



Department  
for Work &  
Pensions

# SME Action Plan

## 2022-2023

Revised June 2022

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## **Ministerial Foreword**

The UK's 5.6 million Small Medium Enterprises (SME) make a massive contribution to the economy. These businesses may be small, but their impact is huge, providing employment opportunities and greater choice for provision of goods and services.

Key to continued success of SMEs is ensuring the Department for Work and Pensions (DWP) is open and transparent in its procurement processes, giving smaller businesses every opportunity to bid for and win contracts. As the DWP, our reason for being is to support our citizens into work where possible and putting citizens at the heart of everything we do, so it aligns fully with our core objectives and delivery plan to support small businesses and the jobs and opportunities they can bring the market.

This commitment to engage SMEs throughout our commercial activities and the access we provide to the varied markets we engage with in delivering our departmental objectives, has led to £2.7bn spend with SMEs from 2014 to 2021 (directly and in-directly).

This Action Plan describes how we will continue to drive increased spend and enhance opportunities in contracting with DWP for SMEs. I look forward on reporting back on progress in the next iteration of this plan.

Baroness Stedman-Scott

Parliamentary Under-Secretary of State for Work and Pensions (in the Lords)

## Section 1 – Executive Summary

Each year, the government spends around £50 billion on goods and services supplied by non-public sector organisations. By increasing departments spending with Small Medium Enterprises (SMEs), the government aims to develop a more diverse provider market for government contracts and get best value for the public purse through increased choice and competition.

DWP is maintaining its commitment to increase year-on spend with SMEs by its direct and indirect spend and by updating this action plan, we are setting out the steps it will take to achieve this during 2022/23.

Historically DWP have gained significant Value for Money (VfM) through economies of scale and incentivised investment of longer-term deals with larger suppliers. However, DWP also welcomes the opportunity to deliver governments key priorities through working with SMEs to support economic recovery and improve the lives of citizens.

The introduction in 2020 of mandatory Social Value criteria in procurements also provides further opportunity to support the SME markets. DWP are committed to supporting Social Value policy which can offer SMEs opportunity to demonstrate they can deliver procurement criteria based on quality not quantity.

This revised Action Plan sets out DWP's commitment to work effectively with SMEs throughout the commercial lifecycle to drive the best outcomes for DWP customers and support the government's growth agenda.

This plan contains actions with specific benefit deliverables and is valid during 2022/23 after which time it will be updated to reflect the outcome from the steps taken and a longer-term plan developed to build on those foundations.

The Action Plan focuses on the delivery of key enablers;

- **Improved data accuracy and deep dive review of spend.**  
Ensuring existing contracts with SMEs are captured in DWPs eProcurement system and analysis of spend.
- **Engagement and Accountability**  
Including relaunching Commercial Directorate SME champions working group, to share and implement best practice.
- **Analysis of SME engagement and outcomes in procurements**  
Review procurement outcomes for SME participation to shape future engagement planning.
- **Supply Chain Activity**  
Integrate SME focus into Supplier Relationship Management (SRM) activities.
- **Supply Chain prompt payment compliance**  
Ensuring suppliers pay their supply chain invoices promptly
- **Social Responsibility Strategy**  
Identify how SME engagement and awareness can be supported through Social Responsibility and utilising Social Value policy.

## Section 2 - About DWP

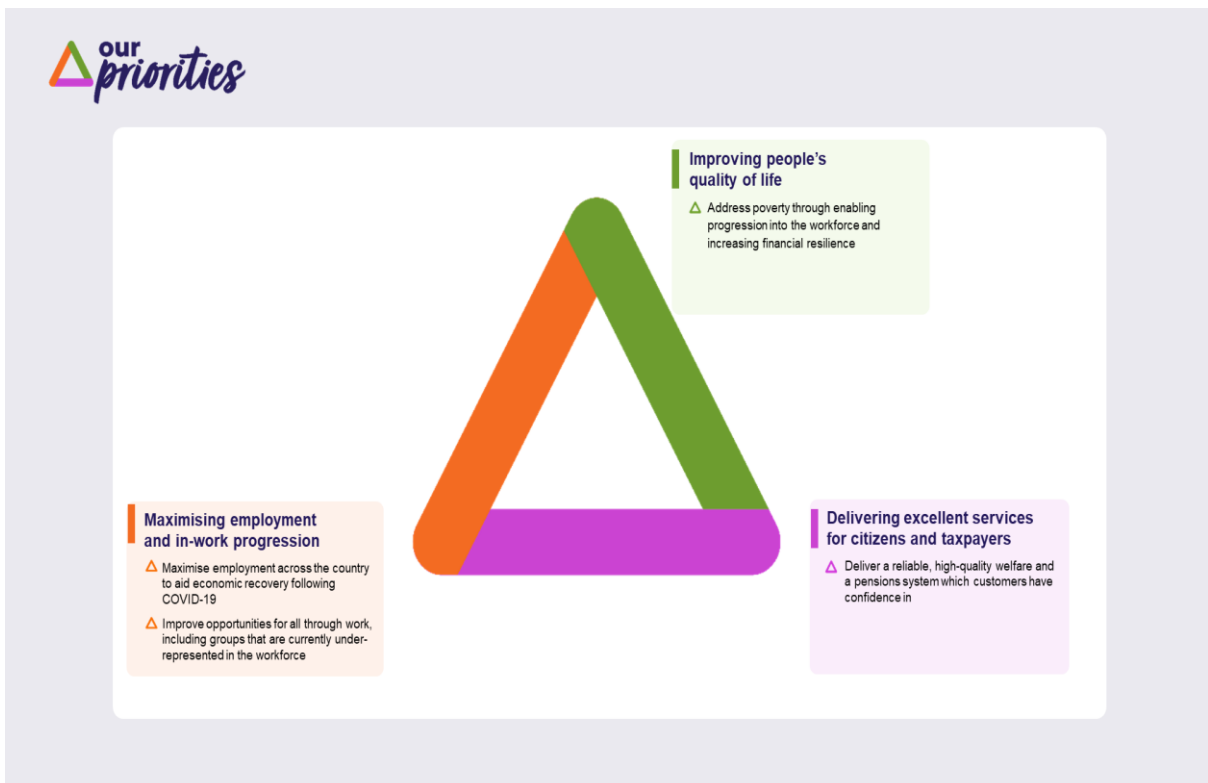
## What DWP Does

The Department for Work and Pensions (DWP) is a ministerial department, with The Secretary of State for Work and Pensions, the Rt. Hon Therese Coffey MP having overall responsibility for the department and its Arm's Length Bodies (ALBs) and Peter Schofield is the DWP Permanent Secretary. More information about our Ministers and management team can be read [here](#).

We are responsible for welfare, pensions and child maintenance policy. As the UK's biggest public service department, we administer the State Pension and a range of working age, disability and ill health benefits to around 20 million claimants and customers, paying £212 billion each year. We provide our services in a number of ways, for example through Jobcentre Plus, The Pension Service, the Child Maintenance Service and partner organisations.

Our overriding mission is quite simple: to improve people's quality of life and the things that really matter to people, today, every day – *to make someone's tomorrow better than their yesterday*.

To deliver this mission we have 3 underpinning strategic priorities – maximising employment and in-work progression, improving people's quality of life and delivering excellent services for citizens and taxpayers.



DWP Commercial Directorate (CD), part of Finance Group, is responsible for commercial activities that support the department's strategic objectives. DWP Commercial Spend in 20/21 was approximately £2.45bn across the commercial categories and £182m of our £377m SME spend in 20/21 was direct spend.

### **How we buy goods and services**

DWP contracts are awarded by competition between potential suppliers, unless there are compelling reasons why competition cannot be used. Routes to markets include use of Crown Commercial Service (CCS) agreements, in-house Frameworks, Open Competition and utilisation of other government services. DWP procurements are based on providing value for money and added value by inclusion of social value criteria to benefit citizens, communities and the environment.

### **How our Commercial Strategy enables delivery of our SME Action Plan**

The CD Strategy 22-25 sets priorities for the commercial team throughout the Spending Review period. This strategy aligns closely to delivery of departmental and wider government priorities, including building new business.

A key objective of our strategy is to set policies that provide equal access to work with DWP through initiatives such as disaggregation, simplification of procurement process and a drive to increase the use of Dynamic Purchasing Systems and other catalogue buying routes. For example:

- Recent sourcing activity with the Estates Category strategy has led to a disaggregation of some specialist services previously delivered within large scale contracts, which will facilitate more opportunities for SME engagement in specific areas of expertise.
- We have taken steps to simplify our procurement process by adopting the Cabinet Office standard contracts including the Short Form Terms and Conditions, which is aimed at avoiding overly complex terms to help overcome barriers to the involvement of SMEs.
- We have established a dedicated team within our central support function to focus on increasing our use of Dynamic Purchasing Systems, catalogues and established CCS buying routes for low value tail spend, creating greater opportunity for SMEs to work with DWP.

### **Commercial pipeline**

DWP publishes a forward look of potential commercial activity which can be viewed [HERE](#) We refresh our published commercial pipeline every 6 months and will continue to publish details of all of our opportunities valued above £10,000 on contracts finder.

### **Arm's Length Bodies (ALBs)**

Nine ALBs and Non-Departmental Bodies are affiliated with DWP, details of which can be seen [here](#) (under the Delivery Agencies section) and more information on their dedicated websites.

The commercial engagement with ALBs includes offering assurance guidance, training and support. A commercial forum facilitates engagement and CD have developed a dedicated SharePoint site to share guidance and collaborate with the ALBs. We will use these channels to further strengthen the ALB commercial relationships during 22/23 and beyond.

## Section 3 – Actions to support SME improvement outcomes 2022-2023

### SME Spend

SME expenditure is categorised as either ‘Direct’ or ‘Indirect’. Direct expenditure is where DWP contracts directly with an SME and money is paid directly to them.

Indirect expenditure is where DWP contracts with a supplier, often a large company who then sub-contract themselves with an SME to deliver aspects of the service and are paid by the supplier, not DWP.

### Historical SME Expenditure

In 2020/21 DWP was responsible for over £2.45bn of commercial spend with thirdparty suppliers and over £377m spent with SMEs of which £182m was Direct. This represents 17.3% of DWP’s total spend.

The table below sets out DWP’s historical SME expenditure.

Financial Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21
£m	£483m	£503m	£424m	£410m	£260m	£280m	£377m
% of total DWP spend	16.20%	17.40%	14.4%	15.4	11.9%	12.2%	17.3%

A number of factors account for a reduction in SME expenditure, including significant suppliers such as Remploy and Redfern Travel now reclassified as non-SMEs.

## SME success stories

The case study below shows an example of a recent, and ongoing, SME success story:

### Flexible Support Fund Dynamic Purchasing System

The Dynamic Purchasing System 2 (DPS 2) procurement was developed to enable Flexible Support Fund (FSF) provision to be sourced in a much more flexible and responsive way to help citizens move into or closer to work.

When refreshing and re-letting the contract, one of our key goals was to ensure it was accessible to the SME sector, ensuring there were no barriers to bidding on call-offs e.g. avoiding a complex accreditation process and a bidding process that still provided value for money but didn't put off suppliers, for example, suppliers who did not have bid writers. The outcome of the procurement demonstrates this goal was successfully met including:

#### **SMEs make up 82% DPS 2 fully accredited Suppliers**

Of the 536 fully accredited FSF DPS suppliers, 437 are SME's - 82% of the total suppliers.

#### **100% of DPS 2 Contracts Awarded to SMEs**

Of the 90 contracts awarded under the agreement, between its launch in November 2021 to March 2022, every contract awarded has been to an SME = 100%

- Value Under £10k = 10, value awarded = £74k
- Value £10k+ = 80 value awarded = £2.8m

This illustrates a positive example of how SMEs have accessed and become the majority of providers to DWP on a key contract that supports citizens moving back into work.

## Supply Chain Activities

**Prompt Payment:** By actively supporting governments prompt payment policy, DWP helps ensure good payment practice gets passed down to smaller subcontractors.

- Payment performance - how bidders pay their supply chains- is reviewed for DWP major procurements, to help protect the supply chain by ensuring bidders are adhering to paying their supply chain invoices promptly. Bidders unable to demonstrate the required standard are excluded from the procurement.
- For our live contracts, DWP suppliers are required to pay undisputed invoices for supply chains provisioning the contract and assurance checks are undertaken during the life of the contract.
- DWP publishes its own payment performance information, demonstrating compliance with the government's prompt payment policy and we aim to pay our own undisputed,



valid invoices within 30 days and 90% of undisputed, valid invoices from SMEs within 5 days. Current data can be viewed [HERE](#)

**Modern Slavery:** DWP is committed to tackling the risk of slavery in supply chains and actions taken will help avoid the risk of exploitation of SMEs in the supply chain. Our first Modern Slavery Statement was published in November 2022 and can be viewed [HERE](#)

### **Increasing visibility of tenders and contracts**

**Contracts Finder:** DWP publishes in-scope opportunities valued over £10k on Contracts Finder, which improves visibility and makes it easier for SMEs to find available opportunities. Contracts Finder can be viewed [HERE](#)

### **Key Actions and benefit outcomes 2022-2023**

In 2020, CD completed a review of how its categories approach SME engagement and using that review along with identifying potential areas of improvement including spend data capture have identified some key actions to undertake. This section sets out how DWP will undertake those internal activities to support and strengthen engagement with SMEs across the commercial lifecycle. These activities will be focused on benefit outcomes with the key objectives of ensuring SME related data is accurately captured, increasing engagement with the SME community and maximising outcomes throughout the supply chain.

Specific actions have been detailed in Annex 1 and the supportive narrative below highlights the key enablers that will be delivered through specific change projects followed by specific activity undertaken by commercial teams.

### **Further reading: Small Business Hub**

For more information about government commitment to small business can be viewed [here](#)

## SME Action Plan Outline – Initial Actions

Improvement Action	Benefit Outcome	Target Date
<p><b>Improved Data Accuracy</b>                      eProcurement system data to be reviewed to check for data accuracy including:</p> <ul style="list-style-type: none"> <li>○ Ensure SME data field is completed for existing contracts with SMEs</li> <li>○ Raise awareness of SME data fields via SME champions group</li> <li>○ Develop specific category guidance</li> <li>○ Facilitate eProcurement system training sessions.</li> </ul>	Improved data capture will enable accurate MI and spend data readily available ensuring a true reflection of SMEs in the DWP supply chain.	Q3 22/23
<p><b>Supply Chain prompt payment compliance</b></p> <ul style="list-style-type: none"> <li>○ Prompt Payment Assurance – assurance checks that existing suppliers are paying their supply chain invoices within thirty days.</li> <li>○ Payment Performance – all new major procurements require bidders to demonstrate they meet prompt payment standards in their existing supply chains.</li> </ul>	Prompt Payment compliance helps ensure supply chain resilience and reducing pressure on SMEs by ensuring reliable invoice payment when they supply DWP either directly or indirectly.	22/23
<p><b>Internal engagement and accountability</b></p> <ul style="list-style-type: none"> <li>○ Refresh and Relaunch of CD SME champions group.</li> <li>○ Include ALBs in CD SME champions group.</li> <li>○ Awareness sessions.</li> <li>○ Update knowledge and refresh SharePoint products.</li> <li>○ Categories to develop own SME action plans.</li> <li>○ Develop case studies from existing contracts for CD sharing and upskilling.</li> <li>○ Utilise SRM relationships to raise SME opportunities with Prime suppliers.</li> </ul>	Refreshing category awareness and ownership of actions will improve SME engagement and opportunities. Utilising the SRM function will provide transparency of prime supplier approach to offering SME sub-contracting opportunities.	Q3 22/23
<p><b>Analysis of SME engagement and outcomes in procurements</b>                      Review procurement outcomes including:</p> <ul style="list-style-type: none"> <li>○ Analysis of eProcurement system data and follow-up SME participation to review successes and failures to shape future planning.</li> <li>○ Through the CD Champions network understand experience of SME challenges, barriers or success.</li> <li>○ Review CCS frameworks MI.</li> </ul>	Understanding successes and failures from SME participation in procurements will provide insight to shape future procurement planning.	Q4 22/23
<p><b>Deep dive review into 'hidden' spend</b>                      Undertake a deep dive review of spend that might not currently be recorded as SME spend, including:</p> <ul style="list-style-type: none"> <li>○ Local spend</li> <li>○ Low value procurements</li> <li>○ GPC spend</li> <li>○ Identify how to accurately capture local or low spend data going forward.</li> </ul>	Identifying process improvement to capture SME spend will enable transparency and accurate MI and spend data.	Q4 22/23
<p><b>Social Responsibility Strategy</b></p> <ul style="list-style-type: none"> <li>○ Identify how SME engagement can be further supported through the SR Strategy and utilising Social Value criteria.</li> </ul>	The SME agenda will be supported by inclusion as a key consideration in CD SR Strategy and highlighting how inclusion of related Social Value criteria can be used to encourage SME bidders in procurements.	Q2 22/23

## **Section 4 – Approvals**

The activities underpinning this action plan are approved by:

Matthew Bradley

DWP Chief Commercial Officer, Department for Work & Pensions

Thérèse Coffey MP

Secretary of State for Work and Pensions

Baroness Stedman-Scott

Parliamentary Under-Secretary of State for Work and Pensions (in the Lords)

Date: July 2022