

SME Steering Group - South

Meeting 1: 21 May 2013, RSRL Offices, Harwell Site

Present:

SMEs: Chair: Neil Foreman (NF) – Centronic Brian McConnell (BM) – Hydrock Steve Spencer (SS) – Priory Construction Keith Millar (KM) – Baker Dougan	Tier 2s: Mike O’Neill (MO) - Interserve Dave Barker (DB) - Aquila Nuclear Engineering Support Organisations: None
SLCs: Helen Perthen (RSRL)	NDA: Ron Gorham (RG), Sam Dancy (SD)
Apologies: Wes Harford – AM Sensors, John Mason – AN Technology	

Notes:

1 Introductions

- Members to the group were welcomed and introductions were made.
- The Chair welcomed the opportunity to be part of the group and represent the SME community. The question was how to do that in the best way possible for the region.
- It was emphasised that this was an SME committee not an NDA one.

2 NDA Perspective

- RG thanked those attending for volunteering to join the group and give up their time to make a difference.
- Although NDA had initiated the group, the idea was borrowed from Serco. Initially workshops had been held with SLCs, Tier 2s and SMEs and all recognised that the SME community was innovative and provided value, while the SMEs wanted a fair opportunity to compete on a level basis.
- These initial workshops led to the current improvement initiatives:
 - One national NDA Estate supply chain event – now in its third year: 13th November 2013
 - Standardisation of generic pre-qualification across the Estate
 - NDA contract flowdown conditions simplified and threshold raised from £50k to £150k
 - Single portal for opportunities – HMG’s Contracts Finder adopted by NDA and SLCs, and working to encourage Tier 2s to use
 - SME Steering Groups – dominated by and for the benefit of SMEs, responsible for seeking solutions that make business sense to SMEs
 - 5 groups: Wales, Scotland, Cumbria, Northern and Southern England with NDA supporting the groups and being part of them
 - 5 regional chairs (SMEs) support the National group chaired by NDA’s Chief Financial Officer, demonstrating NDA Board’s commitment to the SME agenda, with approaches made for volunteers from HMG, Welsh Assembly and Scottish Parliament.

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- HMG has required all Departments to develop an SME Action Plan and hard target for SME spend. As the NDA is a significant proportion of DECC's budget, NDA has its own Action Plan and agreed target as a subset of DECC's. HMG's target is 25%, while NDA has agreed a realistic target of 20% spend with SMEs (direct – NDA/SLCs and indirect – Tier 2s) as the target covers NDA's spend including PBO competitions, as well as that of its subsidiaries, and the SLCs with their major projects. The current value is circa 11% across the NDA Estate – this is direct spend with SLCs and Tier 2 spend still needs to be mined.
- There was a discussion on Tier 2 spend and the definition of SMEs, as some had larger investors behind them. NDA were using the European definition.
- The plan is about driving value, not driving to the target – it is about changing culture and behaviours and stimulating growth – if the target is met with Tier 2 figures then there will still be a drive to change behaviours and support growth and value. NDA, its subsidiaries and the SLCs all had actions to bring forward contract strategies for supporting SMEs – lotting etc.
- NDA wanted to encourage the group to work across boundaries – the National group will look at common issues raised by the groups while the regional group may identify its own issues it wants to address. The challenge was for individuals to represent their community whether SME, Tier 2 or SLC.
- Last year NDA undertook a Health of the Supply Chain survey with independent consultants. The results are due to be published shortly. The report concludes that there are a lot of good things about working in nuclear decommissioning – longevity of programmes etc, but there are also some real issues about working in the estate, with Tier 2s being identified as a bottleneck of information. Unless NDA and the SLCs do something different then we are not going to have a healthy supply chain. NDA had a good budget settlement last spending round, but needed to deliver – the supply chain are part of that and the SME steering group is part of the desire to make it more effective.
- In April John Clarke, NDA CEO, invited MDs from across the Top Tier 2s to a meeting to raise awareness of the SME Agenda, and its strategic importance. Another meeting is planned in six months.
- HP said that for RSRL she was looking for a vibrant mix across the supply chain that encouraged SMEs to grow.
- There was a discussion on whether it was more important to increase direct spend with SMEs. RG responded that direct spend was valuable, but some projects will be significant and only Tier 2s can undertake them, but below the big projects it is important to understand how much they needed to be done by big companies or how much could be undertaken by SMEs. There was no single solution, but the right companies were needed to undertake work, for example the NDA Estate Shared Services Alliance collaborative procurement programme could be seen as anti SME but SMEs can be engaged with sensible lotting – there are examples in the Government Procurement Service (GPS) where this has been done.

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- Examples were raised of PQQs and tenders where experienced contractors were excluded due to security requirements, but then approached to sub-contract, plus delays in the process – it was a good example of things needing to change.
- The group felt that the challenge was for more direct contracts with SMEs where appropriate and everything else not just soaked up by the larger companies when opportunities came out. RG commented that there was a need for the group to challenge and raise issues, and then move on to how they can be solved. What's different now is that there is a profile on SMEs and a willingness to do things differently – we need to solve problems more quickly.
- There was a discussion that the SMEs did not want to be a 'charity case' and just given more work, as they were good at what they did, and should be able to compete with bigger companies. HP responded that she wanted to give equal opportunities to bigger companies and SMEs with genuinely open competition, and equally did not want to have to positively discriminate to meet the target. From a Tier 2 perspective, they do try to joint venture with SMEs where appropriate. There are instances where SMEs are not interested in participating as they think that work will go local companies eg Sellafield boxes – it was thought work should be open to all, with a separate agenda to address socio-economic issues, otherwise there was a danger of driving a wedge in the supply chain. SMEs had to be on top of their game to be successful.
- RG responded that NDA had worked hard with Ministers to have a UK focus and long term vision for skills capability and capacity in relation to the Sellafield box project.
- From the Cumbrian SME Steering Group there was an outward focus on how to be successful outside of the area/overseas – wherever the work was.
- It was thought that it would be good for the NDA Estate to get experience from other sectors eg construction, which had a value placed on items such as deadlines.

3 Terms of Reference

- NDA had an aspiration that the ToRs were broadly similar across the regions. The group felt that they gave latitude to cover a lot of areas.
- It was thought that the measure should be the amount of work directly awarded to SMEs – it was raised that SMEs were now further away from the 'coal face' to solve problems; PQQs were diluted and it was not possible for lower tiers to speak to users – SMEs in the chain were going back with innovative ideas but do not know if they are shared or what happened to them, it was questioned why they bothered if work was going to go on cheapest price. There were also issues with SMEs coming up with ideas and innovations – some were accepted on a peripheral level but otherwise they were told to build what they were told to build.
- The group may decide that direct SME spend was the real monitor/metric but it was agreed that it was useful to know both direct and indirect spend – NDA intended to publish both when an

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efficient way of harvesting Tier 2 data had been found and wanted to use the group to challenge.

- It was thought that the Tier 2s could help with gap analysis eg if Interserve use 65% of SMEs and RSRL only around 11%, why? What can be done differently?
- It was felt important that SMEs used were fit for purpose, and there was a need to give help to SMEs to understand what they needed to do to win work, and the environment they were working in, with the need to remove blockers.
- There was no obvious support organisation that covered the whole of the Southern region.

Action 1.1: Members were asked to consider whether they could identify relevant support agencies for the group, either as a permanent member, or on an 'as and when' needed basis.

- There was also a discussion on whether another relevant Tier 2 should be invited to the group as it was important to get a balanced group.
- It was highlighted that there needed to be an easy way of navigating into the NDA Estate as to who was doing what so that SMEs (and others) can make links – in some areas current work will come to an end so there was a need to diversify and identify within the industry where this could be. **Potential for action by the group?**
- It was agreed that quarterly meetings were appropriate and the location around Harwell was acceptable to all. Interserve also offered to host at their Birmingham office if needed.
- With regard to the ToRs it was questioned who was in the group and for how long as it was important that it did not turn into a cosy club. It was agreed that there should be a deminimus of 12 months support, with a process of cycling out so that not everyone changed at the same time.
- Whether or not there should be deputies was also raised – it may be useful to have a deputy chair agreed in advance of future meetings – BM volunteered and was supported by the group.
- Members of the supply chain were looking to use decommissioning as a spring board into new nuclear and other markets. NDA would be happy for there to be other clients in the room, eg AWE, EDF, Horizon, but to do so at a time when the group was mature enough. The groups have been initially set up to address NDA Estate issues, so should identify low hanging fruit for improvement here first, and then invite others.
- RG said that Government departments with nuclear aspects have a remit to meet – Fusion, MoD, NDA and be more consistent as a client.

4 Next Steps

- It was identified that there was a need to understand who the group was representing in terms of geographical location. It was agreed that 'South' covered the old Magnox South areas to the east – up to the Welsh boarder, including Gloucester covering up to Stafford.

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Action 1.2: HP to look at vendor database for identifying SMEs in region. NF to review NIA and Constructing Excellence lists of suppliers.

- The group were asked to provide views and feedback on current initiatives:
 - supplier event,
 - PQQ standardisation which was going live now and feedback was encouraged over the next 3 – 6 months as to whether it was being used
 - Flowdowns – live now – are members seeing simplification in new tenders/contracts
 - Single portal – is it providing visibility of opportunities from SLCs, NDA
- There was a discussion on the use of Achilles by Magnox as the supply chain had to pay to register on the system. NDA's preference was that the NDA Estate market was free at point of access, however Magnox used Achilles for their vendor assessment and they were able to use the system as they worked to the Utilities Directive. For NDA, nirvana would be a common pre-qualification system, with free access for the nuclear industry as a whole.
- It was questioned whether Contracts Finder showed the requirements needed for PQQ easily and simply. At the moment it was a standard database with provision for descriptions of the work, value band and potential to upload documents eg PQQs, if there was other functionality needed by the supply chain, then it could be highlighted as an improvement area. Suppliers could also register their companies and what they did.
- HP thought that there was opportunity for SLCs/NDA Estate to identify characteristics of requirements – eg for this level of work you need x, y, z... and this is where you need to go to look for it. There was a discussion that the group could identify what should be a common minimum, whether there was a de minimus to be applied to security or quality standards, what were the 3 or 4 must haves, then flex for site specific requirements.
- This was identified as a possible low hanging fruit for the group to take forward. They could identify issues such as certification v procedures/quality systems and provide examples from other industries eg oil & gas where they may be demanding other things to demonstrate a company was fit to do the work, or needed to be put under a larger company to work under their systems, etc. The group could then be developed into a new entrant user guide for the region.
- It could be a recommendation coming out of the group having agreed a minimum standard for different requirements - is there a minimum standard as an SME they should be achieving, ie the group could identify 'this is the minimum level that is a good level to achieve and that the group thinks of benefit, anything higher than this adds costs to n real benefit'.
- There was a discussion around the fact that all Engineering companies had ISO 9001, what put them off was the timescale to bid for an opportunity.
- The challenge to the SLCs/NDA – 'what and why are you requiring something?' The group could provide a baseline standard of what they think the minimum level should be, questioning

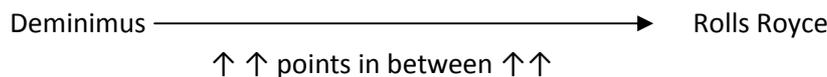
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whether a requirement adds value – if it doesn't add value to an SME, what value does it add to SLCs/NDA?

- It could also become a guide for contracting on how to use SMEs – the start should be 'what's right for an SME?' Requirements were currently driven by the client's quality and environmental requirements, and tended to be flowed down by the client with no thought. Equally a large Tier 2 may be expected to have certification for a project, but would not always expect the lower tiers to have them.
- Items for consideration were identified as:
 - Quality
 - Access to site/security
 - Environmental
 - Commercial: payment, LDs, Bonds

Something that looked like:



It could be used to re-educate SLCs and Tiers 2s, starting at the deminimus and then building up depending on requirements and risk.

- BM had done a talk on what was needed to get into nuclear and offered to build on the headings

Action: 1.3 BM to review presentation and build on headings to produce a draft document for consideration by the group

- It was questioned how an SME could escalate issues. RG responded that it should be via the SLC commercial directors, but NDA may get involved with eg IP issues. Cabinet Office run a Mystery Shopper scheme which allows companies to register issues, and it as was asked whether region thought that this was something that was needed.

Action 1.4: All – to consider whether a regional 'mystery shopper' would be of benefit.

- There was a discussion on frameworks, and that they were not the answer to everything – SLCs should be able to identify some things that could be bought direct. RG highlighted that HMG were driving for shorter contracts with more defined scope.
- RG raised the fact that there was a lot of talk about output specifications across the Estate but there seemed to be a disconnect between the words and actions. How could SMEs help innovate? Was it stifled by how the Estate was contracting and dealing with IP? How do other clients do it better than the NDA Estate?
- The group responded that generally as an innovative company they were brought in too late, the larger company engineers had already made decisions, so it was either too late to get innovation

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in place or clients would not change. A good example was where a joint venture had chosen to put in innovation up front for a bid and got the work. Dialogue was needed. Again, this could be a low hanging fruit but needed refining (post meeting note: the Northern region has identified innovation as an area for action to take forward).

- The meeting closed and all were thanked for participating.
- It was agreed that the next meeting would be arranged in 3 months time. The chair would come back to members on low hanging fruit in the meantime.

Action 1.5: SD to provide contact details for everyone.