



Department
for Work &
Pensions

SME Action Plan

2017-2022

Revised December 2018

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Section 1 – Executive Summary

Each year, the Government spends around £45 billion¹ on goods and services supplied by non-public sector organisations. In 2010, for the first time, the Government set a target, that by 2015, 25% of government spending would be spent with small and medium-sized enterprises (SMEs) either directly or indirectly through supply chains. In August 2015, this was increased across government to 33% by 2022, with DWP's individual target agreed as 26%. By increasing its spending with SMEs the Government aims to develop a more diverse provider market for government contracts and get best value for the public purse through increased choice and competition. In 2014-15, the Government reported that 27% (£12.1 billion) of government's procurement spending had reached SMEs.

Historically, DWP have gained significant Value for Money (VfM) through economies of scale and incentivised investment of longer term deals with larger suppliers. However, DWP continue to see a significant opportunity to deliver the Government's key objectives through working with SMEs. The DWP Single Departmental Plan confirms the commitment and the Permanent Secretary recently expanded the commitments to encompass DWP's supply chain as well as direct suppliers.

This revised Action Plan sets out DWP's commitment to work effectively with SMEs throughout the commercial lifecycle in order to drive the best outcomes for DWP customers and support the government's growth agenda. The Action Plan focuses on the delivery of 6 key enablers:

1. **Improved data collection**, analysis and insight to inform procurement activity across the commercial lifecycle. For example, DWP will track SME interest, bidding activity and success rates through the departmental eProcurement platform. The department will ensure there is an accurate baseline for both direct and indirect spend.
2. **Increased accountability and engagement** – working across existing networks to identify, share and implement best practice from across Government and internally – including strengthening the role of DWP's Commercial SME champions.
3. **Strengthened governance** – increasing scrutiny and challenge at key stages in the commercial approvals process.
4. **Explore options to enhance direct engagement with SMEs** – one option currently being explored is the design and implementation of an SME portal. Further options include better use of social media and reinstatement of the DWP SME conference.
5. **Increased capability and streamlined process** – building DWP commercial teams' capability and making it easier for SMEs to bid for and deliver against DWP contracts.
6. **Supply Chain Activity** – integrate SME focus into Supplier Relationship Management (SRM) activity by encouraging our prime suppliers to maximise opportunities to sub-contract with SMEs.

What is an SME?

UK Government defines an SME as:

Company category	Staff headcount	Turnover	Gross Assets total
SME	< 250	< £25 million	< £12.5 million

SME expenditure is categorised as either ‘Direct’ or ‘Indirect’. Direct expenditure is where DWP contracts directly with an SME and money is paid directly to them. Indirect expenditure is where DWP contracts with a company, often a large company who then sub-contract themselves with an SME to deliver aspects of the service. Money is paid to a company and this is passed on to an SME, through the supply chain.

Historical SME Expenditure

In 2017/18 DWP was responsible for over £2.7bn of commercial spend with third party suppliers, from a total spend of £6.1bnⁱⁱ as a department. DWP’s latest data shows that in 2017/18 DWP spent almost £300m with SMEs of which £43m was Direct. This represents 10.7% of DWP’s total spend.

The table below sets out DWP’s historical SME expenditure.

DWP Historical SME Expenditure				
	2014-15	2015-16	2016-17	2017-18
DWP Total	16.20%	17.40%	14.4%	10.7%

A number of factors account for a reduction in SME expenditure after 2015-16, in particular:

- Significant suppliers such as Remploy and Redfern Travel have now been reclassified as non-SMEs;
- Historically, Employment Category has been one of DWP’s most successful areas in attracting SME involvement; expenditure in this Category has more than halved since 2014-15.

SME success in 2017-18

There have been a number of successful SME outcomes, described through the high level case studies below.

Case Study 1:

The Employment commercial category designed engagement sessions to actively encourage closer working, resulting in the Work and Health Programme achieving 21% of SME spending including both direct and indirect payments and 51% of social enterprise forecast spending (direct and indirect) through specialist supply chain partners. This shows a positive trend in engagement and performance, providing key lessons on how we can improve across other procurements.

Case Study 2:

A Dynamic Purchasing System (DPS) has been implemented by the Employment category resulting in increased directed spend for locally procured work related services provision to SMEs. To date, 85% of spend has been awarded to SMEs and engagement levels are very high.

Case Study 3:

DWP Estates' new Facilities Management contract has a supplier target of ensuring 20% of contract expenditure is awarded to SMEs whilst other supply chain partners also have appropriate SME expenditure clauses in their contracts. This is a significant increase against previous years overall performance and represents a sizeable expenditure for DWP contracts

Section 2 – SME Action Plan 2017-2022

This section sets out how DWP will continue to work with SMEs across the commercial lifecycle. During 2018-19 activity will be focussed on a number of key enablers and associated improvement actions, with the key objectives of making it as easy as possible for SMEs to work with DWP through simplifying processes, increasing engagement with the SME community and maximising outcomes throughout the supply chain. Our challenge will then be balancing these activities with the imperative of Value for Money.

Specific actions have been detailed in Annex 1 and the supportive narrative below highlights the key enablers that will be delivered through specific change projects followed by specific activity undertaken by commercial teams to maximise outcomes throughout the supply chain.

Summary of key enablers & target milestones – centrally led through specific change projects

- 1. Improved data collection - Target date: End June 2019.**
- 2. Increased accountability and engagement - Target date: End March 2019.**
- 3. Strengthened governance - Target date: End of March 2019.**
- 4. Explore options to enhance direct engagement with SMEs - Target date: End December 2018.**
- 5. Increased capability and streamlined process –Target date: Measurable Progress by End June 2019.**
- 6. Supply Chain Activity - Target date: End March 2019.**

Key enabler 1 – Improved Data

To support improved data collection and reporting the department has made some key changes within the structure of the core reporting system (Bravo) to help improve data capture on SMEs, the outcome of these changes will be:

- Greater assurance regarding the accuracy of direct and indirect spend data.
- Improved data to provide insight early in the commercial lifecycle regarding whether a forthcoming procurement is SME friendly. This will enable early intervention to sign-post procurement leads to the CO SME Friendliness Tool.
- More complete data at the invitation to tender (ITT) stage on whether the responding supplier is an SME.
- Improved data on whether the successful supplier is an SME.

DWP has commenced activity to review its SME spend profile and clarify/improve the accuracy and completeness of its data for direct and indirect spend. This will support performance improvements by capturing good practice, enabling better understanding of current SME expenditure and providing insight on where DWP can maximise its contribution. It will also identify areas to target increased efforts and opportunities to maximise performance and address barriers.

Key enabler 2: Increased accountability and engagement

DWP Commercial Directorate has an accountable, senior SME lead alongside category focussed SME champions who are responsible for enabling delivery of individual category SME action plans, assuring data returns and sharing good practice. Following the renewed commitment of the Permanent Secretary and expansion of DWPs commitment across the supply chain this group is being refreshed by reaffirming accountability and increasing category level ownership for delivery. DWP will engage closely with other Departments across Government to understand what works well elsewhere, and how this can be applied to DWP commercial activity.

Key enabler 3: Strengthened Governance

DWP has recently reengineered its commercial governance to include increased levels of challenge, scrutiny and stakeholder engagement throughout the commercial lifecycle. The move to staged approvals affords the opportunity to influence strategy at an early stage in the process and to ensure that tender documentation is proportionate and SME friendly prior to issue of the invitation to tender (ITT). DWP's aim is to implement greater levels of challenge in the development of the procurement strategy to ensure that SMEs have been given due consideration and where deemed not suitable for SMEs there is a clear and robust rationale.

Key enabler 4: Explore options to enhance direct engagement with SMEs

One option currently being explored is the design and implementation of an SME portal. Further options include better use of social media, reinstatement of the DWP SME conference and establishment of a Supplier awards initiative that recognises the value of SMEs and prime contractors that promote SMEs in their supply chain.

Key enabler 5: Increased capability and simplified process

We will develop mandatory training for all commercial staff to provide the necessary skills that will support them to better identify and maximise opportunities for SMEs in their category planning and sourcing activities. This will include topics such as SME-friendly specification design and lotting strategies that will encourage SMEs whilst maintaining value for money.

DWP recognises that SMEs may find the significant amount of documentation required to tender for public business a barrier. DWP will continue to review – and where possible, reduce – procurement documentation and requirements to ensure they are straightforward, proportionate and more SME-friendly. DWP will also – either through the SME Portal or via other means – seek to enhance SMEs' understanding of tender processes, and how to improve their bidding success.

Key enabler 6: Supply Chain Activity

DWP are currently rolling out a new SRM model. Through the SRM process key suppliers will be encouraged to support the SME agenda, driving better performance against the SME target through maximising opportunity to sub-contract with SMEs.

Summary of specific commercial team activity

This section provides a high level summary, with examples, of the areas of focus for specific commercial teams with regards to the SME agenda throughout 18/19. Detailed actions to support delivery will be built into commercial team category management plans and procurement strategies.

Increasing SME involvement – across all commercial categories DWP utilise pre-procurement market engagement (e.g. supplier boot camps, webinars, Solutions Exchange) to increase market knowledge and accurately inform sourcing strategies. DWP now systematically publish the future procurement pipeline early using Contracts Finder, allowing SMEs the opportunity to plan ahead and target resources.

Expanding use of Dynamic Purchasing Systems and catalogue buying – building on experience gained whilst letting DWP's first Dynamic Purchasing System (DPS) DWP will continue to focus on both DPS and the 'Test and Learn' agenda to deliver SME friendly, tailored and focused interventions that work for their customers. DWP will also seek to engage the SME marketplace through CCS DPS, for example for research contracts and promote greater use of catalogue buying across all commercial activity with a view to reducing the cost of qualification and entry for SMEs.

Disaggregation of large long term contracts – for example the majority of the current End User Computing delivery is by a single legacy contract. Digital Category's future strategy around the exit of this agreement is to consider the SME agenda / strategy and to promote interaction both direct and indirect SMEs. Disaggregation to shorter, lower value contracts should facilitate more opportunities for SME engagement and award using DOS, G-Cloud and CCS Frameworks where possible. DWP also expect the recent disaggregation of the Estates contracts to bear fruit in the form of increased SME involvement.

Completing in depth analysis at category/contract level – completing analysis to clarify and validate the number of contracts where there is potential for significant SME spend (direct or indirect). This insight will enable more informed thinking around the ability to increase spend. Opportunities will be reflected within 100% of sub-category strategies by the end of March 2019.

Section 3 – Approvals and Governance

The strategies underpinning this action plan will be approved by the following:

DWP's Commercial Director and the SME Lead Minister for DWP, Baroness Buscombe.

Formal progress reviews will take place annually with the Minister and quarterly with the DWP Chief Commercial Officer (CCO) and Commercial Senior Leadership Team (CSLT).

Department for Work & Pensions

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Annex 1 – SME Action Plan Template

Enabler	Action	Timescales
Data collection, analysis and insight	Complete analysis to determine and maintain an accurate direct and indirect SME spend baseline.	Dec-18
	Implement a process that requires procurement leads to flag where SME bids have been received and document the reasons for them being unsuccessful.	Dec-18
	Implement an insight capability with a specific remit of undertaking analysis of the commercial pipeline to ensure DWP alert commercial teams to opportunities to target SMEs.	Dec-18
	Establish a process that enables us to routinely complete activity to capture and interpret the number of SMEs who access tender information and subsequently respond.	Mar-19
	Establish a process to enable in-depth analysis at category/contract level to identify where there are opportunities for significant SME spend.	Jun-19
Increased accountability and engagement	Redefine the scope and accountabilities of a refreshed DWP SME champion network.	Dec-18
	Build accountability into personal objectives for commercial senior leaders and SME champion network.	Mar-19
	Consider whether our engagement with existing cross government networks adequately leverages available best practice.	Mar-19
Strengthening Governance	Complete an analysis of the current governance process to establish options for building more robust scrutiny and challenge.	Mar-19
Explore options to enhance direct engagement with SMEs	Review and produce an options paper for discussion and agreement by senior leaders.	Dec-18
Increased capability and streamlined process	Design and deliver a training package to increase capability across commercial teams to identify and maximize opportunities to include SMEs in DWP procurement activity.	Jun-19
	Streamlined tender documentation – including more proportionate Terms and Conditions, making it easier for SMEs to bid for and deliver against DWP contracts.	Jun-19
	Refresh the category strategy template and guidance to ensure opportunities to increase engagement and spend with SMEs is documented and agreed.	Jun-19
Supply Chain Activity	Integrate SME focus into Supplier Relationship Management (SRM) activities – encouraging our prime suppliers to maximise opportunities to sub-contract with SMEs.	Mar-19

ⁱ NAO Report “Government’s spending with small and medium-sized enterprises” – published March 2016

ⁱⁱ DEL spend from DWP Annual Reports & Accounts 2017-18