

SME Steering Group - Cumbria

Meeting 14 – 21 April 2016, St Bees Management Centre, St Bees

MINUTES

Attendees

SMEs: Deputy Chair: Mike Nichols (MN) PacTec Andy Hooper (AH) Westlakes Engineering Bob Allison (BA) Meldrum Ltd Ian Park (IP) Park Gate Pete Woolaghan (PW) React Terry Meighan (TM) Blue Stream Consulting Tony O’Pray (TP) TIS Kurt Canfield (KC) Safety Critical	Tier 2s : Graeme McKenzie Netherwood (GMN) Mitie Sarah Dzik (SDz) Cavendish Nuclear
SLCs: Martin Chown (MC) Robert Astall (RA)	Support Org : Janet Addison (JA) BEC Sarah Mitchell (SM) Copeland BC
Apologies: Sam Dancy NDA, Ron Gorham NDA, Sarah Purdham - Prima Uno, Mark Watters –Carillion, Claire Wilcock – Westlakes Recruit, Chris Jennings NDA	

1 Welcome and Introductions

MN welcomed everyone to the newly reopened Management Centre and invited everyone’s best wishes to their Chair who has recently had a baby girl. Introductions were made and a welcome to Martin Chown, who has recently joined Sellafield as the new Supply Chain Director from Balfour Beatty.

2 Review of previous Minutes

No amendments required.

During discussion there was some confusion over whether LLWR will be leading on procurement for other members of the NDA Estate. It was clarified by RA that this is probably down to miscommunication over the newly forming SSA, to be led by Jonathan Evans who was the Commercial Director for LLWR.

Further discussion was held on the current situation with the CoNE meetings and the terms of reference to include the SME Agenda. It was suggested that a member from CoNE come to present to the meeting (Anna Joy?).

Action : MN to contact Paul Howarth to arrange a CoNE presentation to the group

Mention was made of supplier events and whether they are relevant for the sometimes considerable cost (delegate pass at Total Decom : £700 for 2 days).

3 Martin Chown, Supply Chain Director – Sellafield

Martin previously worked leading the Crown Commercial category teams and was part of the Efficiency Reform Group led by Francis Maude. Also worked in the Major Projects Authority at the time when the SME policy and targets were starting to be formed including the Mystery shopper and SME engagement and agenda. Also had experience with the first dynamic market place within Government. Prior to joining Sellafield, Martin worked mostly in the private sector and lastly at Balfour Beatty. Balfour Beatty started tracking SME spend and then committed to £1bn with SMEs across the company, and became the contractor with the largest SME spend (currently £1.6bn) in the country. This was a great change in the way the company contracted in the past and is recognised by its competitors as a leader in this. Martin was also a Director of the Supply Chain Sustainability Board until leaving BB. MC will continue to be involved with the SME Steering Groups and is keen to move the SME Agenda forward within Sellafield, from the small ticket items up to the largest contracts.

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PW asked MC from his time in Cabinet Office about the drivers within Government for the use of SMEs. MC responded with 3 key points:

1. Growth – reports issued have indicated that one of the key ways to reduce the huge deficit was to grow SMEs as this has a greater effect on the economy than growing large companies
2. Statistics show that SME investment keeps money in the UK, larger companies are often global companies and money often leaves the country. Also by growing SMEs in UK there is the intention that they can then become exporters back to Europe.
3. Intention to level the playing field on public contracting where SMEs were often excluded. There is no intention to give a disproportionate advantage to SMEs but to open the opportunities to be more fully involved.

Much of the background evidence points to a ratio of for every £1 spent with an SME there is at least £2.67 back in social value. JF mentioned that there is report available on this link demonstrating the benefits of SME spend to the economy.

<http://researchbriefings.files.parliament.uk/documents/SN06078/SN06078.pdf>

Questions were asked about whether training and apprentice schemes are included within this planning. MC responded that this was not an initial driver within Government but as it has progressed it is recognised that encouraging both large and small companies to train and skill workers would feed into the Agenda. Balfour Beatty were part of the '5% club' who are committed to encouraging the recruitment of Graduates and Apprentices into the UK workforce. Members have signed up to 5% of their UK workforce over the next five years being young people on structured training schemes.

One of the issues is that many of the companies who use and train apprentices do so without much financial support and often lose the trained staff to larger organisations who offer greater salaries.

MC was asked to explain the benefits (as experienced by BB) to using SMEs above self performing within Tier2 companies in order to try to encourage greater usage.

MC responded that the diminishing labour market in the UK is putting a greater emphasis on creating a company that differentiates itself by being attractive to work with such as paying on time, in order to create a healthy supply chain. However, the Boards of many of the other Tier2s have found themselves under pressure to raise their game to match the better players in the industry under the requirements of the 'end user' to provide socio economic benefits within their contracts.

4 Robert Astall, Commercial Director – Sellafield

Following the handover of Sellafield from Nuclear Management Partners to NDA on 1st April, Sellafield is now a subsidiary of the NDA. A new chair has been appointed in Tony Fountain who was previously a Director at the NDA and Paul Foster will continue as the Managing Director (CEO Designate). A new Board has been formed with some existing members and some new forming a strong team around Paul. The benefits of the new Model are intended to be a better and quicker interface with NDA.

Over the last 12 months £1.225bn (60%) has been spent in the Supply Chain against a total budget of £2bn. £800m new contracts have been placed. Direct spend with SMEs has reached £70m (6% of the total spend) whilst including indirect spend should raise this to over 18%. Under the new operating model, SL has a number of Critical Success criteria from NDA of which the SME Agenda is one. The target for 2016/17 SL is 22% SME spend combined direct and indirect for acceptable performance to 25% for excellent performance.

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The SME Action plan from this year will be for a single plan across the NDA Estate with local Site additional items. The site procurement plan is being refreshed for publication by end of May. This will include an individual schedule of items with procurements from £100k. Also a procurement strategy document will be published to give SL's approach to procurement regulations, SME Agenda, logistics etc.

Procurement on a page will give more detailed information on any procurements over £3m including the scope so that the supply chain can view any potential opportunities forthcoming. Once again an SME specific procurement plan will follow the main Site procurement plan with contracts designed to appeal to smaller companies. This should be available in July.

Market Enhanced Model – has been developed over the last year to give additional support to Sellafield in specific topic areas. Until the new Board had been appointed, final decisions on what was required could not be finalised or companies approached. The three main areas of focus are likely to be :

1. Strategy Development
2. Organisation and Leadership
3. Programme, project and supply chain management

As this is still part of the procurement process it will still be subject to the SME Agenda.

MN would like to know what % SME spend is local to West Cumbria and how much is in the Warrington region.

Action : RA to investigate and respond at the next meeting

Following a question about SL funding, RA confirmed that the headline funding has been agreed for the next 4 years. There is a proviso that the NDA Estate must make £1bn worth of savings so there will be increased pressure to perform the scheduled work at a reduced burden to the tax payer. To reach the SME targets that have been set will require a range of different interventions from different lotting strategies, level the playing field, procurements more 'user friendly' etc. In addition there will continue to be a need to work with the Tier2 community to also increase their SME usage and it will be a combination of these 2 streams that should move SL towards the required levels.

In response to a question of parity of data, GMN explained that a group of Tier2 companies worked with SL on the Performance Assurance Framework for new contracts that does include direct measurement requirements for companies ensuring that data on apprentices, SME data, socio economic involvement is comparable across the supply chain. This matrix should be disseminated across the Tier2s.

KC raised the question of clarity of the levels of risk required in a procurement. SL produce a document (Contracts Quality Requirements manual) which outlines the general categories of risk (Quality grades 1 – 3 for high, medium and low risk) and is possible to discuss deviation from this with Sellafield. The contract provides the levels for the initial scope at tender stage but KC pointed out that the detail of each element is not usually available until after the contract has been awarded, by which time the level of costing may be higher than required. *The SME Steering Group – North are heading a group to look into this and any further information that could support this should be forwarded to them.*

5 NDA Update – JF

JF has been in post for 3 months and will be the Supply Chain Manager responsible for the SME Agenda within the NDA Supply Chain team.

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Sam Dancy will be looking at the new UK Growth and apprentice Agenda being promoted currently from Government.

Currently collating the final quarter data for 2015/16 and hopeful that we should just reach the target for this year. The highest results have come from the SLC excluding SL. Focus now needs to be on how to raise the spend to meet the new targets and to do this there will be a new 'Expert' group from within the SLCs to share learning and help to target improvements across the NDA Estate. The SSA has been very successful in the past at collaborative procurement but in order to meet the requirements of the next few years a new team is being brought together with a mixture of full time staff and support from the SLCs (as previously). The group will be headed by Jonathan Evans (seconded from LLWR).

SME Mentor Scheme has been launched for 2016 to support the SME agenda and give companies an insight from those who have experience working within the Nuclear Decommissioning industry, or just experienced managers who feel they have knowledge to share. In previous years we have invited Mentors and Mentees to apply, we give some training to both groups separately and whilst we do not 'interfere' with the process, we try to keep in touch to resolve any issues arising. The 2016 scheme has closed for applications but we have found we have a shortfall of Mentors and would invite anyone who feels they have experience or knowledge to come forward. Details are available on the NDA website.

NDA intend to look at SME statistics by category as well as by company in order to see if there are particular industry types that are more successful at using SMEs and any variations that can be addressed within the groups (for example, IT, construction, FM etc)

Intellectual Property is also on the agenda still and JF is keen to receive any examples from companies where the IP requirements has been a factor in whether to bid for work. MN raised the concern that there is confusion over what is background IP, and interpretation of what IP means in layman's terms.

Action : JF to discuss with SD following MN's comment

PW had been part of a group looking at barriers to entry for SMEs and the issue of how background IP would be handled was of greatest concern. In some instances SL had used the background IP to go to market and ask for improved quotes from competitors. Concern over the integrity over IP – SMEs are not prepared to fight the misuse but it changes the behaviour of the SME in future. The concern is that the SLC staff do not understand the commercial aspect of using IP and the inadvertent use.

Action : Report was issued to Neil Smart at SL – copy to be sent to JF - PW

Action : invitation to be sent to Alex Smith, SL IP Manager to attend the next meeting

KC raised a question of how to introduce innovation to the Estate – 2 routes, either direct to the SLC concerned via their R & D departments or if it is Estate wide, NDA R&D dept (email : research@nda.gov.uk) . KC was concerned that the routes to innovation are not clear – are the different groups discussing or sharing information?)

Action : Request update from NDA R&D on how this information is shared – PK

6 SME Names from Tier2 Spend stats - PW

PW took a list of SME companies that were provided by the Tier2 companies as part of the SME Spend data to do a 'sanity check'. Details of the process will be available if required, mostly using publicly available information (not Dun & Bradstreet). The list has been provided to the NDA and will be circulated back to the Tier2 who provided the names. There were approx. 1/3 of the companies who may not be SMEs.

Action : PK to return the list of companies back to the Tier2s along with the process that was used to identify suspected larger companies or members of groups.

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The group discussed the requirement of Tier2s to provide the SME spend data with confirmed SME companies, SL and confirmed that there is no mandatory requirement for Tier2s to provide the data, despite the Government Agenda.

7 SME Names from Tier2 Spend stats - PW

The group was instigated by Sellafield but within the first year grew too large to become effective and has since been re-worked and had its first meeting with a more agile 5 man committee with 3 sub groups covering Community – chaired by GMS, SME Growth chaired by Les Turner – Morgan Sindall, and Education and Skills group chaired by Paul Fletcher – AMEC FW.

Each of the sub group is populated by interested and willing members of the Tier2s. The Chair of the SME Steering Group will be invited into the Governance group and equally GMS will report back to the Steering Group. SL will have representatives on each sub group.

Action : GMS to invite MN to the next meeting

Action : MN to report this to the National SME Steering Group

JA asked whether there was a relationship with the CoNE as the focus is very similar. GMS hoped there would be interaction

8 National SME Steering Group Meeting

PK outlined the purpose behind the National meeting and asked if there were any issues that could be raised. SME Spend data is a national concern, JA asked for a discussion on European funding against Nuclear Match? Grant aiding is no longer available for SMEs.

9 Outstanding Actions

Action : SD & SW to discuss with NDA and SL Legal teams over how to ensure proportionality on Risk/IP/PL is interpreted correctly through the supply chain. Consideration on whether risk should be transferred down the chain or sit at the SLC level. – *JW to discuss with SD*

Action : Group asked to consider any other industrial clients that may have alternative (better) ways of handling transfer of risk/IP/PL through the Supply Chain and respond to NDA Supply Chain
No responses - close

Action : GMN to take this proposal back to the Tier 2s and circulate details sub groups to the SME SG *close*

Action : NDA to consider whether a methodology or charter could be helpful in guiding Suppliers and supporting SMEs when such issues arise. *NDA to consider whether this would be appropriate*

Action : SW to bring recurring issues to the group so that they can be highlighted to other SMEs as part of point 2 on how SMEs can improve themselves? – *SW to respond*

10 AOB

- Consideration of whether a member of the BEC BC could be representative on this group. No current representation on the BEC BC from this group.

Action : KC/JA to discuss with John Grainger, Stakeholder Relations Director at BEC BC on the possibilities of joint representation.

- TM raised a question about NEC3 contracts being flowed down to SMEs, without intelligent flowdown.
- KC asked does the group feel there is any opportunity to look at how to help a 'small' company grow?
- Concern from KC that the focus on SMEs could be creating a divide within the Supply Chain and not treating it as a whole entity.
- BA raised the issue that there is no obvious business support for growing companies as there was in the past. JA explained that the focus is changing from direct support to tax support to individual companies. BEC are under a strategic review at time. SM explained that LEP support

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is also changing but some generic support available. The best support is coming from the SLCs and highlighted the Opening Doors event was very useful. Skills may be an area that support will still be growing.

- NDA Supply Chain Event now booked for 3rd November in EventCity, Manchester, same basic format and details will be available on the NDA website.