Department for
Business, Energy
& Industrial Strategy

BEIS Small and Medium Enterprises (SMEs) Action Plan: 2022-2025

WITHDRAWN

January 2023

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Foreword by the Minister for Enterprise, Markets and Small Business

As we come out the back of the COVID-19 pandemic, the impact on businesses in the UK has been stark. The number of businesses in the UK fell by 6.5% between 2020 and 2021, only the second time the number of businesses has fallen since 2000. 99% of businesses in the UK are SMEs so it has never been more important to support those businesses to achieve sustainable growth. SMEs offer innovation, responsive customer service and fantastic employment opportunities. This is economic and social value that BEIS is actively trying to tap into. Despite the current economic difficulties many SMEs are justifiably optimistic about the future, and we are committed to enhancing the UKs reputation as the best place in the world to start and grow a business.

I am pleased to publish this SME Action Plan, that commits BEIS to finding new ways to reduce the barriers for SMEs when it comes to being part of the Department's supply chain. Through the activities outlined in this Action Plan, we aim to be a customer of choice for SMEs, to give all potential suppliers the same opportunities, and to be transparent in our procurements.

There will always be opportunities to improve, and this Action Plan gives a flexible structure for the Commercial function within BEIS to continually seek new opportunities, to hear feedback directly from SMEs, and to action that feedback in the pursuit of creating a fair and level playing field for SMEs to be able to compete against larger organisations for BEIS contracts.

This is our commitment to SMEs.

Kevin Hollinrake MP
Minister for Enterprise, Markets and Small Business

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Foreword by the Small Business Commissioner

The 5.6 million small businesses in the UK (0-49 employees) really are the backbone of the UK economy. They're agile, creative and entrepreneurial, whether they're freelancers, sole traders, micro firms (0-9) or small. They're innovative and talented. They're risk takers and employ half of the UK's workforce. These are the people who help medium sized and large businesses hone their competitive edge and flourish. If you aren't procuring goods and services from this powerhouse, you're missing out on opportunities to boost your local economies and communities.

A local authority procurement professional told me about his excitement on receiving 200 expressions of interest for one contract, and his subsequent disappointment at finding only three lacklustre bids at the final count. 'We've missed out on all that talent' he said.

We owe it to our small firms, their families, communities and the UK economy to create a system that releases the potential of small (and medium-sized) firms and removes the barriers that stop them putting themselves forward. This BEIS Action Plan sets out a robust commitment to doing just that. I look forward to working with the department in any way we can to help bring this plan to life and ensure the economy's backbone is robust and resilient enough to drive forward recovery.

Liz Barclay
Small Business Commissioner

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Foreword by the Small Business Crown Representative

Across public sector procurement, working with SMEs brings value to contracting authorities through their innovation, service and social value for the local communities that SMEs are based in. Too often, SMEs encounter barriers to competing for public procurement opportunities. These barriers stop SMEs from being able to find the right opportunities for them, they fail to create a level playing field that allows SMEs to compete fairly, and they make the working relationship difficult through poor contract management and payment performance.

In my role as Small Business Crown Representative, I encourage all contracting authorities to consider specific actions they can take to reduce and remove these barriers to SMEs. These plans need to be ambitious and comprehensive, addressing the wide range of challenges that SMEs encounter. It is not just the SMEs that benefit from this, but the contracting authorities who gain access to new and competitive suppliers who offer fantastic value.

The themes identified by BEIS in this new SME Action Plan capture the broad challenges that SMEs face. The steps that BEIS are committing to will help to open new opportunities, new supply markets, and smooth the relationship between the Department and SMEs in their supply chain. I welcome BEIS' commitments and look forward to continuing to work with the Department to champion SMEs.

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Martin Traynor OBE
Small Business Crown Representative

Introduction

The Government is in the process of shaking up and transforming our procurement system by changing existing procurement rules in the Procurement Bill which is currently being debated in Parliament. This will lead to cutting red tape, simplifying and speeding up procurement processes and making it easier for smaller businesses to win government contracts. BEIS stands ready to implement this new regime when it comes into force.

The Government has committed to create and maintain more diverse supply chains, accessing the numerous benefits that result, such as improved resilience, access to innovation, and levelling up the country by sharing government procurement opportunities with more organisations.

A key part of creating more diverse supply chains is directly and indirectly engaging the Small and Medium Enterprises (SMEs) around the country. These businesses offer unique capabilities, products, and services. Collectively, SMEs offer huge employment opportunities and produce a significant part of the economic output of the UK.

To better access this potential, BEIS has produced and published this SME Action Plan. Through it, we set out our plans to continue to reduce the barriers that SMEs face when doing business with us, and how we will seek their feedback to continuously improve our processes, opening more opportunities for SMEs to be part of BEIS' value chain.

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Definition of an SME

The Companies Act 2006 defines a large company being determined by its staff headcount threshold: over 250 staff, and either its annual turnover exceeding £36m or its balance sheet total exceeding £18m. However, in relation to its procurement activities, the UK Government currently defines Small and Medium Enterprises (SMEs) in accordance with the table below.

Size of Business	Staff Headcount	Annual Turnover	Balance Sheet Total
Medium	Under 250	Under € 50m	Under € 43m
Small	Under 50	Under € 10m	Under € 10m
Micro	Under 10	Under € 2m	Under € 2m

SMEs make up an essential component of the private sector business landscape. According to the 2021 Business Population Estimates there were almost 5.6 million businesses in the UK at the start of 2021. SMEs accounted for 99.9% of the total number. Importantly SMEs employed 61% of the private sector workforce which was 16.3 million employees. They also earned 52% of the turnover of UK plc which is equivalent to £2,300 billion.

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BEIS Group Overview

BEIS is the government department responsible for energy security and delivering net zero; unleashing innovation; boosting enterprise; and helping businesses. We are committed to building a stronger, fairer and greener future - fostering shared prosperity, growth and levelling up across the UK - through our mission: Leading Britain's Recovery.

While addressing the risks posed by the wider economic and international context, our priorities are to:

- generate cheaper, cleaner, homegrown energy and deliver on this government's commitment to net zero greenhouse gas emissions by 2050;
- unleash innovation to make the UK a science superpower;
- boost enterprise to level up the country, while supporting families with the cost of living;
- drive economic recovery from coronavirus;

The core department is made up of around 5,600 people with regional offices across the UK. Core BEIS is supported by 43 agencies and public bodies - which we call our Partner Organisations – to form the BEIS Group. These range from HM Land Registry and Ordnance Survey to the Insolvency Service and UK Research & Innovation. Through this network of Partner Organisations, BEIS Group delivers services to thousands of businesses and individuals every day – delivering weather reports by the Met Office, registering new businesses at Companies House and protecting intellectual property at the UK Intellectual Property Office. The UK Atomic Energy Authority carries out leading edge fusion research whilst the Coal Authority and Nuclear Decommissioning Authority (NDA) restore and protect our environment. BEIS also works closely with other government departments.

In Financial Year 2021/22, BEIS was responsible for a total budget of £29.7bn, of which £17.4bn related to the Core Department and Agencies, and £12.3bn related to our Partner Organisations and designated bodies.

For a full analysis of BEIS expenditure and financial information, including information relating to spend by BEIS Partner Organisations, please refer to the BEIS annual report and accounts 2021 to 2022. The diagram below provides a breakdown of that expenditure.

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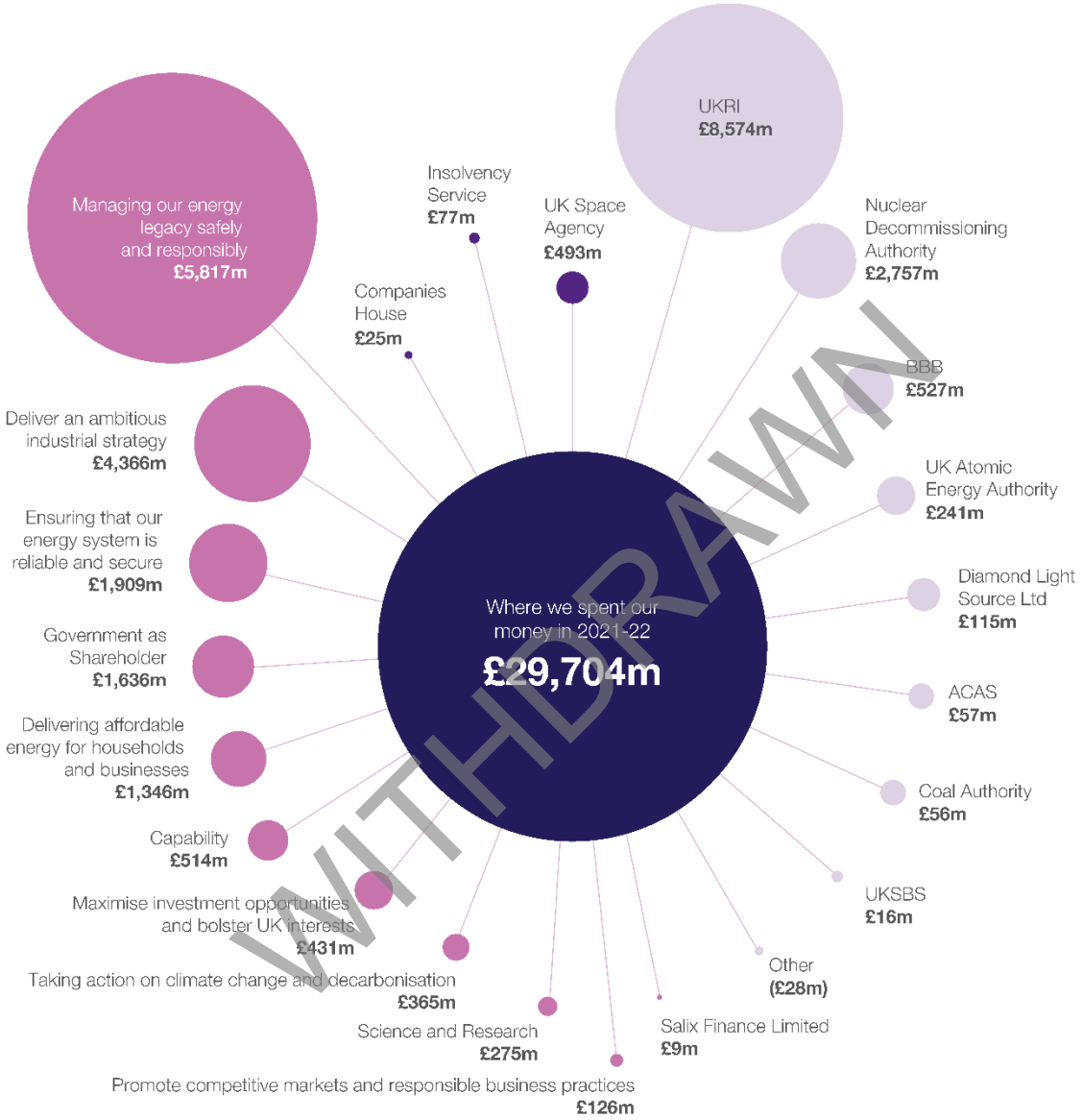

This SME Action Plan is focused on Core BEIS. Many of our Partner Organisations have their own programmes of work to support SMEs. Across the BEIS group Partner Organisations actively seek opportunities to collaborate and share best commercial practices. While each organisation has its unique spend profile, and therefore its own challenges to reduce barriers for SME participation, areas we have been able to share best practice on include raising awareness of BEIS' own Help to Grow SME grant programmes, and in implementing high standards of prompt payment performance for our primary contractors.

Actions & Progress to Date

BEIS published our last SME Action Plan in 2019. Since then, we have made good progress, working with our Partner Organisations, to reduce barriers for SMEs to work with us. Notable improvements include:

- BEIS has created a dedicated web page that provides an overview of our procurement processes. This gives prospective suppliers insight into what will be expected of them when they bid for work and has a dedicated section for SMEs.
- Implemented a new eProcurement platform to standardise the BEIS Procurement process. This creates a consistent experience for all suppliers participating in tenders, and the registration process for the platform gives us the insight into which suppliers we contract with are SMEs.
- Championed the importance of SMEs with the BEIS Commercial function, ensuring that SME engagement is considered as part of all projects. This opens opportunities for SMEs to work with BEIS as Tier 1 suppliers, and further through our supply chain as we assess potential Tier 1 suppliers for their own efforts to work with and encourage SMEs in their own supply chains.
- Further nurtured and developed the relationship between BEIS' Commercial and Policy teams to provide holistic insight in both functions as we engage with businesses. Recent examples include BEIS Commercial presenting at the Ethnic Minority Business Group chaired by Minister Scully, and the dedicated section below that highlights the broader policy landscape as it affects SMEs.

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BEIS Commitments & Planned Future Actions

We set out below 18 actions, across 4 different themes, that we plan to undertake over the next 3 years, covering the financial years 2022-2025. This action plan will be reviewed annually to consider progress against these actions and make any necessary changes to the plan resulting from emerging developments.

What will we do over the next 3-years?	How will we know if we are making a
Theme **Improving SME engagement and visibility of opportunities**	
1. Survey BEIS SME suppliers to explore their experience of working directly or indirectly for BEIS, and to gather their feedback to support further improvement activity.	1.1 BEIS Net Promoter Score >20%. 1.2 Positive verbatim feedback from suppliers about working with BEIS. 1.3 Constructive feedback from suppliers which is acted upon to improve the ease of working with BEIS.
2. Improve the timeliness of publication of BEIS Commercial Pipeline of opportunities to ensure where possible at least 18 months' notice is given for new tender opportunities. Promote the Pipeline through our networks to small businesses.	2.1 Pipeline is published at agreed frequency, giving 18 months' notice of re-procurement opportunities where possible. 2.2 Opportunities linked to new requirements are published as soon as possible.
3. Reduce the proportion of direct awards in favour of competitive routes to market.	3.1 A 10% reduction in direct awards where there is no monopoly supply situation.
4. Require all tier-1 suppliers, with contracts > £1 million to publish relevant sub-contract opportunities on Contracts Finder.	4.1 Relevant sub-contract opportunities through tier-1 contracts > £1 million are published on Contracts Finder. 4.2 Tier-1 suppliers with contracts > £1 million are contractually committed to publish opportunities on Contracts Finder.
5. Map the critical BEIS Supply Chains to improve visibility of the different opportunities that exist at different layers within the supply chain.	5.1 All new procurements awarded provide visibility of all significant suppliers within the supply chain (any BEIS contract >£1m and any subcontract >10% of the total contract value).

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6. Introduce a new facility to capture feedback from suppliers, anonymously where preferred, at the end of competitive tender process of their experiences.	6.1 Suppliers invited to feedback on the tender process. 6.2 Responses received and considered with a view to improve procurement process.
Theme **Supporting SMEs to do business with BEIS**	
7. Create and implement a dedicated Prompt Payment Action Plan that will define specific activities to improve BEIS' Prompt Payment performance.	7.1 Prompt Payment Plan in place and resourced effectively. 7.2 BEIS Prompt Payment performance achieves at least 90% of undisputed invoices paid within 5 days.
8. Conduct a proof-of-concept commercial audit of 1-2 selected tier-1 suppliers to ensure they are adhering to their Prompt Payment obligations in the supply chain.	8.1 At least one commercial audit of a BEIS tier-1 supplier complete, with outcomes shared with appropriate audiences and any identified issues are captured into an agreed remediation plan.
9. Work with stakeholders within BEIS to provide SMEs with relevant resources to support their decarbonisation.	9.1 BEIS external tender and notification templates are adapted, to point suppliers towards available resource, to support their decarbonisation journey.
10. Proactively consider new procurements for opportunities to engage with micro, small and medium sized businesses.	10.1 Use of PPN 11/20: Reserving Below-Threshold Procurements for SMEs increases.
Theme **Developing our systems to streamline the supplier experience**	
11. Utilising the eProcurement platform, to provide better visibility of barriers to and representation of SMEs, when competing in BEIS procurements.	11.1 Barriers in existing processes are identified through SME post-tender feedback and proactive engagement with SMEs prior to tender. 11.2 SME participation in procurements is analysed to understand when SMEs drop out of the process and for what reasons.
12. Support the Public Procurement Gateway development and implementation, as an early adopter, creating a single supplier registration portal and simplifying the onboarding journey and data management activities for all Central Government suppliers.	12.1 BEIS Commercial teams have buyer access to the portal and can utilise it to find bidding suppliers for their projects. 12.2 Suppliers registered on Project Conclave portal can readily access BEIS procurements without duplicative registration processes.

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13. Develop the new Jaggaer platform, utilising GDS best practice, to provide improved workflow guidance to buyers, of SME friendly approaches, when running BEIS procurement competitions.	13.1 Buyers receive timely guidance from the platform on their procurement approach 13.2 Increased SME participation in new opportunities
14. Identify Contract Reference Number on purchase orders in the finance system, to provide timely and accurate reporting of SME spend and payment performance.	14.1 Identify any payment problems that are caused by poor commercial set-up. 14.2 Implement functionality to report spend and payment performance against individual contracts.
Theme **Promoting SME awareness in the department**	
15. Hold insight sessions with BEIS commercial colleagues to identify challenges and barriers that micro and small sized businesses face in bidding for government work.	15.1 Regular reporting of the identified barriers in existing procurement processes. 15.2 Positive feedback from staff attendees at insight sessions.
16. Conduct a Buyers survey to establish their awareness and understanding of SME challenges and how to address them.	16.1 Feedback from Buyers will provide a baseline of awareness. 16.2 Analysis of procurements to measure compliance and identify good practice.
17. Develop case studies with SMEs to share their experiences of winning a contract to work with BEIS.	17.1 Positive feedback from SMEs 17.2 Constructive lessons learnt from SMEs of how BEIS processes can be improved 17.3 Changes to BEIS approach are introduced as a result of learning from SMEs
18. Work with the BEIS Partner Organisations to align Sustainable Procurement and Commercial Policy approaches where possible.	18.1 Engagement with Partner Organisations who apply sustainable policies in their own commercial teams 18.2 Partner Organisations report their own experiences in delivering these policies

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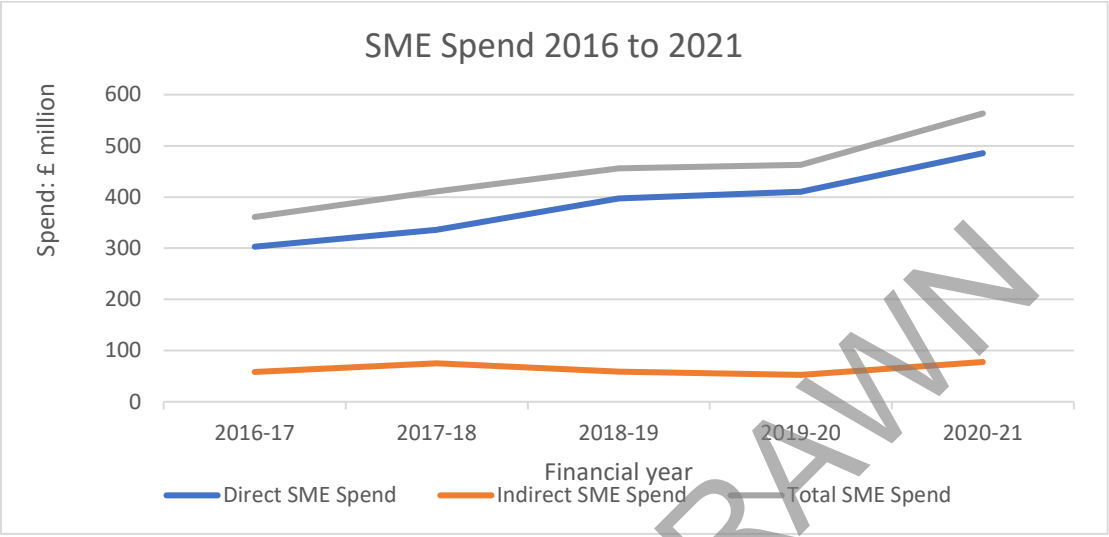
BEIS Group Spend with SMEs Targets

Across the BEIS Group the total amount of procurement spend with SMEs has increased steadily over recent years. The value of contracts placed directly with SMEs has risen by over 40% in 4 years. Over the same period the reported value of indirect spend placed with SMEs, through sub-contracts further down the supply chain, has not noticeably changed.



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Financial Year	Total Procurement: £m	Procurement Excluding VTF: £m	Direct SME Spend: £m	Indirect SME Spend: £m	Total SME Spend: £m	Total SME Share %	Excluding VTF SME Share %
2016-17	£1,205.0	£1,205.0	£303.0	£58.0	£361.0	30.0%	30.0%
2017-18	£1,232.0	£1,232.0	£336.0	£75.0	£411.0	33.4%	33.4%
2018-19	£1,297.0	£1,297.0	£397.0	£59.0	£456.0	35.2%	35.2%
2019-20	£1,435.2	£1,435.2	£410.5	£52.5	£463.0	32.3%	32.3%
2020-21	£3,152.6	£1,498.1	£485.6	£77.7	£563.3	17.9%	37.6%

The substantial national investment in the Covid-19 vaccine development in 2020-21, which was necessarily focused on major pharmaceutical companies, has dramatically impacted the % SME share. The Vaccines Task Force (VTF) was established in BEIS in 2020-21 soon after the pandemic took hold. As can be seen this caused a doubling of procurement spend in the final year, creating the substantial fall in SME share. The table also shows the underlying

position for SMEs once the exceptional VTF spend is stripped out – a further increase in SME share.

Compared to other Government Departments, in 2019-20, BEIS' Total SME Share of 32.3% put us joint 7th out of 18 Departments (5.6% above the average). In 2018-19 we were 5th (9.5% above average). Due to the above impact of the introduction of the VTF, BEIS dropped to 15th out of 17 Departments (9.0% below the average). Excluding the VTF, BEIS would have positioned 2nd. It is our intention, through this Action Plan, to continue to build on our progress and target to consistently be in the top three Government Departments for our share of spend awarded to SMEs.

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BEIS' Policy Delivery & SMEs

BEIS recognises the value that micro enterprises and small businesses bring to the economy, through their creativity and entrepreneurial spirit, in helping to deliver our ambition to make the UK one of the best places in the world to start and grow a business. BEIS is developing an Enterprise Strategy which we plan to publish in due course. The Strategy aims to create an enterprising culture where everyone that wants to start a business has the confidence to become an entrepreneur, where we widen opportunity to all places and parts of society to engage in enterprise, and where every business that wants to invest and grow has the means and know-how to do so. The Strategy encompasses a number of different areas including:

- Boosting enterprise by making the UK one of the best places to start and grow a business, taking advantage of the UK's departure from the EU to build the UK's competitive advantage, creating jobs and encouraging investment;
- Increasing opportunity by levelling up economic activity across the country, creating a more resilient, fair and flexible workforce;
- Driving up productivity and creating high-value, better paid jobs, by boosting our world class sectors;
- Strengthening our national security regime, protecting against hostile actors while retaining investment in strategic sectors;

We have several programmes and schemes that support this ambition, including:

Help to Grow: Management is an intensive national training programme that looks to improve SME leadership and management skills. This programme aims to support 30,000 SME business leaders to increase productivity, seize investment opportunities and grow their business. This 12-week programme, which includes 1:1 mentoring, is designed to fit around full-time work, is delivered by leading business schools across the UK and is backed with a 90% government subsidy. For more information: gov.uk/helptogrowmanagement

The **British Business Bank**, which was established by and is sponsored by BEIS, increases the supply and choice of finance for SMEs. They are providing the opportunity for SMEs to invest and grow, creating additional jobs and economic activity.

- **Start Up Loans** provide new and early-stage UK businesses with access to affordable finance and mentoring support. Over 93,000 loans have been delivered with an average size of nearly £10,000 and this comes with 12 months free access to an expert business mentor, to help with every aspect of setting up a business;
- **British Patient Capital** helps UK businesses with high growth potential to access the long-term financing they need to scale up. By co-investing with the private sector, they de-risk the investments for venture and growth capital funds;

We are tackling the culture of late payments which harms so many small businesses through a number of mechanisms.

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- The **Small Business Commissioner** addresses complaints from small businesses about late payments by large businesses. The Office of the Small Business Commissioner has recovered over £8 million owed to small businesses.
- The **Payment Practices Reporting** duty requires large companies to report on their payment practices every 6 months through the gov.uk website. Over 50,000 reports have been submitted by 9,000 large businesses;
- The **Prompt Payment Code** now requires that 95% of invoices for SMEs are paid within 30 days, to ensure they maintain good cash flow and enabling them to grow. This is setting standards and best practice in UK payment culture. The voluntary Code now has over 3,700 signatories committed to paying their suppliers fairly;

BEIS is providing Net Zero support for SMEs that wish to reduce their carbon emissions. We aim to empower businesses to make green choices through government communications and engagement. In the run-up to COP26 (the UN international climate change conference hosted by the UK government in Glasgow) we promoted the Race to Zero Campaign. Through the UK Business Climate Hub over 3,200 SMEs have made the commitment to reach Net Zero by 2050.

The **Business Climate Hub** sets out practical advice on how businesses can cut emissions, including sector-specific tips in 6 pilot sectors, including retail, manufacture and construction. It also presents case studies from different parts of the UK, spotlighting small businesses who are already making great progress.

Almost £5 billion of funding is available to help UK businesses become greener as part of the government's commitment to reach net zero emissions by 2050. Businesses can keep up to date with funding opportunities by visiting this webpage: https://www.gov.uk/guidance/find-funding-to-help-your-business-become-greener

At national level, funding schemes currently open to small businesses include the Boiler Upgrade Scheme, offering grants of up to £6,000 towards heat pumps; the Workplace Charging Scheme, which provides support towards the upfront costs of electric vehicle charge-points and their installation; and the Cycle to Work Scheme which allows employees to hire equipment via salary sacrifice and can enable tax savings for both the employee and employer.

BEIS has teamed up with BSI and is sponsoring 100,000 free copies of the BS ISO 50005 Energy Management System standard, to support SMEs to manage their energy performance. The standard provides SMEs with a means to develop a practical, low-cost approach to energy management, to reduce energy consumption, energy bills and greenhouse gas emissions.

BEIS hosts the Energy Technology List website, which is a leading source of truly independent and trustworthy advice for business, enabling them to save energy and costs by investing in high-performance, energy-efficient equipment.

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Useful Links

Procurement at BEIS provides information for suppliers about how procurement works in the department: https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy/about/procurement

BEIS Commercial Pipeline provides summary information of potential commercial procurements that are being considered for the next 3 years: https://www.gov.uk/government/publications/beis-commercial-pipeline-april-2022

Notices of BEIS procurement tender opportunities valued over £10,000 are published on Contracts Finder: https://www.gov.uk/contracts-finder

Central government spend by department with SMEs in recent years both directly and through the supply chain: https://www.gov.uk/government/collections/central-government-spend-with-smes

Check when large businesses pay their suppliers and the proportion they do not pay on time: https://www.gov.uk/check-when-businesses-pay-invoices

Business population estimates, produced by BEIS annually: https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html

For any questions about this SME Action Plan, please email: CommercialSustainabilityandPolicy@beis.gov.uk

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