

Annex A

SME Progress Report

Making government procurement more accessible to SMEs

March 2012

The package of measures to increase opportunities for SMEs to participate in government procurement

The government is committed to getting full value for money from SME suppliers, and thereby ensuring that at least 25% of Government spend is flowing to SMEs by the end of the parliament (2015), directly and indirectly through the supply chain. On February 11, 2011, the Prime Minister and the Minister for the Cabinet Office set out an ambitious programme to deliver this aspiration:

- ❑ The launch of a [Contracts Finder website](#)
- ❑ The **appointment of a dedicated** Crown Representative (CR) for SMEs
- ❑ The launch of SME (Small Medium Enterprise) **product surgeries**
- ❑ The **abolition** of Pre Qualification Questionnaires
- ❑ Publication of the findings of the Cabinet Office's **LEAN Review** into procurement processes
- ❑ Greater use of lotting strategies and outcome based specifications
- ❑ The launch of **an interchange programme**
- ❑ **Local Government** Support
- ❑ A '**Mystery Shopper**' service so businesses can tell government where there are still issues
- ❑ The creation of an **SME Panel**

Highlights:

- Significantly improved transparency of opportunities to do business with government with the deployment of Contracts Finder which in the last year has gone from strength to strength reaching around **97,000** viewings per week. Of 5,768 contracts that have been posted, 2,025 have been awarded to SMEs*.
- **Removed bureaucratic pre-qualification questionnaires** in 15 out of 17 departments (now only used when security is an issue) for procurements below £100,000 (goods and services).
- Developed LEAN Standard Operating Procedures to implement the majority of Government's procurements **within 120 days** – significantly faster than in the past - these procedures emphasise the importance of using outcome based specifications and breaking up contracts into smaller lots.
- Stephen Allott, the Crown Representative and voice of SMEs in Government, delivered '**Product Surgeries**' to showcase the best SMEs can offer. So far 6 Surgeries have been held in departments with more planned.
- A No.10 Innovation Launch Pad enabled over 350 suppliers to submit innovative ideas to government. Following mentoring from some of the UK's top entrepreneurs, 9 suppliers pitched to an audience of public sector procurers and **to date 3 have subsequently won new business** with government.
- Opened up channels for suppliers to hold Government to account. Our Mystery Shopper service has investigated 151 cases of poor procurement practice and of the 111 cases closed to date, **75% have had a positive outcome** (a live procurement or future procurement was adjusted, or increased the supplier's understanding of the procurement process).

Progress against the 25% Aspiration – Direct Spend

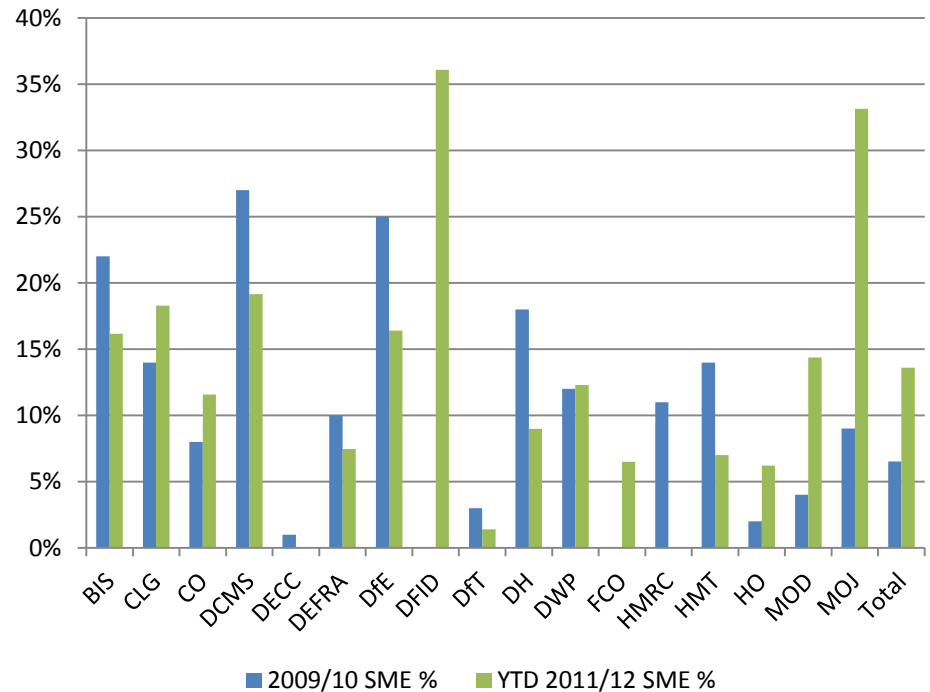
We are now starting to get a much clearer and realistic picture of the amount of business Government does with SMEs.

For the first time, **all Central Government departments** have been able to report on their spend with SMEs.

These figures show that the proportion of Central Government direct spending with SMEs has more than doubled, from our baseline year of 2009/10.

- 2009/10 – Direct spend with SMEs = 6.5%
- 2011/12 – Direct spend with SMEs = 13.7%, which increases to 14.5% when we factor in indirect spend through the supply chains of DWP, Home Office and HMRC.

A comparable figure, which excludes those departments who were unable to provide spend data for the baseline*, gives a figure of 13.5% direct spend with SMEs for 2011/12 (to end December 2011).



Progress against the 25% Aspiration – Indirect Spend

We have carried out a survey across 50 of the largest suppliers to Government to obtain sample data from which we can build a picture of how much indirect spend is flowing to SMEs.

Twenty-seven suppliers have so far provided details of their 2011/12 Central Government (CG) revenues, to the end of December 2011.

Between them they spent around £1.3bn with SMEs in their Government supply chains, approximately 13% of their total CG revenue.

For the financial year 2011/12, Central Government has spent around £32.4bn*.

Using this data, we have calculated that the 27 suppliers spend with SMEs equals approximately 4% of Central Government spend being passed to SMEs.

Total Central Government procurement spend 2011/12 (period to end Dec 2011) - £32.4bn*				
No. of Suppliers	Supplier procurement spend 2011/12	Supplier SME spend 2011/12	Supplier SME spend as % of supplier CG revenue	Supplier SME spend as % of CG 2011/12 spend
27	£10bn	£1.3bn	13%	4%

NB. All data referred to covers the period to end December 2011.

Increased Transparency

A year ago we deployed Contracts Finder, which has gone from strength to strength and become a 'One Stop Shop' to find public sector contracting opportunities.

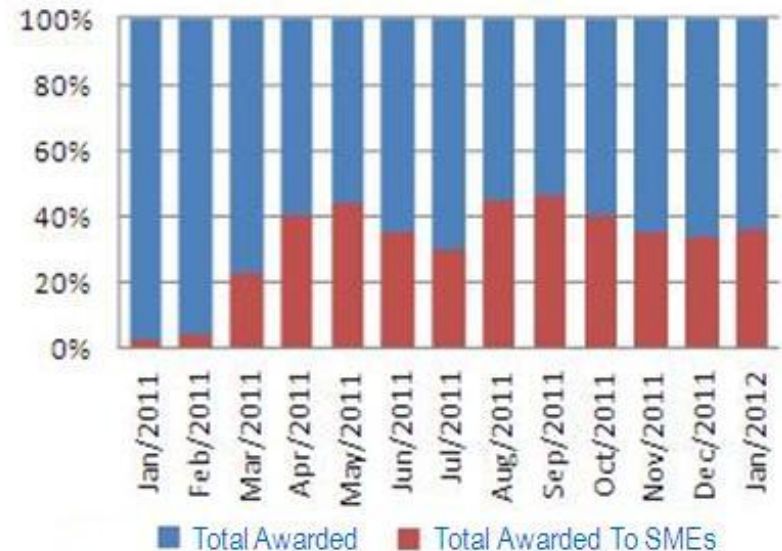
Since its launch, Contracts Finder has;

- Over 27,000 registered and guest suppliers;
- Around 97,000 page views a week;
- Posted over 1,800 low value opportunities;
- Published nearly 3,000 tenders;
- Published over 5,700 contracts, of which 35% have been flagged as awarded to SMEs

We are always adding improvements and in recent months we have;

- Added a function so **primes can post their own sub-contracting notices**,
- **Improved the Search facility** and;
- **Increased the number** of regional portals that feed directly into Contracts Finder to four (with another due to go live shortly).

% Volume Published Contracts: Flagged Awarded to SME



Increased Transparency

Departments are using Contracts Finder to be transparent about their commercial activity, providing more information than ever. The following table shows cumulative figures (to end January 2012) of the amount and different types of information departments are publishing.

Organisation (core dept only)	Total number of tenders issued	Total number of tenders excluded from publication	Total number of tenders published	Total number of tenders being prepared for publication	Total number of contracts awarded	Total number of awarded contracts exempt from publication	Total number of contracts published	Total number of contracts being prepared for publication
BIS	60	0	60	0	77	0	77	0
Cabinet Office (including GPS)	102	0	95	7	78	0	62	16
CLG	21	0	21	0	18	0	18	0
DCMS	36	0	32	4	33	0	26	7
DECC	83	0	26	57	32	0	13	19
DEFRA	88	0	58	30	145	0	116	29
DfE	56	0	56	0	61	0	61	0
DfID	77	6	45	26	134	43	60	31
DfT	61	5	18	38	34	2	11	21
DH	438	2	348	35	277	8	194	23
DWP	81	0	79	2	65	0	63	2
FCO	18	13	0	5	90	53	4	33
HMRC	38	0	38	0	38	0	38	0
HMT	43	0	32	11	37	0	35	2
Home Office	296	178	108	10	244	178	63	3
MoD	1163	317	799	47	2107	401	1446	260
MoJ	587	141	436	10	454	18	415	21

Simpler Procurement Processes

- We are fundamentally changing the way that government does business.
- Pre Qualification Questionnaires have consistently been seen as a barrier to SMEs, so we are removing its use as much as possible. Central Government **has abolished the use of PQQ** for procurements worth less than £100,000, except where security is an issue.
- From January 2012, we mandated Lean sourcing principles across central Government to **speed up the process and reduce costs for all involved**. For all but the most complex procurements, the turnaround time from issue of the OJEU Notice to award of the contract will be 120 days – **40% faster than the current process**.
- The Lean principles see an increased emphasis on pre-procurement market engagement. We will spend more time with suppliers before a procurement goes live, and then use **simpler processes**, to deliver procurements faster.
- We have also deployed an easy to use Government e-Marketplace to **simplify the process** for SMEs to bid for sub £100k contracts, through which SMEs are competing with larger rivals to win government contracts.
- We have taken the first steps in improving the visibility of future potential opportunities by publishing procurement pipelines covering ICT, FM and the Government Procurement Service. This will enable us to improve our strategic dialogue with all suppliers, including SMEs to give them greater access to investment and growth opportunities.
- The European Commission published proposals for revised procurement Directives in December 2011, which include measures to remove market access barriers for SMEs. The UK welcomes these, as they reflect UK proposals for simplified rules, which cut regulatory burdens and transaction costs which will particularly benefit small businesses.

Case Study: Maxxim Consulting

Key Facts about the contract

- **Tender completed in only 2 and a half weeks**
- The 6 page ITT was issued on 24th August with responses due by 30th August.
- By Friday 9th September the SME was on site and delivering alongside the shared services team from across central government.



Maxxim Consulting, an SME with a £4m turnover and 27 employees, beat larger rivals to win a Cabinet Office consultancy contract procured using the Government 'e-marketplace' process.

- The e-marketplace provides a quick request for quotation (RFQ) service for contracts below £100,000. This enables SMEs to bid and compete at minimal cost alongside larger suppliers.

'Timescale was made achievable by the straight-forward nature of the Cabinet Office's request and the simple marking system.'

'It's great to be able to show what we can offer without being tied down by the bureaucratic process.'

Claire Arnold, co founder of Maxxim Consulting

New ways to 'hold our feet to the fire' – Mystery Shopper

We launched the **Mystery Shopper Service** to give suppliers a direct route to challenge government procurers to be more transparent and open, to challenge poor practice and to raise instances of late payment of invoices.

It is helping to make a real difference driving change on the ground and from its launch on 11 Feb 2011 to 15 Feb 2012 there have been;

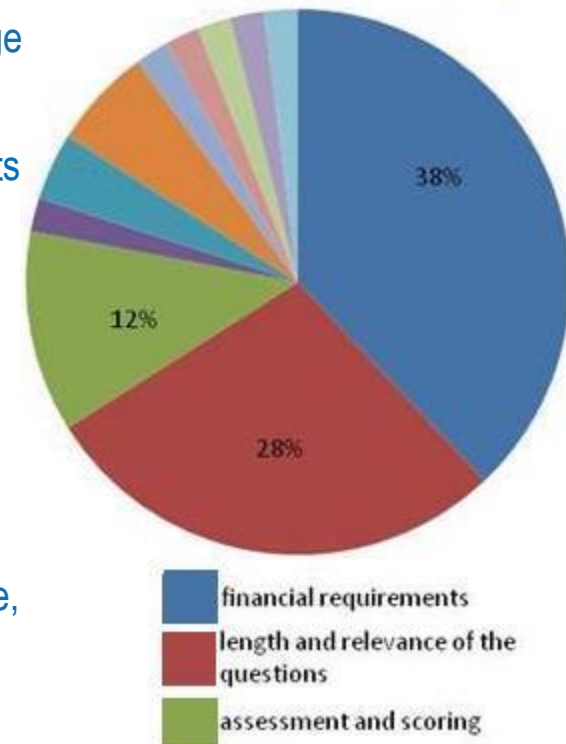
- **151** Cases Received;
- **111** Closed and
- In **75%** of closed cases we have had a **positive outcome** with the result that a live procurement or future procurement was adjusted, or increased the supplier's understanding of the procurement process.

The results of these investigations are published on the Cabinet Office website, including the names of the Authority involved and details of the case.

The general trend from Mystery Shopper is that **the procurement process**, specifically the use of **financial requirements within PQQ**, is the biggest issue for suppliers.

And we **follow up with the Contracting Authority** to ensure change has been delivered.

Issues with PQQ



Mystery Shopper: It's making a difference...

Changing how government works: A

Government department agreed to break a specific framework into lots following a complaint it was effectively a 'one stop shop' which SMEs could not access.

Growing reputation of Mystery Shopper: A

contracting authority decided to make changes to a procurement, which they had been refusing to do, when an SME said they would refer the issue to the Mystery Shopper team.

Stopping live

procurements: A procurement was stopped and not re-started until the specification, which was found to incorrectly exclude some suppliers from bidding, had been updated.

Changing how government

works: A Government agency took account of issues raised by a potential consortium when developing its procurement strategy for a framework. It gave reassurances that an SME friendly strategy was being developed giving consortia an equal chance of winning business.



Growing reputation of Mystery

Shopper: A supplier emailed a contracting authority a link to the Mystery Shopper page after trying, unsuccessfully to get feedback on a public sector bid. They received an immediate response to the email and feedback quickly followed.

Stopping live procurements: A

police authority agreed to re-start a procurement from the PQQ stage after a complaint that dramatic market fluctuations had occurred after a supplier had submitted its PQQ had not been taken into consideration.

Changing how government works: A

number of NHS Trusts accepted recommendations to use the standard PQQ after a trade organisation raised concerns their approach was locking out certain suppliers.

New ways to 'hold our feet to the fire' – SME Panel

The **SME Panel** was formed to give SME representatives direct engagement with Francis Maude and Senior Officials to provide feedback on the progress of the SME Programme by 'holding our feet to the fire', as well as contributing to delivery.

Three working groups have been set up through which the Panel members have;

- made great progress in helping to deliver improvements to Contracts Finder;
- developed models for SME Consortia bidding, which we will pilot and:
- developed a system to measure how SME friendly government departments are.

“The SME Panel provides a key route for SMEs to engage with government and ensure that their voice is heard”

Jonathan Lewis,
SME Panel & Chair of the Consortia Working Group

Introduced a Crown Representative to give SMEs a voice at the top table

Stephen and his supporting team have;

- Built a strategic dialogue with suppliers through their trade bodies;
- Worked to enable more SME business by providing important input into new procurement processes;
- Overseen decisive interventions into procurements to make them as SME friendly as possible;
- Delivered Product Surgeries and the Innovation Launch Pad
- Presented Government policy to SMEs at various supplier events and;
- Gathered feedback on barriers to SMEs.

Six departmental surgeries have been held; involving DfT, MoJ, Home Office, FCO, Cabinet Office, HMT, DFE and CLG covering;

- Web design;
- ICT;
- Supply Chain opportunities;
- Improving departmental efficiency and;
- Case Management

Further surgeries are planned in departments and Stephen is working to make the process part of the day job for procurers.



Hosted a successful Innovation Launch Pad

- Which enabled over 350 suppliers to submit innovative ideas and business proposals for products and services to deliver better value for money for Government.
- The aim was to stimulate new, open competitions in Government markets in which SMEs will be able to participate.
- After intensive mentoring from a team of senior business leaders, including Sherry Coutu, Andy Richards, David Clevely, Mike Lynch, Jon Moulton and several others, nine SMEs were invited to present their proposals at a Product Surgery in Whitehall on 19 July.
- The nine were selected as exemplars of the innovation and value that government can get from SMEs and to date 3 have subsequently won new business with government.



Adinfo, Becrypt, Cambridge
Temperature Concepts, CatN, Health Analytics,
HotDocs, Learning Pool, MyWorkSearch and Software Europe

“I feel very privileged to have been part of the Innovation Launch Pad. It provided critical analysis of our offering courtesy of the website and once shortlisted we benefited from the advice of some very smart and experienced people, guidance that we would not have otherwise had. The Launch Pad had been great for MyWorkSearch and I believe the process has helped the participating civil servants better appreciate how to work with SMEs.”

Richard Alberg, MyWorkSearch

Government Procurement is leading the way

Government Procurement is leading the way in delivering SME friendly procurements and processes.

We are **addressing the perception that bigger is always better** and the benefit of breaking down contracts has already delivered results.

Already we have seen;

- The 'G Cloud' procurement framework has 260 suppliers providing 1,700 services **with over 50%** SMEs;
- **42% of the supply chain spend** of the central Office Supplies contracts is with SMEs;
- 13% of the supply chain spend of the central print contract is currently with SMEs. There is an aspiration that this will increase to **75%** over the life of the contract.
- The central travel contract, which was previously let holistically, covering both domestic and international travel, was **broken into two lots** and Redfern Travel, a **UK based SME** was awarded the domestic lot.
- Optimum contract size considerations embedded into both the ICT and Major Projects Authority approvals process, including a policy of challenging departments where we believe contracts are too large and should be broken into lots.
- All procurements will demonstrate how SMEs will be engaged directly or indirectly in the supply chain.



Case Study: 'G Cloud'

- The G-Cloud framework, launched in February 2011, revolutionises the purchasing, management and delivery of public sector IT services and the way suppliers particularly SMEs work with government.
- Public sector organisations are now able to purchase “off-the-shelf” IT services from CloudStore on a “pay-as-you-go” basis rather than having to develop their own systems.
- This model enables government the flexibility to adopt quickly better solutions without lengthy procurement or being locked into long contracts. It also frees up opportunities for SMEs.
- Government Procurement Service has 260 suppliers, providing 1,700 services, Of the suppliers on the framework, over 50% are SMEs.
- The process enables competition through transparency, allowing buyers to compare services and suppliers to make fully informed purchasing decisions. This process ensures SMEs' offerings are highly visible.
- “BuyCamps” enable all parts of the public sector to come to the best IT solutions available to address challenges they face. SMEs are provided with insight into future opportunities giving them the opportunity to develop or tailor their offerings accordingly.



Case Study: Redfern Travel

Key Facts about the contract

- OJEU notice published on 4 April 2011
- Awarded on 14 November 2011.
- Value published in the OJEU was £1.2-£2.6bn of total travel expenditure. The booking services fees relating to this travel value are anticipated to be around **£60m**. This is based on anticipated volumes from committed government departments.
- The contract duration is four years.



Winners were:

Lot 1 (Global) – Hogg Robinson Group

Lot 2 (Domestic) – **Redfern Travel** who are an SME.

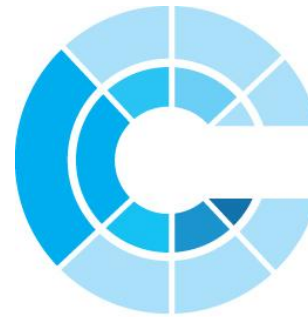
Their price gives a saving of over 70% against current costs.

This contract is projected to **save government over £20 million** in booking fees during the four year life of the agreement.

Case Study: Creative Choice

Key Facts about the contract

- Launched on: 4th July 2011
- Value published in the OJEU was £90m over the framework duration. The award of the contract was delayed due to the marketing freeze. The value has since reduced to approximately £45m.
- The framework duration is 3years



**Creative
Choice**
PARTNERING CIC



Winners were:

Creative Choice – a newly formed 100% SME consortium, which has a managed 2nd Tier supply base with dynamic features.

Savings: Prices provide a saving of 25% equating to £11m during the lifetime of the framework. Prices are guaranteed not to increase during the life of the framework.

Added Benefits: Enables emerging technology and new suppliers to the market to be engaged with and included in the service offering efficiently. The 2nd Tier supply base is refreshed annually. Innovation is a key driver and has introduced new ways of delivering operational marketing.