



Department of Health

Department of Health: Small and Medium-sized Enterprise (SME) Action Plan

Purpose

This action plan outlines how the Department of Health will contribute to the Government's SME agenda; its aspiration that at least 25% of central government procurement spend goes to SMEs, both directly and through the supply chain, by 2015.

This action plan has been approved by:

- Dr Daniel Poulter, Parliamentary Under Secretary of State and Ministerial SME Champion
- Peter Coates, Commercial Director
- Neil Griffiths, Deputy Director for Procurement Services and SME Champion
- John Warrington, Deputy Director, NHS Procurement Policy & Research

The plan will be reviewed and updated on a regular basis to ensure progress is recorded and any additional steps to support SMEs are identified.

Our SME Target

The Department of Health has agreed its own target in contributing to the Government's aspiration. This target is that at least **18%** of the Department's and its arm's length bodies' (ALBs) spend shall be awarded to SMEs by 2015. In 2011/12, the Department of Health, including ALBs, spent £1,061 million¹ with third party suppliers, of which 9% was with SMEs.

¹ Based on each organisation's procure to pay systems

As a minimum, we are aiming to double our spend with SMEs over the next two years.

Financial Year	SME Target
2011/12	9%
2012/13	14%
2013/14	16%
2014/15	18%

Because of health policy, i.e. the independence of NHS trusts, we are unable to set a target for the wider NHS spend which is estimated to be around £21 billion, but we have set in train a series of initiatives that are designed to increase SME participation and support economic growth.

We have set out how the Department plans to achieve its own targets and support the wider NHS to play its part below.

SME Progress

The Department of Health is fully committed to supporting SMEs and to contributing to the Government's target, and since 2010, we have implemented a number of changes and initiatives designed to increase SME participation and support economic growth.

For the Department's own expenditure (£1,061 million), we have already increased the amount spent directly with SMEs to just over 13.6% of total spending as of March 2013. We will continue to take action to increase this figure over the next 18 months and also understand in greater detail the level of spend that we have with SMEs in the supply chain.

We have no way of measuring SME participation in the wider NHS, but we do know the two major organisations who support NHS trusts with their procurement, NHS Supply Chain and the Government Procurement Service, who between them cover some £4 billion of NHS expenditure, have increased spend with SMEs. 22.7% of GPS spend is with SMEs (2012/13) and 27.2% of NHS Supply Chain spend is with SMEs.

In terms of process improvements, the Department is:

- Advertising all procurement opportunities and pipelines of future DH activity on Contracts Finder and flagging where they are suitable for SMEs
- Advertising all supplier engagement workshops on Contracts Finder and encouraging consortia bids where appropriate
- Undertaking one-to-one discussions with prospective suppliers to the Department and following up enquiries received through our dedicated SME e-mail enquiry mailbox: SMEEnquiries@dh.gsi.gov.uk
- Establishing a group of SME champions to work with us across large parts of our ALB community.
- Built into our procurement documentation that consideration to reducing lot size is undertaken for all procurements.
- Including in our standard terms and conditions of contract, a clause stipulating payment to subcontractors is made within 30 days of receipt of payment from us, and a clause stipulating payment to SME subcontractors within 10 days of receipt of a valid invoice.
- Publishing and sharing our SME good news stories from across the DH Family
- Ensuring supplier engagement is undertaken as early as possible in the procurement process, enabling the market to inform and help shape the development of our requirements.
- Encouraging SME participation directly or by providing them with the time to consider forming consortia
- Specifying requirements in outcome/output based terms, in order to illicit suppliers' best solutions and to encourage innovation.
- Adopting the OJEU open procedure as the default procurement procedure and undertaken an internal review on procurement activity to ensure that consideration of SMEs is taking place.
- Complementing the Cabinet Office indirect data collection by issuing a request for further indirect data from remaining DH/ALB suppliers and to evidence prompt payment to smaller suppliers.

For the wider NHS we have:

- Initially encouraged the NHS to play its part by recommending trusts stop using PQQs for contracts under £100,000, use Contracts Finder to advertise contracts, and acknowledge and abide by Government's 'procurement pledge', through publication of *Raising Our Game* in May 2012.

- Encouraged NHS Supply Chain to also abide by these principles, and we know that the average duration of tenders from publication to OJEU award is now standing at 103 days, well within the 120-day target.
- Encouraged NHS trusts to publish details of all expenditures over £25,000 on their websites, and we know all trusts are now complying with this request
- Successfully followed up and resolved some 60 Mystery Shopper cases, encouraging trusts to change their practices as a result

Ultimately, we are very aware of the important role the NHS can play in economic growth, particularly in stimulating life sciences industrial sector, which is critical to Government's plans for growth. To support this agenda we have already:

- Published *Innovation Health & Wealth* to set out our strategy for both speeding up and spreading the adoption of innovative ideas and technologies across the health service. At the core of this strategy is the creation of 15 Academic Health Science Networks (AHSNs) across the country to provide the focus for innovation. AHSNs were established in April 2013 and will provide the key point of contact with industry in both stimulating and adopting innovative technologies and services. All prospective AHSNs have now published their first business plans, which include plans for engagement with industry. For example, the South West Peninsula AHSN has stated that it will: create a single point of access for industry partners, facilitate knowledge exchange with industry, stimulate innovation and enable successful commercialisation, increase economic productivity and create jobs, and sell to international markets, all initiatives that have the potential to make a significant contribution to economic growth.
- Published details of some £9.1 billion of future life sciences expenditure (medical technologies and pharmaceuticals) on the Contracts Finder website, as part of the Government's initiative to produce 'pipelines' of future government spending in key categories to stimulate early dialogue with industry.
- Published a 'capability assessment' for renal care as a pilot for exploring ways in which we can better articulate future demand for health services, and create open dialogue with industry in meeting our expectations – exploring opportunities for UK growth along the way.
- Invested £20 million in SBRI schemes to stimulate industry to innovate to meet known NHS challenges, with a promise to double this investment next year.
- Created a 'supplier board' for NHS Supply Chain to discuss supplier relationships at a strategic level and develop metrics for measuring SME performance

- Created an ‘innovation scorecard’ in NHS Supply Chain to support the NHS in adopting new and innovative technologies. There have been some 303 submissions from suppliers, with 28 resulting in product launches so far. NHSSC is also measuring uptake against these products.

Having said all of this we know we need to do more, so below we set out the actions we intend to take to build on what we have already achieved.

Future actions

For the Department’s own spend the table below sets out the actions we intend to take to deliver the target of 18% SME participation

Theme	Actions	Target Date	Objective/Outcome
Indirect Spend Data Reporting	Continue to complement the Cabinet Office indirect data collection by issuing quarterly requests for further indirect data from remaining DH/ALB suppliers, Monitor all new contracts to ensure suppliers provide indirect SME spend and payment information as part of standard management information reporting.	October – March 2014	To obtain further spend data from existing and new DH/ALB suppliers to identify any further SME spend within the supply chains of key contracts.
Engagement with SMEs	Roll out a series of product surgeries inviting SMEs to present products and services to DH representatives.	On-going	To create opportunities for smaller organisations to present to decision makers.

Pipeline	<p>Publish a DH pipelines of spend that will be implemented before March 2015. c</p> <p>Work with ALBs to publish their pipelines of spend</p> <p>Specifically identify procurements with SME potential for the DH and its ALBs.</p>	March 2015	To increase the number of opportunities available for SMEs to participate.
SBRI	Explore opportunities for Small Business Research Initiative within DH and ALBs	March 2015	To increase opportunities for SMEs to obtain development contracts with DH.
Early Engagement	Participate in an early engagement workshop with members from the SME panel to look at ways DH/ALBs can improve its engagement with the market. Communicate any recommendations to the ALBs and implement any appropriate changes into our processes.	February 2014	To improve the way in which we engage with the market including smaller organisations
Procurement Routes	Promote the use of G-Cloud across the DH for relevant ICT opportunities and proactively identify specific opportunities.	As required	To increase the number of opportunities available for SMEs to participate.
Monitoring of Progress	Undertake an assessment of progress using the SME friendly criteria tool developed by the SME panel.	January – March 2014	To appraise the work already undertaken and uncover further opportunities to increase SME spend.
Communications	<p>Develop on-going communications in DH and ALBs informing on the SME agenda incorporating any developments coming from Cabinet Office.</p> <p>Investigate better ways to use social media to promote DH requirements and set up networks</p>	As required	To maintain the high profile of the agenda within DH to ensure SMEs are considered at every opportunity.

	<p>with trade associations, Federation of Small Business and other supplier groups to maximise the potential of early supplier engagement.</p> <p>Seek the views of DH colleagues on how barriers to SMEs can be removed and spend with SMEs increased.</p>		
Contract Management	<p>Ensure the suppliers for the DHs Facilities Management and ICT services develop a SME plan setting out how they will support SME opportunities within their contracts.</p> <p>Invite key suppliers to sign the DH Procurement Pledge; to pledge their support to DH's commitment to contribute to the 25% aspiration and set out their plans to seek full value and thereby increase spend with SMEs.</p> <p>Discuss supply chain opportunities with suppliers; identify sub-contracting requirements that can be advertised on Contracts Finder.</p> <p>Work with ALBs to request SME plans for their key suppliers.</p>	August 2013 - March 2014	To seek full value and thereby increase spend with SMEs in categories known to have specific subcontracting opportunities.
Procurement	<p>Monitor all new and current procurements including, but not limited to Electronic Staff Records, Nursery Milk, Pharmacovigilance, UK Cochrane Centre (UKCC), Centre for Reviews & Dissemination (CRD) and Clinical Research Network Coordinating Centre (CRNCC) to ensure tender and contract processes are SME</p>	As required	To create consortia, direct and subcontracting SME opportunities

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For the wider NHS, the table below sets out the actions we intend to take to both encourage the NHS to make greater use of SMEs and to ensure NHS spend is used as a driver for economic growth:

Theme	Actions	Target Date	Objective/Outcome
Strategy	<p>Better Procurement, Better Value, Better Care – launched 5 August 2013 is an ambitious NHS Procurement Development Programme to help NHS trusts to meet the financial challenges and make efficiencies now, whilst building a procurement capability that is fit for the future. The Programme comprises four key initiatives:-</p> <ul style="list-style-type: none"> • Delivering immediate efficiencies and productivity gains • Improving data, information and transparency • Improving outcomes at reduced costs through clinical procurement review partnerships • Improving leadership and capability of procurement in the NHS • Plus recommendations on supporting 	March 2016	To ensure NHS plays its part in the SME and growth agenda

	<p style="text-align: center;">growth agenda</p> <p>The economic climate is such that efficiencies are essential, but we want to deliver them in a way that is sensitive to the drivers for economic growth, such as supporting SMEs. This is why at the heart of the strategy is our plan to build a procurement capability across the NHS that understands this. There are 3 ways in which the NHS can support growth:-</p> <ul style="list-style-type: none"> • Ensuring that the way the NHS undertakes its procurement does not preclude SMEs from gaining business (Links with Lord Young consultation on making public sector procurement more accessible to SMEs) • Ensuring the NHS is responsive to innovative solutions and ideas from industry (includes Small Business Research Initiative) • Ensuring the NHS sends strong and early signals to the market about strategic direction and future investments <p>Transparency is key to both making savings and encouraging economic growth, as being open provides opportunities for both the public and industry to challenge.</p>		
Pipeline	Expand and develop the adult social care pipeline in collaboration with Association of Directors of Adult Social Services and local authorities, and the life sciences pipeline to	December 2014	To increase the number of opportunities available for SMEs to participate.

	cover more expenditure		
SBRI	Spend £20m over 2 years to run health related competitions under the SBRI.	By 2015	To increase opportunities for SMEs to obtain development contracts with DH.
Landscape	Continue to develop the AHSNs to become 'engine rooms for growth'	By 2015	To ensure NHS plays its part in the SME and growth agenda
Landscape	Continue to encourage NHS Supply Chain to play a lead role in the SME and growth agendas, and to use the learning to encourage other intermediaries such as collaborative procurement hubs to play their part	By 2015	To ensure NHS plays its part in the SME and growth agenda
Public sector procurement reforms	<p>Working with Cabinet Office leading on behalf of all government departments to implement public sector procurement reforms. This follows in May 2013 the Prime Minister's advisor on enterprise and small business, Lord Young of Graffham, recommended developing a set of "single market" principles to be applied by all public bodies in their procurement.</p> <p>These principles should simplify and standardise the advertising, bidding and payment of public contracts, and should remove the complexity, cost and inconsistency when trying to sell to more than one public sector body. The resultant reforms will apply to the whole of the public sector.</p>	By August 2014	To ensure the NHS plays its part in the SME and growth agenda and supports the reforms