UPDATE ON GOVERNMENT PROCUREMENT AND SMEs

Dear Meg,

I am writing to update you on new proposals that Oliver Dowden, the Minister for Implementation, is announcing today and which I briefly referred to in my letter to you of 11 October 2017.

Firstly, the Minister is launching a public consultation on new measures on fair payment to ensure effective government supply chains, including:

- whether it would be appropriate to exclude suppliers from major government procurements if they cannot demonstrate a fair, effective and responsible approach to payment in their supply chain management;
- giving SME subcontractors on government contracts greater access to raise issues with a department if the subcontractor is not being paid in line with 30 day terms.

Furthermore, the Minister is announcing two measures which will help level the playing field for SMEs:

- a requirement for suppliers on new large government contracts to advertise subcontracting opportunities on the Contracts Finder website; and
- a requirement for prime suppliers on new large government contracts to report their direct spend with SMEs in their supply chains.

We are providing guidance on these latter two measures to departments through a Procurement Policy Note. We had originally planned to consult formally on these measures but, following informal consultation with suppliers, departments and other stakeholders who were supportive of our proposals, which we regard as sufficient, Ministers have decided that we should move ahead with them now. These actions should increase the visibility of opportunities for SMEs in government supply chains.

At the same time, the Minister has written to the Government’s strategic suppliers to ask them to nominate a senior representative to act as an SME champion in their respective companies, and to underline the Government’s expectations for fair payment of subcontractors in government supply chains.
Finally, the Prime Minister has written to all departments asking them to appoint a Minister to champion small businesses in their department.

I hope that this letter provides you with a helpful update. I am copying it to the Chief Executive of the Civil Service, the Treasury Officer of Accounts and to the Comptroller and Auditor General.

Yours sincerely,

Malcolm Harrison
Chief Executive