Cabinet Office

Making Government business more accessible to SMEs

Two Years On
INDEX

FOREWORD

CHAPTER 1 - Impact of the programme

CHAPTER 2 - SMEs in government

CHAPTER 3 - Large suppliers to government supporting the SME agenda

CHAPTER 4 - Departmental commitment to the 25% aspiration

CHAPTER 5 - The new digital world

CHAPTER 6 - Next steps

OTHER SOURCES OF INFORMATION – Web links

Annex - Departmental progress reports
Small and Medium Sized Enterprises (SMEs) are a crucial engine for growth in this country. 99.9% of the UK’s 4.5 million businesses are SMEs; with an estimated turnover of £1,500bn, they are responsible for over 14 million private sector jobs and account for almost half of the net growth in jobs. Data from the Office of National Statistics Annual Business Survey shows that on average, SMEs create around £33 of gross value added to the UK economy for every £100 of turnover, while large companies create around £26.

Despite this, SMEs have historically been shut out of government business. Smaller firms have found bidding for public sector work excessively bureaucratic, time-consuming and expensive. This meant that the tax payer has not always benefited from some of the best and most cost-effective ideas that SMEs are capable of delivering.

When we came into office only 6.5% of government business was going directly to SMEs. This Government has set an aspiration that 25% of central government procurement spend, by value, flows to SMEs directly and through the supply chain, by 2015. To achieve this we have made our procurement processes much simpler, more open and less bureaucratic – so all businesses, no matter what their size, have a chance of success. There is now much greater visibility of opportunities for SMEs via our Contracts Finder website – a single place to view what is on offer. We have also introduced more accountability. Our Mystery Shopper Service allows suppliers to report instances of poor practice across the public sector which Cabinet Office investigates. 80% of these cases result in a positive outcome.

These reforms are starting to pay off. Overall government has increased its direct spend with SMEs from 6.5% in 2009/10 to 10.5% in 2012/13. Figures from government’s largest suppliers have also identified £4bn (9.4%) of indirect spend flowing to SMEs. These figures are encouraging, but clearly more needs to be done to reach our 25% aspiration.

The good news is, at this midway point, we are clearer about the task ahead; we have much better data than in the past, and through our on-going engagement with SMEs a better idea of the ‘roadblocks’ remaining that we need to tackle. All departments have developed plans for making their contributions to the 25% aspiration, and lead ministers have been appointed to drive their delivery and ensure SME-friendly practices are mainstreamed into their departments. We are also seeing more and more prime contractors recognising the value that SMEs can offer, increasing opportunities for smaller suppliers in their own supply chains.

The UK is competing in a global race. By opening up opportunities for SME suppliers we will stimulate growth and jobs, as well as giving government access to SMEs’ creativity and innovation.

We have further to go but by working closely with SMEs this Government will continue to level the playing field and support entrepreneurial businesses to invest and grow.

Chloe Smith MP, Minister for Political and Constitutional Reform
CHAPTER ONE – IMPACT OF THE PROGRAMME

Over the past year the Government has continued its relentless focus on ensuring SMEs are at the forefront of its commercial thinking. The SME spend figures for 2012/13 demonstrates that the Government is on target to deliver its aspiration of 25% being spent with SMEs.

There was a small increase in direct spend flowing to SMEs, £4.4bn in 2011/12 to £4.5bn in 2012/13 representing an additional £137m (or 0.4%) against a backdrop of falling procurement spend. During this period twelve departments have shown an increase in direct spend compared to just seven in 2011/12.

For the same period, an indicative sample of indirect spend showed £4bn (or 9.4%) flowing to SMEs through the supply chain, compared to £2.9bn (or 6.5%) in 2011/12. The Cabinet Office has worked with over a hundred major suppliers to Government to understand in more detail the significant roles that SMEs are playing in supply chains but we do not yet know the full picture, particularly in those departments such as Ministry of Defence (MOD) and Department for Work and Pensions (DWP) with complex, high value contracts.

MOD accounts for 45% central government spend – without MOD figures the data shows direct spend with SMEs would be 15% and total indirect spend would be 8.9%.

Diagram 1 – Breakdown of departmental SME spend data

<table>
<thead>
<tr>
<th>Department</th>
<th>2011/12 Full Year</th>
<th>2012/13 Full Year</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Procurement Spend (£m)</td>
<td>Direct Spend with SMEs (£m)</td>
<td>Direct Spend with SMEs as %</td>
</tr>
<tr>
<td>DfE</td>
<td>£1,158</td>
<td>£295</td>
<td>26.6%</td>
</tr>
<tr>
<td>CO</td>
<td>£98</td>
<td>£11</td>
<td>11.6%</td>
</tr>
<tr>
<td>DCMS</td>
<td>£335</td>
<td>£155</td>
<td>11.5%</td>
</tr>
<tr>
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<td>£3,85</td>
<td>£13</td>
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</tr>
<tr>
<td>DEFRA</td>
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<td>£108</td>
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</tr>
<tr>
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<td>£48</td>
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</tr>
<tr>
<td>DfID</td>
<td>£652</td>
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<td>15.5%</td>
</tr>
<tr>
<td>DEF</td>
<td>£2,666</td>
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<td>2.9%</td>
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<td>DH</td>
<td>£1,061</td>
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<tr>
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<td>£1,728</td>
<td>34.0%</td>
</tr>
<tr>
<td>Other</td>
<td>£4,389</td>
<td>£4,389</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

- Total procurement spend and direct spend with SMEs is reported by departments on a monthly basis. Within these returns to the Cabinet Office, departments are asked to include the core department and its Executive Agencies and Non-Departmental Public Bodies (NDPs).
- Indirect spend with SMEs is calculated using the results of a quarterly supplier survey set against departments total procurement spend.
- The supplier survey covers 120 key suppliers to Government; therefore only covers a proportion of total procurement spend (56%).

1. The indirect spend figures are taken from the quarterly supplier survey - these figures are indicative and representative of indirect spend for the period October 2012 to March 2013 only.
2. DWP strategy for the Work Programme saw a shift to indirect spend with SMEs through the supply chain.
3. Direct spend is based on UK spend only. Indirect has been calculated against global total procurement spend.
4. HM Treasury Group has revised its figures for 2011/12. On a like-for-like basis the total procurement spend is now recorded for 2011/12 as £91.6m (formerly £93m) and direct spend with SMEs as £4.5m (formerly £5m) which equates to 3%.
5. The total procurement and direct figures are for the core department only, therefore exclude its Executive Agencies and NDPB. Indicative indirect figures are taken from the quarterly supplier survey and are limited to expenditure by major prime suppliers with SMEs at the next tier of the supply chain.
6. Data reported by suppliers with no departmental breakdown
Changes to the procurement landscape

The Government has been working to change the procurement landscape to encourage and support SMEs.

LEAN procurement: The average turnaround time between the publication of the Official Journal of the European Union (OJEU) notice and the date of contract award has more than halved, from 208 to 102 working days. This surpasses government’s target of 120 working days.

Since the new LEAN Standard Solution was mandated in January 2012, over 1500 cross-government staff have undertaken some form of LEAN sourcing training e.g formal training programmes or e-learning. The Open procedure for goods and services - which favours greater competition and shorter turnaround times - is now the most commonly used procedure by government departments, accounting for 54% of above threshold procurements since LEAN was mandated. This is a significant increase from 19% usage pre January 2012.

“The procurement processes are now more targeted and informed. Previously, a procurement that could take 4-6 months is taking as little as 4-6 weeks.” Brian Gannon, Director, Kainos

Pre-Qualification Questionnaires (PQQs): 2011/12 saw the abolition of the use of PQQs for contracts of goods and services under the £100,000 threshold (except where security is an issue). Evidence suggests that this has been a significant step in speeding up central government procurement processes and levelling the playing field for SMEs.

“Removal of the PQQ is a positive step in making the marketplace more competitive for SMEs.” Trevor Hinkins, Operations Director, Mokum Change Management

Contracts Finder: Since its inception over 6,000 low value opportunities have been advertised. The volume of business available to SMEs is now more visible with 3,027 low value opportunities advertised on Contracts Finder between 30th April 2012 and 30th April 2013.

⭐ 92% of low value opportunities flagged as suitable for SMEs
⭐ 23% flagged as suitable for voluntary, community and social enterprise organisations
⭐ 32% (2280 out of 7100) published contracts have been flagged as awarded to SMEs

“Placing all public sector contracts in one place on Contracts Finder is helpful for small businesses. Not only can they search for current opportunities but they can see exactly what the Government is buying and what is in the pipeline. The challenge now is ensuring those businesses know it is available and where to find it.” Phil Orford, Chief Executive, Forum of Private Business

Pipelines: Most recently revised in May 2013, pipelines show business opportunities valued at approximately £79bn. Each notice (issued from Contracts Finder) contains a confidence level allowing suppliers to get an idea of how likely it is that a contract notice will be issued further down the line. A total of 652 different opportunities were published in May, with diverse requirements from waterproof clothing for the police services to Proton Beam Therapy for the University College London Hospital.

Cross-government contracts: SMEs can play a significant role in large, cross-government contracts. A recent example is the mandating of central government to source consultancy between £100k and £2m in value from the new Consultancy ONE framework. The outcome was extremely positive – SMEs accounted for 29 of the 66 suppliers (44%) bidding, including seven SME consortia.
“Improving relationships with SMEs is vital to delivering innovation either alone or in a consortia, allowing us to provide our customers with a more capable and affordable solution.” Nigel Cudby, Director – UK Government Relations, BAE systems

The agile route for communications services is now in place for over 200 SME suppliers, providing them with swift access to low value opportunities. This agile route will reduce the cost and time burden on suppliers when competing for Government business.

Government’s Construction Strategy seeks to identify the benefits that can flow from greater integration with the supply chain. There has been extensive involvement of SMEs across government’s construction supply chains with Tier 1 suppliers estimating SMEs in the supply chains to be in the order of 50% by value.

Diagram 2 – Example of % of construction supply chain spend with SMEs

A wide range of measures is also being used to inject liquidity within the supply chains, including supply chain finance, enterprise credit guarantees and Project Bank Accounts (PBAs) - Government has now awarded £2bn of work that makes use of PBAs.

Mystery Shopper: The Mystery Shopper team have now received over 440 cases, with over 80% being resolved with a positive outcome. Diagram 3 shows how our interventions have seen significant changes to procurement practices and accounting processes.

Diagram 3 – Breakdown of Mystery Shopper interventions
Examples include a sub-contractor in the FM/Construction industry that was not being paid promptly by a prime contractor. Our intervention ensured payments were made, resulting in the SME avoiding the need to make a number of redundancies. Another example enabled a small IT supplier to submit electronic invoices for work done under contracts with two Government departments, saving time and money for the SME.

The Mystery Shopper team was also able to support the SME programme by ensuring that policy decisions were followed through in departments, this includes the removal of PQQ on below EU threshold procurements.

"Staff in the Mystery Shopper Team are knowledgeable, well trained and helpful. Service users are kept informed of progress of their cases." Taken from the 2013 Mystery Shopper User Survey

Government support for SMEs

An ambitious and driven small business sector can steer the economic recovery in the right direction. So for small firms to be as successful and prosperous as possible, it is important that the Government provides the right support and conditions to allow them to thrive.

The Government has already taken many steps to support SMEs, including:

- Establishing Growth Accelerator, a scheme solely focused on accelerating SME growth. Over 5,000 businesses have received tailored support to meet their growth potential. The scheme will deliver 75,000 jobs and £2.8bn of economic growth by 2015/16.

- Giving every business and charity a £2,000 allowance towards their National Insurance Contributions bill from 2014, benefitting 1.25 million businesses.

- Introducing a further cut in corporation tax to 20 per cent, making the UK tax system one of the most competitive in the world, the joint lowest in the G20.

- Announcing in April 2013 that the Funding for Lending Scheme (introduced in 2012 to make loans cheaper and more easily available) would be extended and skewed towards SME lending. This will ensure that small businesses fully share in the benefits of cheap funding.

- Working to reduce red tape – the Government has already saved businesses around £1bn to date by reducing red tape.

- Developing a business bank to diversify the choice of lending available to SMEs.

Growth

Annual Business Survey: The Office of National Statistics’ (ONS) Annual Business Survey results for 2011 showed that SMEs generate more value to the economy (approximate Gross Value Added, aGVA) per pound of turnover than larger firms. ONS use aGVA as the measure for estimating the value added to the economy by businesses in the UK. The results showed that SMEs generated more than £33 per £100 of turnover on average while large firms generated only £26. This supports the view that switching procurement spend from large enterprises to SMEs generates additional value to the economy. Diagram 4 shows the aGVA/turnover ratio by sector of the economy. The table shows that the value generated by SMEs varies by sector.
Diagram 4 – aGVA (£) per £100 turnover

The ‘All Sectors’ bars on the table represent aGVA per £100 turnover for the whole UK business economy in 2011. The two lines do not represent “averages” of the values represented by the bars above, but are influenced disproportionately by sectors where turnover and aGVA are high (e.g. wholesale and retail trade.)
CHAPTER TWO – SMEs IN GOVERNMENT

New business with government: New suppliers to government have told us they are now able to compete in markets that they would not have been able to a year ago; existing SME suppliers to government have continued to build their relationships with us and their businesses have grown as a result. Here are some of their stories:

"I firmly believe that government has committed to SMEs and that the procurement process has improved over the last 2 years mainly due to the readily available information." Jae-Young Ha, UK Director, Oxbridge Pharma Ltd

Oxbridge Pharma Ltd is a small pharmaceutical company with six office-based staff that specialise in supplying pharmaceutical medicines. Over the past two years their engagement with government as an SME has been predominantly through the NHS. Building on this relationship, they have developed a solid business plan and are looking to grow their organisation across international markets.

Oxbridge Pharma Ltd’s first engagement with government was via a framework tender, using it as a practice bid to understand the processes involved. Jae-Young Ha confirmed that, "over the past 10 months our commitment has paid off." A successful bid has enabled them to gain a place on a government framework. Jae-Young also said, "we are delighted to have secured a contract that will enable us to continue to supply our products to the NHS."

Oxbridge Pharma Ltd would like to see the Government fulfilling its promise to reduce the burden around procurement administration and implement a central control on advertising of NHS contracts through the Contracts Finder website.

"Working with government is mostly positive, sometimes frustrating but generally rewarding." Martin Bollers, Managing Director, Big Blue Door

Big Blue Door is a web and digital development agency employing five people. They have worked across the public sector. Big Blue Door predominantly engages with government via frameworks and G-Cloud – a recent example was designing the National Citizen Service website.

Big Blue Door has experienced government making some positive changes to the way it does business with SMEs over the past two years. Martin explained, "I am particularly impressed with the G-Cloud procurement process, and the support that was offered to suppliers through workshops, focus groups and blogs." Whilst the use of G-Cloud may have streamlined the procurement process, Martin believes that away from the centre, other parts of central and local government are “still wedded to long and complex pre-qualification questionnaire (PQQ) processes.”

Big Blue Door would like to see central government continuing to communicate the benefits of working with SMEs and do more to cajole the wider public sector into embracing the new approach.
Supporting UK growth: SMEs play a crucial role in generating UK growth and supporting sustainable economic recovery. Here are some of their stories:

"Engagement with the SME programme has been informed, streamlined and thoroughly professional. As a result Kainos has established a productive and mutually beneficial customer-supplier relationship with central government." Brian Gannon, Director, Kainos

Kainos provides Digital Services to the public and private sector and over the past year has worked closely with Government Digital Services (GDS). This relationship has led to Kainos working in other central government departments and agencies, with GDS sponsorship. Kainos currently considers UK central government to be its major engine for growth: for example, over the past year the relationship has been instrumental in helping grow the company’s headcount by over 100 new personnel.

Kainos feels that the public sector procurement process has changed a great deal over the past two years commenting that previously it felt “cumbersome, slow and inefficient.” In the past few years there have been vast improvements. The removal of the PQQ for below EU threshold contracts, has been just one of the contributing factors in speeding up central government procurement.

Kainos has found that acting as a sub-contractor, through third parties, can be frustrating. Brian explained, “It slows commercial interaction and also has increased the length of time before payment is received.”

"It is now much easier to engage with government procurements, with a faster response to queries, better clarity and more competitive pricing structures." Trevor Hinkins, Operations Director, Mokum Change Management

Established in 1997, Mokum is now the largest consultancy in Europe specialising exclusively in Oracle Applications Consulting, Managed Services and related software. In the past Mokum has found it difficult to get onto central government frameworks and secure contracts. Trevor explained “it was primarily due to excessive barriers in relation to time and marketing which made it difficult for SMEs like Mokum to compete in the marketplace.” They often had to trade through larger organisations to win contracts, losing 11% of revenue in the process.

For Mokum, doing business with government is considerably easier than it was a few years ago. The removal of the PQQ for below EU threshold contracts is seen as a positive step in making the marketplace more competitive. The G-Cloud Framework has meant better competition on smaller and more controlled projects aimed at SMEs. Trevor said that, “as a result of these positive steps, we have seen turnover increase by 10% and are looking at hiring more staff in the near future.”

Mokum also believes that there should be better distinction between lots so that criteria do not overlap, which can lead to mis-interpretation and unnecessary extensions to the procurement process.

SME Panel: The SME panel is a representative group of SMEs drawn from a range of market sectors who help ensure the Government remains in touch with the reality of SME experience in engaging with government. The panel has played a pivotal role in understanding the barriers to consortia formation, and have seen real success including a GPS framework for medical locum services that includes eight SME consortia.
The SME Panel regularly meets with both the Minister for the Cabinet Office and the Minister for Political and Constitutional Reform allowing a two way dialogue to discuss how the SME programme is delivering real results and where more needs to be done. The expertise and enthusiasm shown by the SME panel members has helped shape the direction of the programme and deliver genuine results.

"It has been a challenging year for the SME Panel. Opportunities have opened up for members of the panel to make a big difference...the ability to influence for the greater good has continued to be there."
Daniel Ruiz, Delivery Cell One and SME Panel member

The SME panel, in conjunction with government departments also developed an SME Friendliness Tool. The tool has been designed to describe what SME friendly procurements look like and support improvement by allowing departments to benchmark against and learn from each other.

Trade Associations: We continue to work closely with SME-focused trade associations to help ensure delivery of our 25% aspiration. Trade associations are a valuable source of feedback, helping us reach out to SMEs, understand the real impact the programme is having on UK businesses and the ongoing challenges in creating a level playing field for SMEs.

"Industry is very supportive of the SME programme. The 25% contracts by value aspiration is ambitious. We are encouraged by government’s willingness to tackle some of the challenges needed to achieve this, particularly procurement reform which would make it much easier for SMEs to bid for government business."
Julian David, Director General, Intellect

Trade Associations have informed us that government’s continuing use of frameworks is still a concern, perceiving them to hinder access for new innovative companies. The G-Cloud framework is widely regarded as a positive example of an approach to frameworks that encourages and develops new suppliers – a model for the future use of SME-friendly frameworks in government.

The 25% aspiration is seen by the Confederation of British Industry (CBI) as a means of focusing the attention on SMEs and bringing to the fore the role they can play in the supply chain.

In November 2012 the CBI reported high confidence in the SME policy and was encouraged by the departmental procurement pipelines now available. Although the policy direction was welcomed, the CBI thought that more practical steps were needed to improve access to central government business.

The Federation of Small Business (FSB) is positive about the progress made so far but wants more to be done.

"The FSB’s research shows just how important it is to maximise the impact of procurement by spending more with SMEs, and as such we are pleased to see that government policy continues to move in the right direction."
Mike Cherry
National Policy Chairman, Federation of Small Businesses
CHAPTER THREE – LARGE SUPPLIERS TO GOVERNMENT SUPPORTING THE SME AGENDA

Securing better value from SMEs: The largest suppliers to Government play a critical role in the achievement of the 25% aspiration. Large suppliers to Government have been encouraged to refresh their supply chains and make more use of SMEs in delivering their business to Government. Here are some of their stories:

"Government can use its influence and spend with large suppliers to help drive economic growth in the SME sector." James Johns, Director of Strategy, HP

HP is the largest supplier of IT products and services to the UK public sector market and a significant force in the UK in its own right. With a third of its public sector business subcontracted, HP already has over 600 SMEs in its £560m UK supply chain.

HP has made a commitment to grow the amount of business it places with SMEs by the end of 2013, and has set targets to increase the value of goods and services bought from UK SMEs by 50% and an additional 150 SME partners engaged to its supplier network. James Johns explained, "we think there are four ways that a large supplier like HP can help SMEs work with government; market access, financial assistance, knowhow and facilities and contractual support."

An SME partner from HP’s commercial work, Emergn, specialises in agile software development. Having helped HP to adopt agile development methods for a major mobile phone vendor, the company was introduced as a subcontractor to the Department for Work and Pensions. As a result the SME was able to grow and is now dealing directly with its government clients as one of the most successful suppliers on the G-Cloud framework.

"Local is not just about being more sustainable, it is about a lasting positive impact on the local economy, which is why over the last year over 70% of suppliers we used for public sector contract in the UK were from the SME community." Bruce Melizan, Executive Director, Interserve

SMEs are important and increasingly valuable members of Interserve's regional business offering. Utilising SMEs in their local supply chain Bruce Melizan explained, "Interserve’s national capability is based on a regional and local approach, at the heart of which are SMEs."

Interserve provides national capability through local presence, assisting SMEs by offering its own advice on areas like how to deliver using framework agreements and health and safety training.

Bruce Melizan explained, "Where possible Interserve has modified its procurement systems to allow the future identification and tracking of activity with SMEs within our supply chain." This is supported through its standard tendering process which asks suppliers to provide examples of using SMEs in their own supply chains as well as actively seeking to identify, with existing key suppliers, opportunities for further engagement with SMEs.

Over the past two years there has been an increasing emphasis on the need to innovate and achieve value for money. Interserve regularly holds ‘meet the supplier’ events, where potential new suppliers have the chance to engage with its procurement teams to improve visibility of opportunities. Of the suppliers used for public sector work by Interserve, the SME proportion has grown from about 60% in 2010/11 to over 70% in 2012/13.
Through its Civil Service Learning contract, delivering learning and development to the Civil Service, Capita is committed to increasing the use of SMEs to deliver training. Opportunities are received from Civil Service Learning, through Capita’s dedicated supplier portal which is used to establish the extent to which SMEs can be involved in the solution and delivery. There are over 900 suppliers registered on Capita’s supplier portal of which 85% are SMEs.

Capita is very conscious of government’s interest in supporting SMEs. Giles Ruddle explained, “Capita is continually refining its approach to recording our SME work in delivering on our public sector contracts. Our latest quarterly return indicated that for FY12/13, 22% of Capita revenues were delivered by SMEs.”

Since the start of the contract, from all of the bespoke training requirements procured by Capita on the open market, 65% have been awarded to SMEs.
CHAPTER FOUR – DEPARTMENTAL COMMITMENT TO THE 25% ASPIRATION

The Prime Minister commissioned comprehensive action plans from all central government departments to show how they will increase their business with SMEs to help achieve the Government’s 25% aspiration. The top spending departments had their plans scrutinised by a panel comprising the Minister for Political and Constitutional Reform, the Deputy Chief Procurement Officer, the Crown Representative for SMEs and representatives from Cabinet Office’s SME Panel.

“When I was invited to be a part of the Scrutiny Panel I felt it represented another real example of how seriously the Government is taking the SME agenda. Involving group members suggested to me that it was a joint effort without barriers and demonstrated a clear and evidence-driven approach to evaluation and open comment. I was really pleased to be invited and I felt that my voice was being heard.” Pamela Cook, Managing Director, Infoshare Ltd and Scrutiny Panel member

One of the key changes in the programme over the last year has been the appointment of lead ministers in each department to drive the agenda forward. Ministerial involvement plays an important role in driving and sustaining momentum of the SME programme. Annex A shows the nominated lead ministers and summarises the progress made by the seventeen departments.

“I am delighted to champion the SME agenda within the Home Office. I believe our focus on breaking down ICT contracts offers great potential for SME engagement, as well as supporting the Government’s ICT Strategy. We are starting to see new SME entrants to the market offer us significant savings over incumbent suppliers and I am keen to drive this forward at the Home Office, generating savings for the taxpayer and growth for the economy.” Mark Harper MP, Minister for State for Immigration and HO Lead Minister for SMEs

Departmental progress against the 25% aspiration: Eleven central government departments have seen a positive shift in their direct spend with SMEs due to a number of procurements resulting in SMEs winning business, as the following examples illustrate (refer to Annex A for full details):

- Department for Work and Pensions (DWP) recently announced £6.5m of pioneering support to millions of separated parents as seven SMEs were chosen to launch projects across the country.
- Home Office (HO) secured better value, when compared to using a large Systems Integrator (SI), resulting in an 83% saving.
- BIS recently contracted with an SME (over a large SI supplier) – contract value of approximately £1m over 2 years.

Behaviour change also has to apply to the largest suppliers to government. Actions taken to achieve this include:

- Ministry of Defence (MOD) will require its large single-source contractors to provide an annual report outlining their sub-contracting procurement process and steps taken to encourage greater involvement of SMEs in their supply chains.
- DWP has agreed with its major suppliers to provide a minimum 20% SME spend through the supply chain.
- Department for Communities and Local Government (DCLG) has agreed with two of its major suppliers to increase SME spend and will work with others to do the same.
- Department for Business Innovation and Skills (BIS) continues to ask all new major project suppliers to provide a scale of SME usage within bids.
- Department of Health (DH) has proposed a new contract clause requesting prime contractors to pay SME sub-contractors within 10 days.
- Nuclear Decommissioning Authority (NDA) - an arm’s length body of Department of Energy and Climate Change (DECC) implemented a bespoke intellectual property solution to allow an SME to contract with a strategic supplier.
Small Business Research Initiative (SBRI): Innovative SMEs frequently face challenging funding gaps as they seek to develop new and innovative products. SBRI helps to bridge this gap by providing 100% research and development funding, supporting companies to develop potential solutions. Providing valuable opportunities for innovative technology-based companies to engage with the public sector, SBRI is a means of solving specific problems where there is not a readily available solution on the market.

Since April 2012, with the Technology Strategy Board running the programme, SBRI has made good progress - 26 full competitions across a wide range of public sector areas, awarding 332 contracts worth over £24m.

A number of departments are utilising SBRI to generate innovation. Examples include:

- Department for Environment, Food and Rural Affairs (Defra) which has completed seven SBRI competitions across its organisation;
- MOD has a need to reduce the weight a fighting soldier has to carry on operations. Using SBRI, a start-up micro has developed innovative technologies that have the capability to deliver a significant weight saving in the electrical cabling that connects each soldier’s equipment items.

The Government announced in the 2013 Budget that it will substantially expand SBRI among key departments so that the value of contracts through this route increases from £40m in 2012-13 to over £100m in 2013-14 and over £200m in 2014-15.