Meg Hillier MP  
Chair of the Committee of Public Accounts  
House of Commons  
London  
SW1A 0AA  

By Email Only  

15 November 2018  

Dear Chair,  

Treasury Minute response – Offender-monitoring tags  

Thank you for your letter about our response to your committee’s report Offender-Monitoring Tags. You asked for further information on our engagement with SMEs.  

The Ministry of Justice contributes strongly to the Government SME spend target of 33% by 2022, as evidenced by 29.2% of our reported spend going directly to SMEs (with 36.6% in direct and indirect spend, as published by CCS for FY16/17).  

But I appreciate that your concern is about how we manage the relationship with SMEs once they have they been engaged. My assessment is that we have made considerable progress in working with SMEs, but we know that there is more to do.  

First, we support Government-wide initiatives such as ensuring that prompt payment terms and sub-contracting opportunities (in line with Procurement Policy Notice 01/18) are incorporated into our standard terms, and that our own commercial staff are made aware of these obligations.  

And for our own part, we intend to publish an up to date SME Action Plan in December 2018. It will set out the positive work to date and the outcomes we seek to achieve up to 2022. I will make sure the Plan is shared with you as soon as I can.  

Meanwhile, in order to demonstrate that we have indeed learned from past experience, I thought it would be helpful to let you see a case study. This is at Annex A to this letter. Annex B is a outline of our plans for further tailoring our approach to working with SMEs.  

Yours sincerely,  

Richard Heaton
Annex A - Language Services

Clarion is an SME supplier providing non-spoken language services (including, for example, British Sign Language) to the MoJ. Clarion has annual revenues of approximately £3m per annum and has 26 staff members.

The MoJ disaggregated its language services contracts in 2016, enabling smaller suppliers such as Clarion to bid for elements of a service which was previously provided as a managed service by a subsidiary of international BPO firm – Capita plc.

This disaggregation has enabled Clarion to take on the provision of a section of the MoJ’s language services requirement amounting to approximately one third of Clarion’s total revenue.

As Clarion is an SME supplier, with few staff, its experience of delivering large central government contracts is limited and MoJ has invested significant resource from Commercial and Operational Managers as well as other support functions including Finance Business Partners and Analytical Services to assist in building their capability.

This support and assistance has enabled MoJ to identify improvement opportunities in Clarion’s operating model and provide guidance and coaching to increase capability to ensure the stringent requirements of this central government contract are met.

Areas of improvement include the development and presentation of management information, strategic plans and reporting, as well as identification of opportunities for efficiencies and improvements.

MoJ also makes use of open book contract management clauses with Clarion to regularly monitor the business’ financial health and provides guidance to Clarion in terms of its on-going financial health resulting in joint assurance of solvency and business continuity by both the supplier and the MoJ.

Examples of work such as this is communicated widely across MoJ and also feeds into the evolving Supplier Relationship Management framework which aims to improve strategic supplier and supply chain management which also benefit SMEs in both opportunity and having greater engagement with the end Customer.
Annex B - Future activities planned to support SME engagement and management

In seeking to improve outcomes for SMEs our SME Champion team, supported by Senior Leadership within CCMD and MoJ, will finalise development, implement, review and refresh our SME Action Plan, which will include the following:

- Encourage the use of Dynamic Purchasing Systems which are demonstrated to encourage direct SME participation in procurements at a lower burden to entry (and are accessible at any time during a frameworks term). This has the potential to create more direct relationships with SMEs. The first MoJ DPS for Education Services is expected to be ready for use in Q3 of 18/19
- We will encourage commercial staff undertaking procurements to hold networking engagement days to encourage SMEs to speak to multiple Tier 1/larger companies in order to gain an understanding of both MoJ requirements and wider supply chain dynamics.
- For high value/high risk programmes we will encourage Prime Suppliers to hold regular SME supplier conferences at the outset of the programme and throughout, promoting positive behaviour to tackle issues collaboratively.
- We are reviewing our channels of communications. While we have set up a dedicated mailbox for SMEs (SME-enquiries@justice.gov.uk) we believe we need to create content which is up to date and more relevant to SMEs, utilising a multi-channel approach to advertise opportunities (e.g. social media) but also where SMEs can raise concerns or issues from within our supply chain.
- To facilitate improved SME relations for new and existing suppliers we are exploring the formation of a SME forum. This may be a physical or virtual forum and could include presentations from MoJ commercial specialists on certain topics (educating the supply chain in Public Sector procurement rules or MoJ Commercial practices) and allow for an open Q&A space. This forum may be created in collaboration with the Federation for Small Businesses.
- We are reviewing contract management templates to ensure that they reflect the importance of SMEs within the supply chain so that commercial staff continue to bear in mind the challenges SME face. This will include, at minimum, a review of our Contract Management Plans and Gold Contract reporting tools.
- Surveys for Tier 1 suppliers and SMEs will be considered both to gather quantitative data on spend, payment terms and SME KPI performance but also on qualitative considerations (how responsive Tier 1 and MoJ are to SME concerns etc.).
- We intend to launch a piece of work to review spend data (including the measurement of direct and indirect spend with SMEs) but looking at broadening this more widely to include more in-depth reporting on prompt payment.
- Project Bank Accounts are under assessment following constructive feedback from the market. We will work with stakeholders in CCS to look at issues in their use and how this concept can be improved to meet the best outcomes for SMEs while making it an efficient and practical tool for Tier 1 suppliers.
- Where direct contracts or smaller lots in a procurement are not appropriate we will encourage evaluation criteria in Procurement awards on the use of SMEs and the commitment to the SME agenda. We will encourage contract terms and KPIs to monitor expenditure and management of SMEs within the supply chain.