Background and objectives

The SME agenda is a crucial engine for the Government Growth Agenda and is also a key element of DWP’s Commercial Strategy as we look to create a more competitive and diverse supply chain, encourage innovation and improve value for money.

Government has set an aspiration of 25% of expenditure to flow through SMEs either directly or indirectly through the supply chain.

With a large proportion of DWP’s expenditure being up for re-tender in the next 2-4 years, we have the opportunity to make a real difference and significantly increase our contribution to the Government’s target beyond 2015.

This revised Action Plan sets out DWP’s continuous commitment to support the government target by setting clear directions and ownership across our business and supply chains. It has been developed with consideration of the 7 conditions for success introduced by the Cabinet Office (CO) and sets out the scene for the next 3 financial years.

This Action Plan has been approved by the Commercial Director and the SME Lead Minister for DWP, Mike Penning - Minister for Disabled People. Formal progress reviews will take place bi-annually with the Minister and quarterly with the DWP Commercial Directorate Senior Management Team (CDSMT).

DWP SME aspirational targets

Following a review of the calculation methodology and a thorough analysis of our future commercial pipeline and associated timeline, the following SME targets have been set for the next 3 financial years:

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<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
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<tbody>
<tr>
<td>DWP SME target</td>
<td>16%</td>
<td>18.5%</td>
<td>21%</td>
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Each Commercial Lead has committed to individual SME targets for their respective categories: those are included in individual key work objectives and category strategies.

DWP’s approach to the SME agenda

In 2013/14, DWP’s spend via SMEs is estimated at 15% of its third party expenditure.

With around 78% of its expenditure coming up to a re-tendering stage in the next 4 years, the Department has therefore focussed its SME activities on:

- raising awareness and increasing accountability
- planning and starting its pre-procurement engagement to gather market intelligence and inform future commissioning and sourcing strategies, as well as
informing the specification
- sharing and implementing best practice (e.g. introduction of SME webinars and bootcamps)
- increasing its use of G-Cloud
- streamlining our procurement process by adopting LEAN sourcing principles
- simplified our procurement documentation to make their more SME friendly and proportionate
- increasing robustness of data collection
- increasing prime suppliers' awareness and involvement by encouraging them to open up their supply chain to SME where economically attractive to do so

The DWP’s Commercial Strategy for 2014-17 therefore commits the Department to “create a more competitive, agile, diverse and innovative supply base through changing our contracting approach to offer greater opportunities for the widest market competition, resulting in sustained value for money”.

Moving forward, DWP will continue to focus on future contracting strategies to ensure full consideration is given to SMEs in terms of contract value and changing the way we engage with the market to ensure a greater and earlier level of SME engagement through the business and the supply chain.

The DWP’s approach to the SME agenda will focus on influencing the level of SME expenditure in our biggest procurement categories; these are ICT, Welfare to Work and Estates, which represent around 78% of DWP’s 2013/14 expenditure – with most contracts in those areas coming up for renewal between 2015 and 2018.
Our SME Delivery Plan focuses on 4 main areas:

1) **Governance** – formalise internal governance to promote and deliver the aspirational target. Including:
   - Review the internal governance to increase accountability and monitor progress against targets;
   - Integration of the SME agenda as part of the strategic dialogue with suppliers via the SSRM Operating Model and Crown Representative meetings; and
   - Integration into the early formulation of the requirement by the Business by linking into the Commissioning strategies.

2) **SME data** - Improve accuracy of data collection for direct and indirect spend. Including:
   - Direct spend: use of D&B classification and Bravo e-procurement solution
   - Indirect spend: engage with DWP strategic suppliers to ensure accuracy of data collection; and
   - Use of Sid4Gov to aid data collection, increase size of indirect spend survey and increase accuracy.

3) **Pre-procurement market engagement and sourcing activities** – remove barriers to SMEs. Including:
   - Systematic early publication of the future procurement pipeline;
   - Gathering of market intelligence and identification of SME rich markets;
   - Systematic pre-procurement market engagement (e.g. bootcamps, webinars, Solutions Exchange) to increase market knowledge and inform sourcing strategies;
   - Review of sourcing strategies (including optimum lot size);
   - Review of procurement documents to ensure they are proportionate, aligned with the Lean policy and are SME friendly;
   - Promotion and implementation of SBRI and product surgeries where suitable;
   - Review of procurement Gateway processes to ensure SME considerations are built early in the process;
   - Use of E-procurement solution to integrate prompts on the SME agenda and minimise duplication of effort every time they submit a bid;
   - Introduction of obligations in the contracts to ensure suppliers commit to aspirational targets and open their supply chain;
   - Use of proportionate and shorter Terms and Conditions

4) **Category and Contract management**. Including:
   - Integrating the SME approach as part of the Category strategies
   - Rigorous and systematic supplier management which looks at:
     - Systematic upfront publication of pipeline for future requirements
     - Analysing and understanding the supply chain (i.e. transparency)
     - Identifying opportunities for SMEs in the supply chain
     - Systematic monitoring of SME spend through the supply chain
     - Challenging of data accuracy
     - On-going discussions with the market place to enable benchmarking
activities and identify opportunities

Pipeline of influenceable spend

The DWP pipeline of future commercial opportunities will be published to identify contracts likely to be tendered for. Based on our current analysis, we have identified the contracts where we believe a significant level of spend with SMEs (directly or indirectly) can be influenced and increased. For example:

IT Transformation Programme:
The aspiration for the IT Transformation Programme is to deliver a service tower based model which disaggregates the current services provided by our incumbent suppliers and enables:

– Greater on-going competition for services
– Higher penetration of SME providers; and
– Greater alignment to the needs of the DWP business

The approach for each strand is described below:

Security (£2.225m - June 2014)
The DWP Commercial Strategy for the new Security Contracts is to deliver value for money, an innovative agile approach, with trusted providers to the public sector who offer a flexible adaptive solution to meet DWP needs. The primary source for procuring future IT Security Services will be via the G-Cloud Framework which has a good representation of SME suppliers.

The future Security contracts will look to deliver leading class specialisms for a wide range of Security Services and will rely on suppliers who will deliver superior security services with a wealth of business management consultancy and efficiency skills.

The Security Commercial team will continue to strive to achieve at least 25% of SME’s for its future contracts.

Networks
Networks is being disaggregated into PSN Connectivity (Estimated £65m – Sept 2014), PSN Telephony (Estimated £51m – Dec 2015) and PSN Contact Centre (Estimated £37m - March 2015) re-lets as we are breaking up the monolithic ICONS contract. Whilst the majority of ICONS can be neatly divided, there are other elements that fall outside of these 3 main re-lets; Conferencing (estimated £4m) is the main fallout where the Cloud is the likely destination (Video, Audio and Web) and some other services where we are still considering our options (e.g. SMS texting)

In all network contracts suppliers will be encouraged to open up their supply chain to SMEs wherever practical and economical to do so. DWP will work with suppliers to deliver this through the introduction of obligations within the contracts.

Hosting (Indicative go live dates: February 2015 for Core, IMS and Transition Contracts.
September 2014 for Pre-Transition September

Best practice implemented in the Networks procurement will also be followed. This will include "best endeavours" from suppliers to open up their supply chain to SMEs, consideration of the lotting structure as well as early engagement with the market place through "Supplier days" where we will share ideas with potential suppliers (including SMEs) to inform our specification and our route to market including lot size etc. This approach will support the SME agenda whilst helping the Department to manage the potential risk around disaggregation of IT services.

SIAM
Service Desk - A PIN has been issued and pre-procurement market engagement is being completed. Subject to that, the intent is to issue an OJEU to conduct an open competition. There is opportunity for SME's either through submitting their own bids or through partnering with a larger organisation. Provisional timescales are to issue an OJEU July 2014 with Contract Award/ Signature no later than February 15. Contract value up to £20m

Tooling - The tooling will be procured through a Framework Agreement. The scope of the procurement is for an ITSM Toolset, Hosting for the toolset and Configuration support. There is scope for SME's to partner with ITSM Strategic Toolset providers. The contract award is anticipated to be September 2014. Estimated contract value @ £3m.

Transitional Services - Resources will be sourced through CCS Consultancy1Framework and this will be competed across the list of suppliers currently on the Framework. There is opportunity for SME's to partner with listed suppliers. The Contract Award is anticipated September 2014. Estimated contract value @ £2m.

Welfare to Work:

We are working directly with Welfare to Work suppliers to ensure they promote the use of SME within their supplier chain and that the data gathered on indirect spend is accurate. All prime suppliers in this area have been accredited with the Merlin Standard which supports the SME agenda.

We have undertaken a range of engagement events with sub-contractors and voluntary organisations to gain feedback on opportunities and concerns in working with the Department. This information is currently being pulled together into a wider action plan focused on the SME (and VCO) sector and how we promote opportunities and a development programme to help organisations grow and compete for fully in the market.

We are also working to develop future strategy for Disability Employment Provision (Access to Work, Workchoice and Residential Training Colleges), European Social Fund round 4 and the localisation which will consider the engagement of SMEs.

The future strategy of all employment provision is being developed which covers Employment Related Support Services Framework, Work Programme, JCP Support Contract (JCPSC), Mandatory Work Activity. JCPSC ending December 2014 may link to Freedom and Flexibility Funding and the review of ad-hoc and low value welfare to work
procurements. This will consider the engagement of SMEs.

Estate:

Whilst the Estates/Facilities Management (FM) category represents 21% of DWP expenditure, the vast majority of services are contracted to a single supplier, Telereal Trillium (TT), via the PRIME Contract, until March 2018. TT sub-contracts a significant amount of their services and promotes their support for the SME Agenda through their Sustainable Procurement Policy. They have committed to a target that 25% of departmental expenditure with them will go to SMEs by the end of 16/17. A significant proportion of TT’s SME engagement is through project work with opportunities arising across Britain. They have hosted workshops for SMEs and are exploring the possibility of offering some mentoring to those in the sector to support this agenda.

In terms of planning beyond PRIME, Crown Commercial Service have developed a new FM Contracting Model, which has an objective to support the Government SME Agenda and promote growth in this sector. This includes an FM Marketplace, which aims to lean the procurement process and encourage all the FM industry, including SMEs, to participate. DWP Estates have established a team to consider arrangements for the delivery of such services.

Remaining expenditure:

Whilst the level of expenditure is not as significant for the remaining areas and the influence on the target achievement will therefore be less, policies are in place to ensure the SME agenda is pro-actively promoted in existing and new contracts.

For each requirement going out to tender, we will:

- Ensure that SME pre-market engagement is in place to inform the requirement and the procurement strategy; as well as provide the opportunity to educate SMEs on government procurement processes to avoid failure on “technicalities” or lack of understanding and awareness
- Ensure the procurement strategies effectively consider the SME agenda;
- Systematically consider opportunities to breakdown contracts into modules which are more easily accessible to SMEs.
- Publish opportunities on Contracts Finder and issue PINs where timescales allows us to do so;
- Encourage prime providers to advertise sub-contracting opportunities on Contract Finder and open up their supply chain to SMEs
- Engage with SME representative groups such as “techUK” to gain access to SME suppliers; and
- Include Terms and Conditions which will commit prime providers to the SME target

Despite the challenges set out in Appendix 1, through the implementation of procurement strategies which include best practice, changes in procedures and early systematic market engagement, it is anticipated that DWP will be in a favourable position to significantly increase its expenditure with SMEs beyond 2015.
### Appendix 1 - Challenges

The Department is fully committed to supporting the government aspirational target on SME spend. Given the pipeline timeline as well as the following challenges faced by the Department, the target is extremely challenging:

- The significant contract areas which are likely to be attractive to SMEs are not due to be in place until 2014/2015, therefore leaving the impact on the SME target towards the last reporting year;
- The complexity and size of DWP’s requirements are often incompatible with the SME market and Cabinet Office policy (e.g. use of G-Cloud);
- Procurement centralisation policy around the use of government frameworks may limit DWP’s ability to increase SME spend if SMEs are not present on the Framework;
- Financial policy around growth and supplier dependency may restrict allocation of contracts to SMEs;
- Reduction in procurement headcount may impact on DWP’s ability to effectively manage a wider supply base;
- Size of DWP contracts (even split into lots) may result in SMEs losing their SME status due to their increased turnover and/or potential number of staff required to manage our contracts;
- Increasing the number of SMEs in the supply chain may increase the risk on performance delivery to the Department as well as increase costs, which is in contradiction with VFM policy across government and the Department’s business objectives;
- Ministers’ requirements to go to market often prevent adequate pre-sourcing market engagement due to tight timescales to delivery;
- The Work Programme “payment by result” funding model may limit the ability of SMEs to work as sub-contractors in the supply chain;
- Mergers and acquisition (e.g. W2W market) may distort the figures