

# Supply Chain Development

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## Questionnaire responses on use of SMEs in the NDA estate supply chain

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June 2011

## **INTRODUCTION**

NDA has recently consulted on its Draft Strategy which presents the challenges, NDA's strategic direction, and actions NDA will take to progress its decommissioning and clean-up mission of the UK's civil public sector nuclear legacy sites and waste management.

Within the Draft Strategy, NDA detailed various Critical Enablers which provide a framework to support the delivery of its mission. One of these Critical Enablers is Supply Chain Development which recognises the importance of the supply chain working with the Site Licence Companies (SLCs) and the NDA to help deliver our mission. Comments received during the consultation indicated that support to Small and Medium Enterprises ((SMEs) - SMEs are defined as companies having 250 or less employees, and 'local' suppliers are those within a reasonable commute to a site i.e. 30 miles) was very important.

The Government is also committed to providing greater access to the SME community for the numerous procurements awarded across the Public sector. All Government Departments and Arms Length Bodies, such as the NDA, have been challenged to develop appropriate policies and procedures to deliver this objective.

The NDA has a range of obligations that it has to consider in its decision making process which includes: socio-economic aspects as well as affordability and value for money. There are also legal obligations which help shape our decision making such as the EU Procurement Regulations, which also apply to the contracts awarded by the SLC's.

Last year the SLC's spent £1.36bn in the supply chain which represents the single largest proportion of money spent within our Estate. Given that investment and the challenging economic environment, NDA and the SLCs need the Supply Chain to be as healthy, robust and dynamic as possible. The NDA and the SLCs are committed to working with our Tier 2 community to explore ways in which SMEs may benefit from further support within the NDA estate.

To ensure that any change of approach delivers the required benefits, we undertook an information gathering exercise by sending a questionnaire to the top Tier 2 suppliers within the NDA estate supply chain. We had an excellent response rate (84%) and wish to thank the Tier 2 suppliers for their support and openness. This document provides a summary of the information received.

The next step is to hold a pan-estate workshop (scheduled for 21 July 2011) using the gathered data summarised in this report to help develop practical strategies which will deliver benefits for all but particularly the Tier 2s and the SMEs. The workshop is aimed at agreeing objectives, sharing ideas, developing plans and where possible delivering practical tools for use generically across the NDA Estate. Once we have some broad agreement on at least the issues and possible solutions, a further workshop will be held with the SME community and those supporting them to translate any broad agreement into specific actions.

Note. The data contained in this report has been replicated as submitted to maintain the integrity of the process however the identity of the respondents has been protected.

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**QUESTIONNAIRE - Use of Small and Medium Enterprises (SMEs) by Tier 2 suppliers within the NDA Estate**

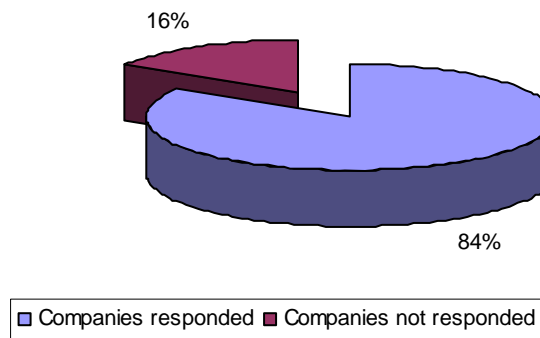
Summary of Responses

32 questionnaires were sent out. Two companies have merged resulting in a maximum of 31 responses expected.

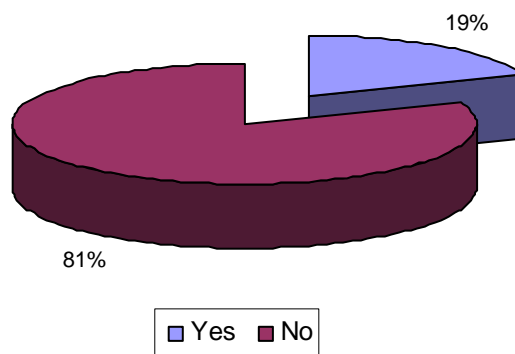
26 companies responded = 84% response rate (a further two companies responded but did not complete the questionnaire as they did not feel it appropriate = 88% response rate overall).

The majority of respondents answered all the questions.

This report of responses will be revised as and when any additional responses are received.



Q1	Does your company have a policy on use of Small and Medium Enterprises (SMEs) ?
	Yes/No*
	If yes, please summarise the policy or attach a copy. Is this consistently applied when working at all SLCs?



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The majority of respondents do not have a policy on the use of SMEs.

Observations from those companies answering 'Yes':

- Proactively seek to achieve a balance of SMEs and microenterprises at both national and local/regional level.
- Policy to consider SMEs that have been approved by selection process. On all tenders will always look for local SMEs to tender along with known supply chain
- As an SME more comfortable to work with similar sized companies, so SMEs always take preference
- Partnership approach provides access for a number of smaller Tier 3 suppliers, who on their own would not have the resource to supply this market.
- Aim to support the use of local suppliers wherever possible

However of four of those without a formal policy responded that they had CSR/procurement policies that were inclusive where SMEs were concerned and two were actively considering policies on use of SMEs.

Q2	What priority does your company give to considering use of SMEs when:
	tendering for work or
	implementing contracts?

Of the contractors who did not have a policy regarding use of SMEs, there was a variety of responses on what priority was given to considering use of SMEs when tendering or implementing contracts.

Nine companies indicated that they used a preferred supplier database or pre-qual system that was open to all companies.

Seven companies responded that they looked for the 'best athlete' or placed contracts based on 'fitness for purpose'.

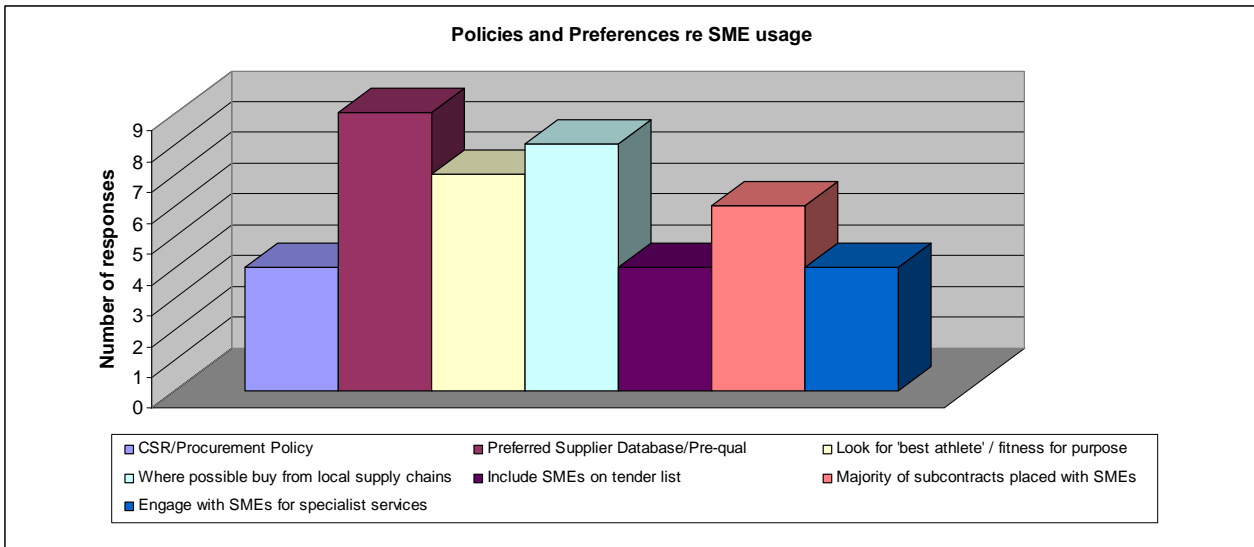
Eight companies responded that they bought from local supply chains where possible.

Although no formal policy, four companies responded that they usually included SMEs on their tender lists.

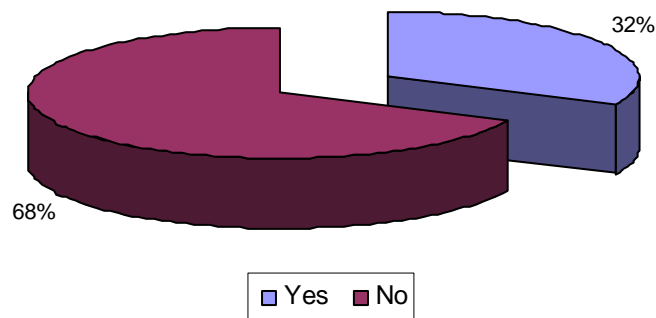
Six companies responded that they placed the majority of subcontracts with SMEs.

Four companies responded that they engage with SMEs for specialist skills.

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<b>Q3</b>	<b>Does your approach to using SMEs/local suppliers vary depending on the geographical location of the work?</b>
	Yes/No*
	If yes, please summarise any differences



The majority of respondent's approach on using SMEs did not vary depending on geological location of the work. The following comments were provided by those provided a 'No' response:

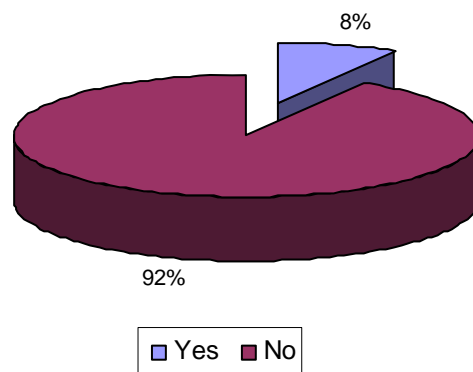
- Use of SMEs aligned with main contract taking into account geographic location
- Very proactive in ensuring local suppliers/subcontractors given equal opportunity at tender stages also ensuring we satisfy all socio-economic aspects on local communities
- Do consider time and cost in managing contractors based long distances away
- consider time and cost of dealing with more remote organisations
- Tend to do most work in Cumbria so use local supply chain
- Recently launched Supply Chain Development programme with dedicated supplier portal.
- Dependant on discipline not location, and not in in-house capability

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Of the eight companies who responded 'Yes' the following comments were made:

- Provide services on national basis and engage with suppliers at various geographical locations as they can assist with local knowledge
- Always seek to work with local subcontractors and suppliers. Availability of suitable subcontractors may vary from region to region
- Tend to use more SMEs when bidding in Cumbria as there are a number with complementary skills in the area
- Geographically use of SMES and local suppliers makes better sense than using preferred suppliers.
- Preferred use of local suppliers in our operations automatically lends bias to the SME. See value in use of SMEs in terms of familiarity, safety and sustainability
- Prefer is possible to use local SMEs subject to right capabilities - applies irrespective of geographical locations
- Proximity of specialist services from SMEs to site is essential to fulfil contract [for an SLC at a particular site]
- Have a higher use of SME in geographically challenging areas

Q4	Do you have targets for percentage use of SMEs on contracts?
	Yes/No*
	If yes, please provide further details And if so, do you meet/exceed these targets – if not, are there any particular reasons?

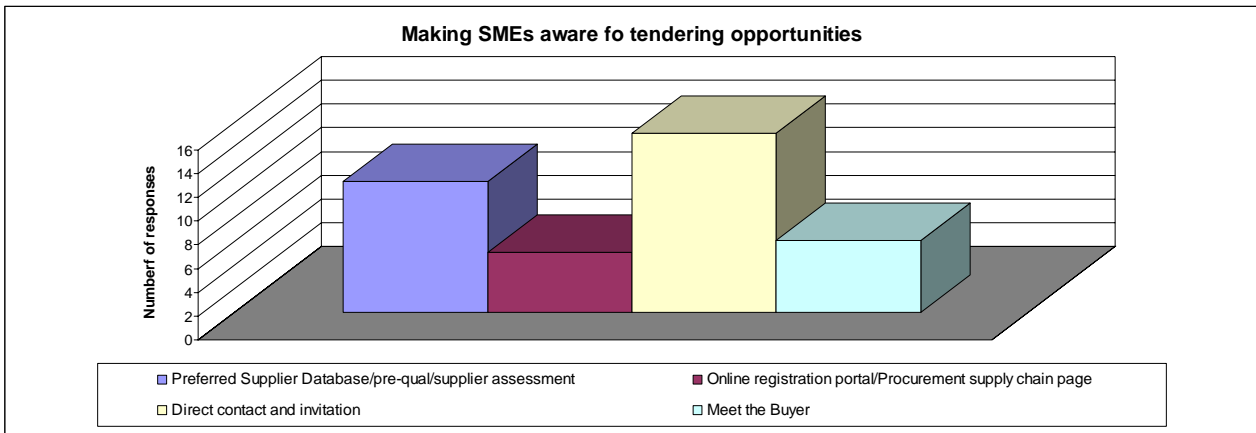


Only two respondents said that they had targets for SME usage: one already had over 70% of suppliers being SMEs but had an additional target of 10% across a Managed Service business; and one intended to review its standard supply chain management policies, to identify opportunities to include key metrics and targets for the engagement of SMEs within its procurement strategy.

Although they do not have targets, one major contractor provided a breakdown on use of SMEs on a construction project showing significant use of local labour.

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**Q5** How do you make SMEs aware of tendering opportunities with your company?

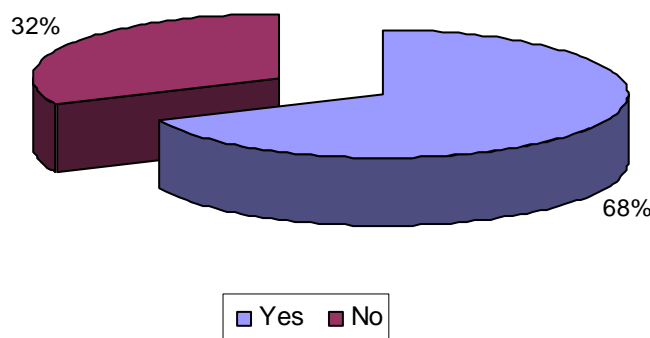


The majority of respondents have a preferred supplier database, online registration portal or pre-qualification system, which is used in conjunction with direct contact and invitation.

Several respondents also highlighted supporting Client and/or industry organised 'Meet the Buyer' events at which future requirements are outlined.

One company was in the process of registering with 'Contract Finder' to utilise this as a vehicle for advertising subcontracts and procuring the services of the most appropriate SMEs.

<b>Q6</b>	Have you taken any SMEs to other parts of the NDA estate or introduced them to wider markets?
	Yes/No*
	If yes, please provide further details

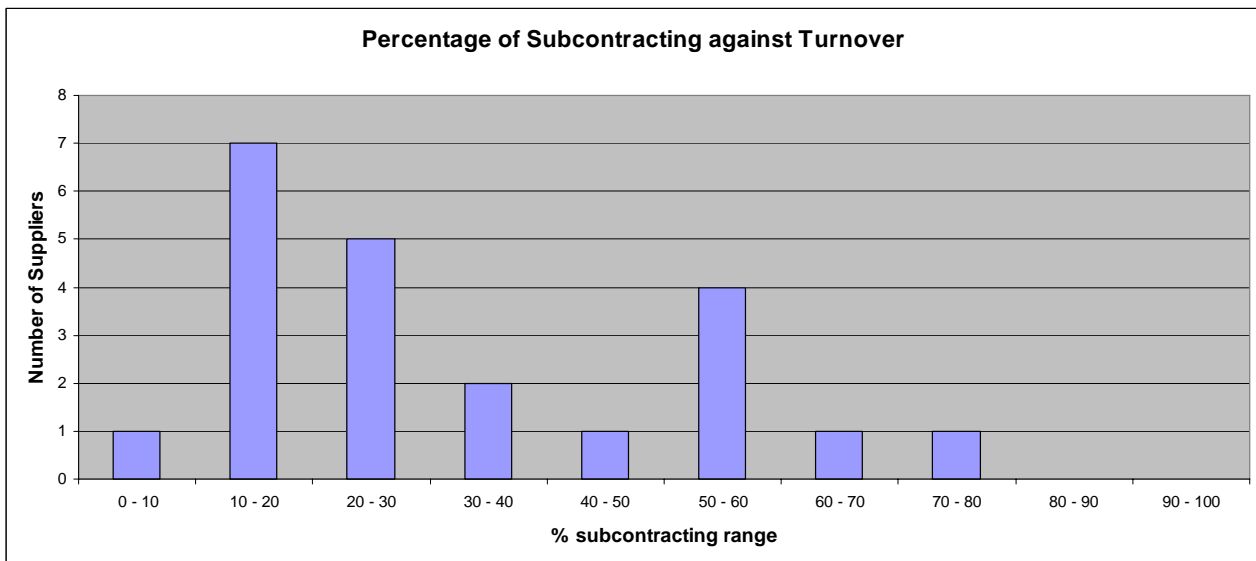


The majority of respondents said that they had introduced SMEs to wider markets, particularly where they had a preferred supplier list – suppliers on the list were then available for selection across a range of requirements.

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<b>Q7</b>	What proportion of your company turnover is generated from contracts held with organisations within the NDA Estate? £.....%
<b>Q8</b>	What proportion of this turnover is subcontracted out to other businesses £.....%
<b>Q9</b>	Do you measure the level of spend with: SMEs Yes/No* If yes, what proportion of the subcontracted turnover is with SMEs? £.....% Local Suppliers Yes/No* If yes, what proportion of the subcontracted turnover is with Local Suppliers? £.....%

Limited conclusions can be drawn from the information provided – companies either sub-contract regularly or aim to do all the work in-house.



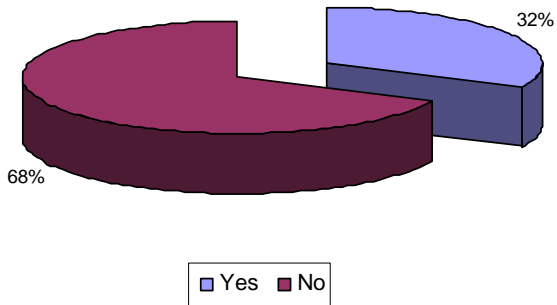
The percentage of sub-contracting ranged from 0 to 70%, with the average being 30%.

The majority of respondents said that they did not measure spend with

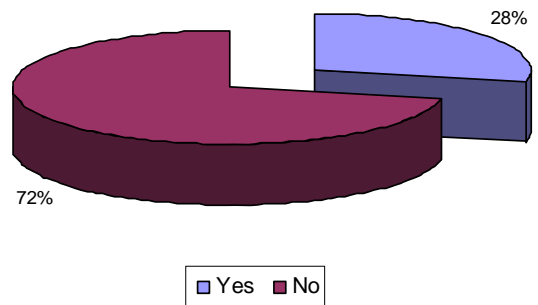


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SMEs  
Suppliers.



or Local

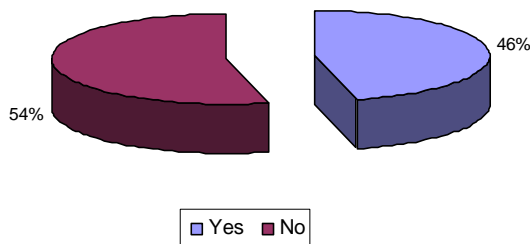


There was therefore limited data on the split of sub-contracting with SMEs or local suppliers as companies did not generally keep this sort of data. Where data was available it showed a range of sub-contracting with SMEs from 5 – 86% with an average of 55%.

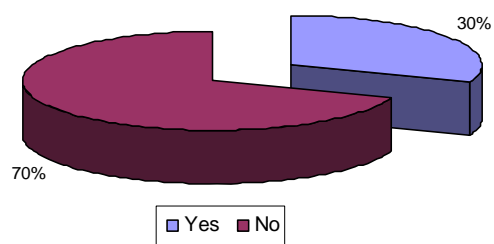
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Q10	Has your company signed up to the Supply Chain Charter for Nuclear Decommissioning Sites? ( <a href="http://www.nda.gov.uk/contracts/supply-chain-charter.cfm">http://www.nda.gov.uk/contracts/supply-chain-charter.cfm</a> )
	Yes/No*
	If no, is there a particular reason why not?

**Signed up to the Supply Chain Charter**



**Promote the Supply Chain Charter**



Less than 50% of respondents had signed the charter, which was disappointing. Of those that had not signed, most said that they did not know about it, and some promised to send in a signed charter.

Q11	Do you promote the Supply Chain Charter for Nuclear Decommissioning Sites within your supply chain?
	Yes/No*
	If yes, please details on how you promote the charter

Of those that had signed the charter, few actively promoted it, but those that did:

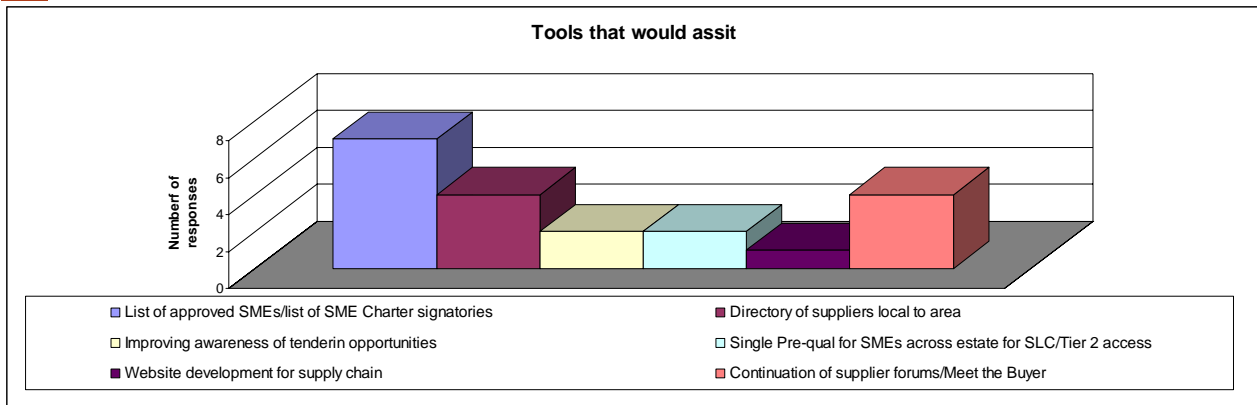
- include details of the charter within contract flowdown notifications and encourage suppliers to sign
- use the logo actively on email sign-offs
- advertise their membership on their website and include a link to the page.

Others said that they promoted the concept through their company values.

Q12	Are there any tools that would assist your company to engage with SMEs for work within the NDA Estate?
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Most suggestions were for a list of SMEs, or a list of local SMEs who have applied to the NDA to be given a chance to tender. The most interesting was the suggestion of a single pre-qualification system for SMEs that the Tier 2s could have access to.

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Are there any comments you would like to make on the use of SMEs?

A range of comments were received.

Recognises that the NDA has statutory duties under the Energy Act for sustainability and socio economic development in the areas around some of your key sites. Supports the NDA's and SLC's efforts in achieving the requirements as these are similar to those we experience in other sectors.

We always include our subcontractors in training events and for example, each year representatives of our top 100 suppliers are invited to join us at a Safety Health Environment Awareness Day (SHEAD) where latest information tools and techniques etc are shared. This helps us to ensure that our supply chain is fully involved and aligned with our requirements.

When we consider using a supplier, we consider all the various aspects that will be required to meet the contract. This includes the ability to meet quality requirements, but also the ability to manage the contract. When making decisions to use SMEs we have to consider the use of our own internal resources to support the contract. This may include Planning, Project Management, Package Management, Expediting, Quality and Inspection. All these add to the overall decision making process and the monetary and resource cost has to be factored in to a decision.

Introducing new processes to measure and monitor our engagement with SMEs. We will continue to use information from our new online supplier registration portal to monitor and measure our work with SMEs.

As we have tried to identify in this questionnaire, civil engineering is by its very nature a local business which regularly buys similar products from local suppliers. There are some exceptions in that we do have national agreements for the provision of some bulk items and plant hire. Clearly the various proportions may change from year to year.

The overall message is that we have excellent relationships with our suppliers both in general terms and specifically associated with our work for the NDA Estate.

We will be pleased to support any ongoing initiatives in developing and understanding this whole subject in more detail.



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As a key supplier, is open to participate in any aspect of the central government 'interchange programme' that the NDA is involved in.

Wishes to support the NDA's profile within the industry and through the supply chain. Therefore, we would welcome talks of how we can work with the NDA to understand the Cabinet Offices constitutional reform for SME contracts. In addition to this, we would be willing to offer our support to the NDA within the 'SME Product Surgeries' to fully devise how we can utilise the supply chain to its full potential.

Finally, we see that there is a significant challenge for the NDA in achieving the geogegrainsin airan a acchaltuttao 1 Tw 0 -1.147T suAMA key suppally, we see th(wossuppomethonvrt

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As an SME, firmly believes that they offer much better value for money than larger companies. Provided they have the capability will always try to use them in preference to larger companies.

SMEs provide value for money, commitment to achieving shared vision and goals is more evident when dealing with SMEs who are not constrained by corporate bureaucracy