OBJECTIVE

In 2015 Government achieved the 25% aspiration for spend with Small to Medium sized Enterprises (SMEs). The current target for Government spend with SMEs is 33% by the end of the current Parliament in March 2022, a revision of the previous end date of 2020. This metric is part of the Growth & Enterprise agenda which supports the Industrial Strategy aim ‘to improve living standards and economic growth by increasing productivity and driving growth across the UK’.

In November 2016, the Home Office plan to achieve 26% SME spend by 2020 was approved by the Minister of State for Security and the Cabinet Office. We have now revised this figure to 28% by 2022 following analysis of our pipeline. We have agreed a target below 33% because many of our key services will still be delivered by non SMEs. Our SME spend is a combination of direct contracts and spend with SMEs in our supply chain.

This Action Plan has been approved by the following:

- Home Office SME Ministerial Champion
- Home Office Permanent Secretary
- Home Office Chief Commercial Officer

The Action Plan will be reflected in the objectives of the Home Office Chief Commercial Officer and will be monitored by the Minister on a regular basis.

Targets to 2021 / 22

Since SME reporting began in 2010 / 11 the Home Office has spent £2.6bn with SMEs either directly or in the supply chain, contributing directly to the Growth & Enterprise Agenda and the Industrial Strategy. Through analysis of this previous spend and pipeline reviews, we have developed the annual targets below which will enable us to further support this agenda and to achieve 28% of our spend with SMEs by March 2022.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total HO SME Target and Actual Spend</th>
<th>Actual Spend</th>
<th>Direct Spend Target</th>
<th>Indirect Spend Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 / 16</td>
<td>20%</td>
<td>20.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 / 17</td>
<td>22%</td>
<td>22.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 / 18</td>
<td>24%</td>
<td></td>
<td></td>
<td>Figures still being finalised.</td>
</tr>
<tr>
<td>2018 / 19</td>
<td>25%</td>
<td></td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>2019 / 20</td>
<td>26.5%</td>
<td></td>
<td>14.5%</td>
<td>12%</td>
</tr>
<tr>
<td>2020 / 21</td>
<td>27.5%</td>
<td></td>
<td>15%</td>
<td>12.5%</td>
</tr>
<tr>
<td>2021 / 22</td>
<td>28%</td>
<td></td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Future year spend targets reflect a greater level of SME spend from direct awards than indirect contracts, which is a change from data reported last financial year. This change is a result of improved direct spend data and also a clearer pipeline of future opportunities. The Action Plan set out below demonstrates our commitment to maximising SME accessibility wherever possible.
Actions to deliver future SME Spend

1. We consider the SME engagement strategy at every procurement via the Home Office Commercial Assurance Board which provides assurance and approvals for procurements and contract changes with high value spend.

2. In addition, working with the Commercial Directorate Business Partner teams, the Commercial Sustainability team review our pipelines to ensure that SME accessibility requirements are considered wherever appropriate. Improved data shows that in the next 3 financial years we have a pipeline of 382 potential procurements which may have opportunity for SME engagement. To support pipeline planning we have adapted our Contract Management and Procurement Planning tool (Atamis) in order to capture information on SME opportunities as soon as a requirement is registered. Atamis has also been integrated with Contracts Finder so that all four types of notice - early engagement, future opportunity, opportunity, opportunity awarded - are automatically published.

3. The Commercial Sustainability team have also developed the Social Value Strategy which sets out our legal obligations and policy requirements to achieve positive, sustainable commercial outcomes. The Strategy includes guidance throughout the commercial lifecycle to highlight the importance of the Growth and SME agenda and this are shared with procurement leads. Example questions which promote SME inclusion through the supply chain are listed below:
   - What support will be provided to the UK supply chain through this contract, including activities, information, resources and organisations? For example, promoting supply-chain opportunities to SMEs, allowing access to and use of facilities or abiding by the 30-day prompt payment code.
   - Please provide details of any Social Value Policy which your organisation has and explain how you will implement this policy in the context of the Contract. You must provide a detailed description of how you will meet the requirement. And the additional information requested below:

      Apprenticeship or skills development opportunities (including named sub-contractors where appropriate). You must provide details of the type and number of opportunities, the form of the programme (including how it will be managed) and the year in which the roles will commence. And/or:
      Increasing procurement spend with SMEs (and Third Sector organisations). You must provide a detailed explanation of your organisation’s approach to managing your own supply chain currently supports SMEs including any innovative approaches you will deploy for this Agreement. And/or:
      Other social initiatives in support of the Social Value Act. You must provide a detailed description of the initiative including when it will be deployed and the associated benefits.

4. We recognise that meeting our SME targets are a departmental challenge and so will work with our business colleagues to consider SME accessibility at requirements definition stage. We also raised awareness of the SME agenda across the business during Commercial Awareness Week in May 2018.
For information, due to the devolved nature of Police spend, SME spend is not included in Home Office spend reports; however, SME spend in the devolved budgets has historically been higher than in the Home Office. The latest full year Police data for 2016 / 17 shows that 26% of third party revenue was spent directly with SMEs and this is monitored on an ongoing basis by each Force alongside the ambition to gain greater value from collaborative procurement in policing. In addition, SME engagement is also encouraged through the Police Transformation Fund and the annual Security and Policing Exhibition.

Fire and Rescue Services (FRS) funding is a mixture of precept and grants - spend decisions are also made locally. FRS SME data is not currently available and as for Police, this spend is not included in Home Office SME reports.

**SME Spend Analysis**

In order to develop the direct and indirect SME spend targets (below) we have used a number of data sources. Commercial Directorate is currently managing 263 contracts awarded directly to SMEs. This has been a significant increase in numbers reported last financial year and is a result of improved data and awarding more contracts to SMEs. By tracking the end dates of these contracts, we can understand the impact of committed SME spend against our targets.

In addition, we maintain a pipeline of new procurements and contracts renewals up to 2021 / 22. In the next 3 financial years, our pipeline shows 382 potential procurements with total contract value above £3bn. Information on committed spend with SMEs and pipeline potential has enabled us to build an overall spend profile to 2022.

**Direct Spend Forecast:**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>HO SME Direct Spend Target</th>
<th>Committed SME spend – existing contracts</th>
<th>Actions to Deliver</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 / 19</td>
<td>14%</td>
<td>£149m</td>
<td>1 &amp; 2</td>
</tr>
<tr>
<td>2019 / 20</td>
<td>14%</td>
<td>£65m</td>
<td>1, 2 &amp; 4</td>
</tr>
<tr>
<td>2020 / 21</td>
<td>15%</td>
<td>£12m</td>
<td>1, 2 &amp; 4</td>
</tr>
<tr>
<td>2021 / 22</td>
<td>15%</td>
<td>£5m</td>
<td>1, 2 &amp; 4</td>
</tr>
</tbody>
</table>

*SME Spend projections are based on assumptive figures for future years’ full year spend. However, it must be noted that future years’ budgets are under review as part of spending review planning*

**Indirect Spend Forecast:**

A review of upcoming procurements with SME supply chain opportunity and analysis of past spend has given us the projections set out below:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>HO SME Indirect Spend Target</th>
<th>Actions to Deliver</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 / 19</td>
<td>11%</td>
<td>1, 2 &amp; 3</td>
</tr>
<tr>
<td>2019 / 20</td>
<td>12%</td>
<td>1, 2 &amp; 3</td>
</tr>
<tr>
<td>2020 / 21</td>
<td>12.5%</td>
<td>1, 2 &amp; 3</td>
</tr>
<tr>
<td>2021 / 22</td>
<td>13%</td>
<td>1, 2 &amp; 3</td>
</tr>
</tbody>
</table>
Good Practice activities to date

- As part of the Government Digital Strategy we have broken commercial models within ICT and other categories wherever possible - examples of where we are currently disaggregating are set out below:
  - Home Office Biometrics – replacement for FABrIC and IABS which provide biometric identification services to Police and Immigration respectively.
  - IT2000 the contract which provided desktop and software services to the Home Office is being broken up into 40 separate opportunities which provide accessibility to SMEs. The opportunities are all standardised meaning that an SME would not need to carry out extensive customisation of their offerings and they will be procured via frameworks rather than expensive OJEUs.
  - Digital Services at the Border – replacement for the Warnings Index and Semaphore contracts which have been used to carry out checks on people going through our Borders since the 1990s.
  - Quality Assurance and Testing Framework – working with CCS to make revisions to the framework including extensions to allow improvements which will encourage greater SME participation.

- While some of our largest contracts have already been disaggregated, we will continue to make use of Crown Commercial Service (CCS) frameworks such as Digital Outcomes for Specialists, G Cloud and Technology Products, all of which are accessible to SMEs – approximately £420m pa is spent via frameworks. Working with CCS, we have also created the Quality Assurance & Testing Service Framework with 8 Lots which would formerly have been managed under the Home Office IT Test Design Framework Agreement. The lots have been structured to open up the services to specialist suppliers, more likely to be SMEs.

- Continue engagement with SME representative groups. In April 2017 and August 2018, working with the SME Crown Representative we hosted webinars on selling to the Home Office. To date, the Home Office webinars have attracted the highest number of registrations in this Government series of events. In addition, we will continue to hold market engagement events for specific procurements as part of our ambition to reach out to new and innovative suppliers.

- Regularly raise awareness of the SME agenda via team bulletins and workshops. All commercial business partner teams have an SME target in their goals to support the current target and have an SME lead who is responsible for identifying upcoming SME opportunities.

- Continue to promote interaction with bodies who can support SMEs in working with Government such as Innovate UK and the Small Business Research Initiative. We also promote and engage regularly with the Home Office led Joint Security and Resilience Centre (JSaRC) which manages a detailed work plan of projects aimed at tackling security threats to the UK. A significant proportion of JSaRC's contacts are SMEs who are engaged via Innovation Calls to industry.
SME policy
As chair of the Growth and Enterprise Board, John Manzoni wrote to all departments in November 2017 to set out a number of actions to support the agenda. Our response to the actions are set out below:

- We will continue to advertise all opportunities and awards above £10,000 on Contracts Finder as part of our Transparency Commitments, and advertise as widely as possible in order to attract new suppliers. We are also implementing the new policy which requires prime suppliers to advertise sub-contract opportunities via Contract Finder, having previously engaged in the pre-launch pilot.

- We are reviewing our contractual terms with our existing suppliers and will work with CCS to include terms for new contracts in order to provide cover for Indirect SME Spend reporting requirements which were introduced in April 2018.

- We also engaged in the public Prompt Payment consultation which proposed the introduction of taking account of suppliers’ approach to payment in their supply chain in major Government procurements, assessing whether they demonstrate a fair, effective and responsible approach towards this. The outcome could be that if a bidder fails to provide satisfactory information, they will be excluded from the procurement.

- In order to ensure consistency of approach with other departments, all SME Policy work will be taken forward following engagement with CCS and Cabinet Office led governance, including the Spend and Standards Working Group, the Small Business Champions Group and the Strategic Suppliers Programme.
Risks to delivery of the targets
The risks set out below have been identified as having potential impact on delivery of our SME targets. The mitigations to these risks are regularly reviewed:

- The overall spend trajectory is currently under review as part of Spending Review planning. Home Office future years spend is likely to decrease and therefore we will face challenges to deliver our targets for SME spend.
- Prime contractors may not support activities to improve supply chain data or sub-let to SMEs.
- SMEs who win with the Home Office may not be able to deliver to the contract.
- SMEs may be impacted positively by Brexit as further opportunities may open up, however Brexit may result in extensions to existing contracts with non-SME prime suppliers in urgent cases which would impact our SME Action Plan.
- There is a low risk that CCS SME spend targets could impact on Home Office targets. CCS have confirmed that there will be no double counting. Where spend is committed on behalf of the Home Office, it will be counted by that department.