

HOME OFFICE

**SMALL AND MEDIUM ENTERPRISE
(SME) ACTION PLAN: 2015 – 2022**

UPDATED – AUGUST 2019

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 £3.4bn 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, with appropriate risk mitigation, will enable us to further support this agenda and to achieve 28% of our spend with SMEs by March 2022.

Financial Year	Total HO SME Target and Actual Spend	Actual Spend	Direct Spend Target	Indirect Spend Target
2015 / 16	20%	20.5%		
2016 / 17	22%	22.6%		
2017 / 18	24%	25.8%		
2018 / 19	25%	Figures still being finalised		
2019 / 20	26.5%		14.5%	12%
2020 / 21	27.5%		15%	12.5%
2021 / 22	28%		15%	13%

Future year spend targets reflect a greater level of SME spend from direct awards than indirect contracts, which is a change from data reported previously. 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 Social Value Lead reviews 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 657 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 Social Value Lead have also developed a 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 these are shared with procurement leads. An example question, which promotes SME inclusion through the supply chain is listed below:
 - Please provide details of any Social Value Policy or equivalent which your organisation has and explain how you will implement this policy in the context of the Contract, including the additional information requested below:
 - a) **Apprenticeship or skills development opportunities** (including named sub-contractors where appropriate). You must provide details of the type, percentage and/or ratio of opportunities, the form of the programme (including how it will be managed) and when the roles will commence. See Social Value Schedule.
 - b) **Employment opportunities** (This could include specific priority target groups such as care leavers, minority ethnic groups, people with physical or learning disabilities, older people, unemployed, ex-offenders, ex-forces, those with low or no qualifications). You must provide details of how your recruitment strategy (or equivalent) will create and sustain future employment opportunities including the type, percentage and/or ratio of opportunities, the form of the programme (including how it will be managed) and when the roles will commence. See Social Value Schedule.
 - c) **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 and how it currently supports SMEs including any innovative approaches you will deploy for this Agreement. See Social Value Schedule.
 - d) **Community benefit activities** e.g. supporting charitable or educational undertakings. You must provide a detailed explanation of your plans from both a corporate and local level including how and when they will be deployed, and the community benefits associated with them.

4. We recognise that meeting our SME targets are a departmental challenge and so will continue to work with our business colleagues to consider SME accessibility at requirements definition stage. During Commercial Awareness Week in May 2019, we delivered a programme of activities to raise awareness of the SME agenda across the business.
5. 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. SME spend 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.
6. Fire and Rescue Services (FRS) funding is a mixture of precept and grants - spend decisions are also made locally. FRS teams intend to begin reporting SME spend when they are fully engaged with the spend capture tool. As for the police, this spend will not be included in Home Office spend reports.

SME Spend Analysis

In order to develop the direct and indirect SME spend targets (below) we have used a number of data sources. At Q2, 2019 / 20, Commercial Directorate is managing 336 contracts awarded directly 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 657 procurements with total contract value above £3bn. This information has enabled us to build an overall spend profile to 2022.

Direct Spend Forecast:

Financial Year	HO SME Direct Spend Target	Committed SME spend – existing contracts*	Actions to Deliver
2018 / 19	14%	£214.8m	1 & 2
2019 / 20	14.5%	£238m	1, 2 & 4
2020 / 21	15%	£150m	1, 2 & 4
2021 / 22	15%	£120m	1, 2 & 4

*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:

Financial Year	HO SME Indirect Spend Target	Actions to Deliver
2018 / 19	11%	1, 2 & 3
2019 / 20	12%	1, 2 & 3
2020 / 21	12.5%	1, 2 & 3
2021 / 22	13%	1, 2 & 3

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**
 - ◆ Mobile – disaggregated and sourced as a framework, involving a number of SME suppliers for the commissioning of mobile apps for Law Enforcement agencies
 - ◆ Central & Bureau – remaining aspects of IABS and IDENT1 are currently being procured and will offer indirect SME opportunities.
 - **Digital Services at the Border** – the programme has engaged with SMEs through Digital Outcomes for Specialists opportunities as well as actively encouraging indirect opportunities.
- 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 £730m 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. Since 2017, working with the SME Crown Representative, we hosted two webinars on selling to the Home Office. 400 people registered for the first Home Office event which is the highest number to date in this series of webinars. 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 commercial team bulletins and workshops. All commercial business partner teams have an SME target in their goals to support the current target.

- Continue to promote interaction with bodies who can support SMEs in working with Government such as Tech UK. 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 have adopted Procurement Policy Notice 01/18 – Supply Chain Visibility which requires all procurements above £5m per annum to include clauses requiring suppliers to also use Contracts Finder to advertise sub-contract opportunities above £25,000. A second clause formally requires suppliers to report on how much they spend directly with SME or VCSE organisations in the delivery of the contract.
- Home Office contacted our suppliers to request SME supply chain spend for the first time in 2018 and received the highest rate of return for Government. This allowed us to report confidently on our Indirect Spend for 2017 / 18. In previous years CCS gathered SME indirect spend centrally but all departments agreed this did not provide a reliable source of data.
- Following a public consultation, Procurement Policy Notice 04/18 was launched requiring departments to ask bidders for information about their performance in paying sub-contractors promptly. This policy comes into force on 1 September 2019 and could mean that if a bidder fails to provide satisfactory information, they will be excluded from the procurement. There has been a high level of communications with suppliers to prepare them for this requirement. We have also carried out an assessment of the pipeline of procurements in scope, which could see market impact as a result of this policy.
- Aligned to this policy, SME Ministers have also been asked to review departments' own prompt payment practices and so we are working with the Home Office Non-Executive Director for prompt payment in order to coordinate updates.
- To ensure consistency of approach with other departments, all SME Policy work will be taken forward following engagement with Cabinet Office-led governance, including the Spend and Standards Working Group, the Small Business Champions Group, the Social Value Working 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.