



Department for  
Business, Energy  
& Industrial Strategy

# BEIS SMALL AND MEDIUM ENTERPRISES (SME) ACTION PLAN

March 2019



**OGL**

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## Foreword by the Small Business Minister



'The UK's 5.7 million SMEs make a massive contribution to the economy'

*Kelly Tolhurst*

*Minister for Small Business, Consumers and Corporate Responsibility*

The UK's 5.7 million SMEs make a massive contribution to the economy. These businesses may be small but their impact is huge, employing 16 million people and accounting for £1.9 trillion of turnover. They are hard at work, day in and day out, creating jobs, opportunities and greater choice for consumers. That is why this Government's Industrial Strategy is fully behind them, working just as hard to build a Britain in which they can continue to thrive.

Key to their continued success is ensuring the Government is open and transparent in its procurement processes, giving smaller businesses every opportunity to bid for and win contracts. As the Department for Business, Energy and Industrial Strategy, we are determined to lead by example.

This SME Action Plan sets out a modern, ambitious strategy to ensure at least £1 in every £3 we spend, will be with smaller businesses by 2022. One important measure we will introduce is to require BEIS Group's biggest suppliers to monitor and report SME spend in their supply chain arising from BEIS contracts. Further we will improve the visibility of SME opportunities by requiring the Government's large suppliers to advertise their subcontracting opportunities on Contracts Finder.

This Action Plan will ensure that by 2022 the BEIS Group will be spending an extra £35 million with SMEs. As the Ministerial lead for SMEs I will be regularly reviewing progress against this Plan and our targets, and I look forward to meeting small businesses right across the country to hear of how the Government can go even further in helping them create the jobs and opportunities on which we depend.

### **Kelly Tolhurst MP**

Minister for Small Business, Consumers & Corporate Responsibility

## Foreword by the Small Business Commissioner



'prompt, fair and effective payment...is particularly important for small and start-up companies'

*Paul Uppal*

*Small Business Commissioner*

In my role as Small Business Commissioner I understand, from speaking directly to businesses both large and small, the importance of prompt, fair and effective payment in all businesses, and that it is particularly important for small and start-up companies. Being paid promptly for work done ensures businesses have a healthy cash flow. This is especially important for small and medium sized enterprises (SMEs) who may not have the reserves of larger companies.

Government has a unique position to demonstrate leadership in changing the payment culture. I welcome the steps they are taking to improve their own payment performance, including appointing a Non-Executive Director on Departmental Boards with responsibility for it. Government has sent a clear signal that business needs to follow suit, and if they don't, they are not willing to do business with them in the future and will be excluded from major government procurements if they cannot demonstrate a fair, effective and responsible approach to payment in their supply chain management.

To tackle late payments, we need to collaboratively work together and adopt a consistent fair and ethical approach.

I welcome the publication of this action plan, I am confident everyone is working to create the right environment where we enable SMEs to make the UK the best place to start and grow a business. I look forward to working with everyone with an interest in the prosperity of our SMEs so that together we can drive a culture change that makes late and unfair payments a thing of the past.

**Paul Uppal**

Small Business Commissioner

## Introduction

The government wants to ensure it gets full value from small and medium-sized enterprises (SMEs) and are working with them so they gain a greater share of central government business. A company is an SME if two of these three characteristics are met: annual turnover less than €50m; number of employees less than 250; or annual balance sheet total less than €43m. The government has set a target that by 2022, £1 in every £3 it spends will be with SMEs. This includes direct spend with prime contractors and indirect SME spend further down the supply chain.

## BEIS Group

BEIS is the government department which brings together responsibilities for business, industrial strategy, science, innovation, energy, and climate change. The department is responsible for ensuring the country has secure energy supplies that are reliable, affordable and clean and ensuring the UK remains at the leading edge of science, research and innovation.

BEIS is supported by 41 agencies and public bodies, including the Land Registry, Ordnance Survey, the Insolvency Service and UK Research & Innovation. Through our network of partner organisations we deliver services to thousands of businesses and customers every day – delivering weather reports by the Met Office, registering new businesses at Companies House and protecting intellectual property at the Intellectual Property Office. The UK Atomic Energy Authority carries out leading edge fusion research and the Coal Authority and Nuclear Decommissioning Authority (NDA) restore and protect our environment.

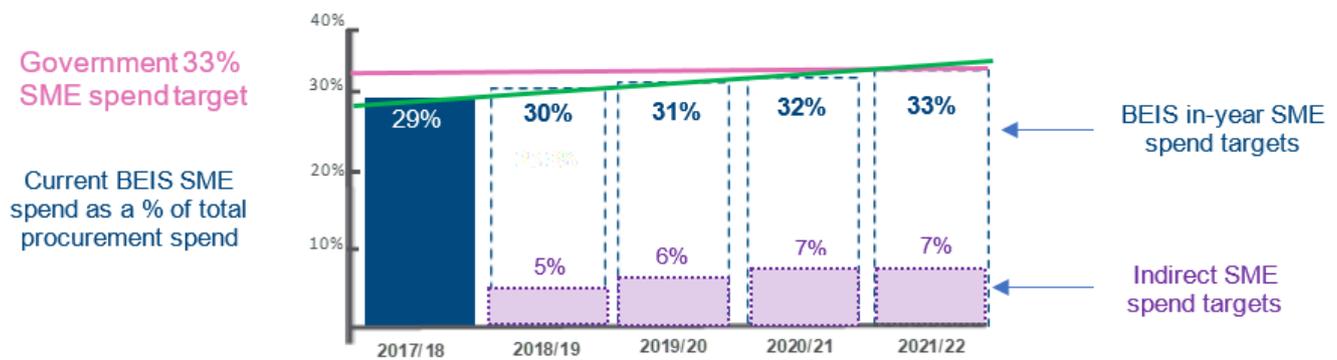
This SME Action Plan covers BEIS Group, excluding the NDA. NDA has a well-established and successful SME engagement programme and its own SME Action Plan and SME spend target.

## SME Spend Targets

In financial year 2016/17, procurement spend across BEIS and its partner organisations, excluding the NDA, was approximately £1.2bn. Of this total, around 20% was spent by the core department and 80% by partner organisations.

BEIS is committed to playing our part in achieving the government SME spend target and we have agreed the following targets:

### BEIS Group SME Spend Projection



These are stretching targets that represent a significant increase on current SME spend. Progress against these spend targets will be reported to Cabinet Office quarterly. The targets will be reviewed annually to ensure they remain stretching and realistic.

## People Engaged

The following roles are helping to improve SME engagement in BEIS Group and beyond:

- BEIS Small Business Minister
- Crown Representative for Small Business
- BEIS SME Champion
- Nuclear Decommissioning Authority SME Champion
- Cabinet Office Small Business Policy Team
- BEIS SME Policy Team
- BEIS Infrastructure & Procurement Team

## Progress So Far

**Lean procurement** - BEIS supports and adopts lean procurement principles such as the need for early market engagement and supplier days. This helps break down barriers and encourages greater SME participation and wider interest. It also helps us develop better specifications with greater confidence that our opportunities are attractive to the market and can be delivered;

**Consideration of optimal contract size** - BEIS services requirements are now routinely disaggregated and broken down into lots to increase SME opportunities;

**Crown Commercial Service (CCS)** - About a quarter of BEIS's procurement spend uses CCS Frameworks. This is our preferred route to market, provided a suitable framework is in place for the goods or services needed. Historically, aggregation of demand worked against SME involvement and many frameworks had little or no SME participation. CCS is now working to address this problem and have set their own target for 35% of all spend through their frameworks to be with SMEs by 2022;

**Increasing competition** - All procurements in scope of the Public Contracts Regulations 2015 must be published in the Official Journal of the European Union (OJEU) which we achieve through advertising on Tenders Electronic Daily (TED). Also by default the OJEU open procedure is followed, unless there are good reasons not to do so;

**Contracts Finder** - BEIS publishes all in-scope opportunities (those valued over £10k in Core BEIS and those valued over £25k for BEIS partner organisations) on Contracts Finder. This open market approach improves visibility and makes it easier for SMEs to find the available opportunities;

**Short-form Terms and Conditions** - BEIS has adopted a simplified version of Terms and Conditions for its procurements valued below £100k. These proportionate and balanced terms reduce the burden on suppliers, which can otherwise discourage SME involvement;

**Abolished Pre-Qualification Questionnaires (PQQ)** - BEIS no longer uses a PQQ for procurements below £100k, unless there is a clear justification for doing so;

**Small Business Research Initiative (SBRI)** - BEIS has been an early adopter of the SBRI procurement route, which is a scheme that allows access to companies with innovative products and ideas, that is particularly suited to SMEs;

## Planned Activity

John Manzoni, Chief Executive of the Civil Service, has written to Directors General and Commercial Directors on the Growth and Enterprise Board to provide an update on the work needed to deliver the government's SME target and set out next steps. The actions below are the measures BEIS will take to improve SME engagement and increase our prospects of achieving our SME targets:

### Priority Actions

Action	Description	Timing
1	<b>Transparency to Tier 2</b> - BEIS Group suppliers now required to monitor and report SME spend in their supply chain arising from BEIS contracts. In-scope suppliers will include the government strategic suppliers identified by Cabinet Office; together with BEIS top suppliers by contracted spend.	Since Q2 2018-19
2	<b>Improved visibility of SME opportunities</b> - Suppliers of major government contracts (where they are refreshing their supply chain) now required to advertise their subcontracting opportunities on Contracts Finder, so SMEs can bid.	Since Q2 2018-19
3	<b>Engage with BEIS partner organisations</b> - Join up with partner organisation procurement leads and our shared service provider UK SBS, to ensure a BEIS Group approach is taken to improving SME engagement and achieving the spend targets.	Since Q3 2018-19
4	<b>Participate in consultation on prompt payment</b> - Engage in public consultation on using suppliers past performance record to pay their subcontractors, as grounds for exclusion from the tender process.	Completed Q3 2018-19
5	<b>Ministerial briefings</b> - Engage with Small Business Minister Kelly Tolhurst and meet on a quarterly basis to be updated on progress against this plan and challenges in delivering.	From Q4 2018-19
6	<b>Promotion of SME policy to BEIS teams</b> - Promote greater awareness of the benefits of SME engagement and SME spend targets. This will be achieved through providing greater visibility of SME spend at directorate level in the core department and within partner organisations on a quarterly basis;	From Q4 2018-19
7	<b>Utilising procurement pipeline</b> - Engage with policy teams and procurement business partners using the pipeline to identify early and target opportunities most suited to SME participation;	From Q4 2018-19
8	<b>Identify SME suppliers</b> - Review existing supplier status on our financial system, to ensure all SMEs are correctly identified as such and ensure we are correctly capturing all SME spend.	From Q4 2018-19
9	<b>Support the Business Basics Fund</b> – use this opportunity for small firms to work with BEIS and improve their productivity through adoption of digital tools and technology.	From Q4 2018-19

## Further Actions

Action	Description	Timing
10	<b>Refresh intranet content</b> - Review BEIS intranet content to promote better awareness of SMEs and ensure that appropriate information is available to policy teams to improve engagement;	Q1 2019-20
11	<b>Deep-dive analysis of BEIS procurement spend</b> - Analysis of recent BEIS procurement spend and contracts register to identify areas where there are genuine opportunities to open up further to SMEs and focusing resources there. Develop understanding of comparative SME performance across department.	Q1 2019-20
12	<b>Assess CCS framework spend</b> - Analyse BEIS group spend through CCS frameworks and measure SME share of this route to market.	Q2 2019-20
13	<b>Capture SME successes</b> - Collate and promote SME successes from across the BEIS Group to highlight and share the good practice already taking place.	From Q2 2019-20
14	<b>Investigate Business Support Helpline</b> – assess feasibility to improve procurement information provided as part of their service, which can support small businesses in bidding for government procurement.	Q2 2019-20
15	<b>Develop strategic challenge questions</b> - for SME involvement to be proactively considered by BEIS Commercial Board in all large procurement approvals.	Q2 2019-20
16	<b>Strategic supplier engagement</b> - Engage with strategic BEIS suppliers and establish behaviours to promote SMEs and growth. Gain insight into their supply chains, promote indirect SME spend reporting and encourage improved SME engagement. Strategic supplier engagement metrics to be captured and published.	Q3 2019-20
17	<b>Raise partner organisations spend target</b> - Encourage BEIS partner organisations with significant commercial activity to develop their own SME targets and priority actions to improve their SME engagement and expenditure.	Q3 2019-20
18	<b>Participate in ‘Meet the Buyer’ events</b> - to outline upcoming specific procurements and better connect small firms with departmental buyers.	Q4 2019-20
19	<b>Engage with Cabinet Office</b> – Play an active role in the SME Champions group, Standards & Spending Working Group and other cross government for a to promote the SME agenda.	From Q1 2019-20
20	<b>Engage with Nuclear Decommissioning Authority</b> - Continue to work closely with Nuclear Decommissioning Authority to share knowledge and best practice on SME engagement.	From Q1 2019-20

Projected 2022 Figures	£ million
<b>Total procurement spend</b>	1,171
<b>Target SME spend (33%)</b>	391
<b>Comprised of:</b>	
<b>Core BEIS direct SME spend</b>	34
<b>BEIS partner organisations direct SME spend</b>	173
<b>CCS frameworks SME spend</b>	102
<b>Indirect SME supply chain spend</b>	82
<b>Total</b>	391

### Table Notes

- Indirect spend target at 7% depends on strategic supplier reporting of tier 2 spend;
- There is a dependency on CCS achieving their 35% SME framework target;
- Projection does not reflect future budget changes eg spending review 2019;
- Excludes NDA who have their own SME target and action plan;

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