does not cover the unit cost of procuring items, or the total cost of a large contract. It is about the relative value to the Council as a commodity or service area. So, commodities / services (e.g. janitorial equipment, catering and furniture) would be of low value even when aggregated whereas other (e.g. ICT, vehicles and outsourcing deals) would be further along the axis. The volume and number of transactions does make a difference but it is best to place categories on the matrix using ‘gut feel’ rather than specific monetary value thresholds.

## ROUTINE



This quadrant includes contracts / purchases for items such as stationery, courier services, general maintenance supplies, reprographics, and cleaning materials. Authorities usually spend around 70% of their processing costs (e.g. handling invoices) on these, but they account for just 7% of total spend.

The strategy for this quadrant is to let contracts for three to five years and automate as much as possible. It is unlikely there will be major financial savings, as this accounts for such a low proportion of third party expenditure. The pre-qualification process for this area should take into account the fact this is a low risk quadrant, as there are many alternative suppliers.

A PQQ process should look at

## MAKING THE MOST OF SUPPLIER ACCREDITATION

---

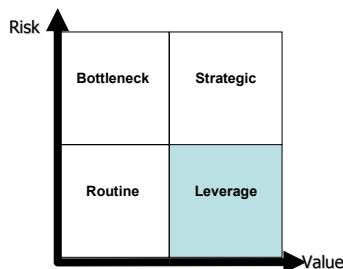
- References
- Willingness to use p-cards, e-invoices, and support automated web-selling (see Low Value Strategy)
- Limited accounts
- Willingness to comply with council policy, rather than their companies supplying their own policies (e.g. for environment)
- Companies such as stationary firms could fill out the PQQ once and the authority could carry on using it (saving suppliers time, though not the authority)

The PQQ should not look at

- Full financial accounts
- Detailed corporate social responsibility policies (e.g. for environment)

Future steps for this quadrant should be towards more simplified and automated processes, to minimise administration time. In this quadrant there is significant supplier overlap, and some rationalisation may save money and processing time. In addition, there may be contracts already in place through existing consortia and central government agencies, which could be used.

### LEVERAGE



This quadrant includes contracts for products/services with a low risk but high value, such as IT, vehicles, advertising and temporary staff. This quadrant accounts for 22% of council spend, and 12% of processing time.

The strategy for this quadrant is taking advantage of market conditions to make significant savings through shorter term contracts and using new technology such as e-Auctions. The contracts are high value, so contract and relationship management are important. Accreditation is of limited value as approved lists as supplier conditions tend to change rapidly, and there is a likelihood of significant spot-contacts.

The PQQ for this quadrant should look at all areas, but especially

- Policies showing that companies have good corporate social responsibility. The companies in this area are generally large, and should therefore have policies in place. However, it would be far better to ask them to comply with council policies if they have turnover under a certain amount (say £10M per annum)

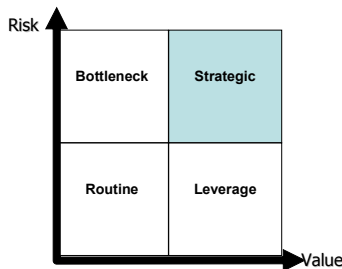
## MAKING THE MOST OF SUPPLIER ACCREDITATION

---

- Technical References, though not extensive references, many companies in this area are large and trade on brand reputation

There are no areas which are exempt for a PQQ in this contract. The size of the companies bidding for work in this area, and the value of the work, means that complying with a qualification procedure should not create any problems.

### STRATEGIC



This quadrant is the very large deals such as outsourcing, care provision, housing provision, waste management and capital works sit. About 46% of council spend is in this quadrant though only 8% of processing time.

The strategy for this quadrant is in using information and knowledge to the best advantage, sharing information and knowledge and using commercial negotiation and contract management skills to drive continuous improvement. This is because deals tend to be long term, owing to the need to attract suppliers and allow them to pursue a reasonable return on investment

PQQs for these contracts should be detailed and thorough, including

- Policies showing that companies have good corporate social responsibility
- Financial Probity – the full 3 years should be requested
- Extensive Technical References
- Full and detailed health & safety and other documentation

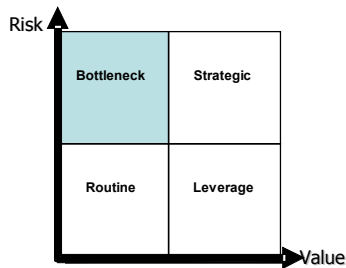
There is still some scope for focusing on the relevant bits of the PQQ when evaluating a company, based on what goods and services they intend to provide. The sharing of information with other local authorities should also be maximised.

The main aim of suppliers is always to move a contract up both the value and risk axes. The usual effect of this is that the risk is increased as a single supplier takes on greater responsibility for delivering a wider range of products and services. This can mean that SMEs miss out on business they would previously have been able to bid for, as product / service categories are combined into larger deals.

# MAKING THE MOST OF SUPPLIER ACCREDITATION

---

## BOTTLENECK



This quadrant of suppliers could benefit most from a change in the accreditation process. Areas where capacity is sometimes a challenge, such as specialist care provision, interpreters, specialist components/services fit into this sector, which has 24% of the total spend, and 10% of the processing.

The main strategy for this quadrant is for suppliers to be persuaded to enter the market. To assist with this, local authorities need to make themselves attractive to suppliers, possibly by working with suppliers towards accreditation, or assistance with forms and the procurement process. Deregulation, simplifying the procurement process and working with suppliers to develop new product or service lines, or greater capacity, is also an option for this quadrant.

For the PQQ

- Good references are absolutely essential, particularly for the delivery of care services
- The local authority should consider taking the weight of the work e.g.
  - Asking for compliance with existing policies rather than writing your own
  - local authorities following up named referees, rather than requesting detailed references

The PQQ should not require

- Detailed corporate social responsibility policies (e.g. for environment)
- Answers to long and over-complex essay style questions. This will save supplier time and potentially time evaluating for procurers

This is the area where there is the least information, as the suppliers are probably out there but are currently not bidding for local authority work – possibly they are currently supplying the private sector or regard public sector business as an unnecessary overhead. In future, the lessening of regulation might lead to the creation of small businesses, if the demand from the public sector is there.

### 5. NEXT STEPS

---

Based on these findings there are a number of actions that could be taken to improve the accreditation process for both suppliers and procurers:

#### LONDON RCE

- Encouraging the development of a pan London strategic supplier information resource which would allow Boroughs to share information on key areas of market intelligence. This should be limited to the top 1,000 suppliers by total expenditure. This should involve negotiation strategies with other public sector bodies, such as OGC, and issuing briefings to Boroughs on new developments which could effect supplier performance or allow rebates / credits to be negotiated. This is something which makes sense both for suppliers and procurers and so it would be useful to ensure that the current initiatives deliver in the right way for both parties
- Encourage local authorities to share information on accredited suppliers for low value/low risk products and services. This would help reduce the problem where both suppliers and councils are often paying more than once for the same accreditation process

#### LOCAL AUTHORITIES

- Begin to categories different types of supplier using the matrix; this will be useful not just with accreditation but with wider procurement strategies
- Apply accreditation more strategically using the risk-value matrix analysis
  - For example local authorities should consider removing some categories from the PQQ for certain types of procurement e.g. requiring 1 year of financial data rather than 3 years for those suppliers in the 'bottleneck' quadrant of the matrix
- Share knowledge about suppliers and have a willingness to collaborate with other authorities. Locally this may include information about SMEs, though regionally it is more likely to be larger suppliers, including multinationals. This is especially important considering the overlap of 1,000 suppliers taking 60% of the spend by London authorities – equivalent to £4.8 billion p.a.
- Make the accreditation process easier for suppliers; this could include:
  - following the Trade Local example and providing guidance and workshops on the procurement process
  - proactively inviting under-represented supplier groups to tender for work
  - pre-filling policies for certain contracts or suppliers e.g. companies with fewer than 5 employees would have to comply with the authority's environmental policy, rather than having to write and produce their own. Contracts in the 'routine' quadrant of the risk-value matrix could also have 'pre-filled' policies

### 6. USEFUL SOURCES OF INFORMATION

---

The following websites and documents provide useful additional information on this subject.

- **Final Evaluation Report for Trade Local and Haringey SME Procurement Pilot (now Buying a Better London)**  
Document available on the Haringey website at  
[http://www.haringey.gov.uk/business/sellingtothecouncil/business\\_tradelocal.htm](http://www.haringey.gov.uk/business/sellingtothecouncil/business_tradelocal.htm)
- **Delivering the Procurement Agenda - Towards Savings & Efficiency Gains**  
Presentation by Ken Cole 20<sup>th</sup> October 2004. Document available from the London RCE
- **Avalon PQQ**  
Document available via the Avalon approved list application form

### APPENDIX A – LIST OF CONTRIBUTORS

---

Name	Organisation
Ken Cole	London Regional Centre of Excellence
John Scowen	SOPO (Society of Procurement Officers) - LB Havering
Mark Atkinson	LFEPA (London Fire & Emergency Planning Authority)
Liz Holford	LB Haringey
Penny Marshall	ALG (Association of London Government)
Steve Cook	LB Camden

## APPENDIX B – PQQ CRITERIA

---

<b>Assessment Criteria for the Avalon list</b>
Financial Standing
Health & Safety
Technical Reference
Insurance
Equal Opportunities
Certificates / Regulatory Bodies
Data Protection Act
Workforce Monitoring
Technical Details
Environmental Policy

Prepared by:



**RSe Consulting**  
**Little Tufton House**  
**3 Dean Trench Street**  
**London SW1P 3HB**

[www.rseconsulting.co.uk](http://www.rseconsulting.co.uk)

[hannah.bishop@rseconsulting.co.uk](mailto:hannah.bishop@rseconsulting.co.uk)