

Small & Medium Sized Enterprises

**SME Action Plan Update
May 2020**

SME Action Plan Summary

Engagement

- Increased face-time with Network Rail
- Increased representation with Tier 1s
- Sourcing guide to assist SMEs
- Clear escalation route
- Engaging the devolved business
- Transparency - lessons learned
- 'How do we

Pre-procurement

- Review bonds & insurances
- Help Network Rail staff engage SMEs
- Develop meaningful sourcing pipeline
- Develop category specific SME plans
- Simplify PQQs
- Provide supplier references
- Increase early contractor involvement
- More focus on delivering social value

Procurement

- Reduce use of 'nil value frameworks'
- Make procurement processes easier
- Issue Network Rail standards free
- Clarify Network Rail contract strategies
- Increase SME involvement with TVS
- Consider model form of sub-contract

Contract Management

- Ensure timely payment
- Incentivise Tier 1s to employ Tier 2/3s
- Increase use of Contract Mgmt. Plans

Supplier Management

- Improve supplier mgmt. behaviours
- Incentivise increased apprenticeships

Innovation

- Increase use of performance specs
- Improve 'product acceptance' process
- Publish 'challenge statements'
- Provide better support to SME innovation
- Establish 'fast track' for innovation

Key

- Good progress or complete (maintain)
- Progress made but more to do (drive)
- Poor progress (decisive action required)

Overview

The purpose of this document is to provide a high-level summary of progress in connection with the SME Action Plan published in November 2019.

1. **SME Spend 2018/19** - In the 2018/19 financial year, Network Rail achieved 30.3 % combined direct and indirect spend with SMEs compared to the target of 29 %. We contracted with 4011 suppliers, 2855 (71 %) of whom were SMEs.
2. **SME Spend 2019/20** - We postponed the 2019/20 indirect SME spend data collection exercise during April/May due to Covid-19. This data will now be gathered during June/July 2020 for publication to the DfT in August 2020.
3. We remain on plan to achieve the Government target of 33 % spend with SMEs by 2022.

Executive Summary

1. **Innovation** – Route Services Commercial & Procurement commenced a ‘Network Rail Dragon’s Den’ initiative on 22nd April 2020. In the first three weeks, 18 x 2 – 5 minute video pitches were received. The first virtual meeting to consider submissions is to be held in June 2020.

Network Rail Dragon’s Den proposal ... ‘SME Action Plan’ action ref. ‘Innovation 04’ refers

Given the current Covid-19 situation, the Network Rail Dragon’s Den initiative could not progress in person as originally planned.

In the short term, we have invited suppliers who are interested, to participate in a scaled down version of the initiative, aimed at idea generation and raising awareness / interest across Network Rail Regions.

The Process

What is proposed – Plan B

- 1.1 Suppliers are invited to submit a ‘pitch’ of their idea in a digital/electronic format (pitch length 3-5 mins but must not be longer than 5 mins).
- 1.2 A sifting process is undertaken to filter to a manageable number of suppliers to discuss per meeting. The number of meetings shall be determined by the volume of good ideas/pitches that we receive.
- 1.3 A Microsoft Team (or similar) meeting shall be held by 5 Network Rail ‘Dragons’ (selected from across the identified pool (3 x Regional/Route + 1 x STE + 1 x RS C&P)) to discuss and reach agreement on the next steps. The supplier may be invited to join the Microsoft Teams meeting to respond to questions.
- 1.4 Supplier will be informed by telephone of Network Rails decision:
 - a. If the idea is not to be progressed, constructive feedback will be provided by telephone and/or email.
 - b. If the idea is of interest, a timescale will be set, by which the supplier will work with a nominated Network Rail Manager(s) to develop the idea (e.g. within 12 weeks)

- i. Supplier would return to a subsequent 'Dragon's Den' and re-pitch their idea (10 min set-up, 5 min pitch, 10 mins questions and answers) after which a final decision will be taken to either:
 1. Take no further action ('fail fast'), or
 2. Take the idea further and agree next steps ... including most appropriate 'fast track' innovative procurement route

1.5 Supplier informed of Network Rail's overall decision (12 weeks maximum from initial Network Rail meeting when the pitch was heard/discussed).

We are intending to have quarterly Network Rail Dragon's Den meetings, but depending on volume received, may be able to increase number of meetings and get a better attendance if held via Microsoft Teams.

Who are the proposed pool of 'Dragons'?

Regions / Routes	Safety, Technical, Engineering / Network Operations	Route Services C&P
Regional Commercial Directors	e.g. Head of Strategy, STE or Programme Manager Accelerated Innovation, R&D or Chief Systems Assurance Engineer, or Programme Director Change, (Contestability), as appropriate	e.g. Commercial Director, or Commercial Director Digital Railway or Head of Sourcing Technology, as appropriate
Route Directors		Route Services (IT)
Directors of Engineering & Asset Management		as required / as appropriate

2. **Supplier References** – On 1st May 2020, Network Rail commenced offering supplier references for those suppliers bidding for overseas works or export opportunities. This supports the Rail Sector deal and ultimately the Government's Industrial Strategy.

Welcoming the announcement, Minister for Exports Graham Stuart MP said: "This new reference scheme will help to showcase UK firms' experience and expertise to buyers around the world and I am delighted that Network Rail is now offering this support for UK exports. More trade is essential if the UK is to overcome the unprecedented economic challenge posed by coronavirus, and this new scheme will help boost the UK rail sector further."

3. **Making Network Rail Standards freely available to the supply chain** – the agreement is currently with IHS Markit for signature. Go-live is planned to take place in June 2020 via a new jointly branded website. Following 10+ years of charging suppliers to access Network Rail Standards, Network Rail listened to our SMEs and have now made our Network Rail Standards freely available.
4. **Real Living Wage** – In February 2020, Network Rail took the decision to mandate the Real Living Wage throughout our supply chain. Our standard suite of contracts have now been amended so that all new sourcing activities incorporate this new requirement. Network Rail intend to become a Real Living Wage accredited employer.

5. **Supplier Qualification & Assurance** – A new standard NR/L2/SCO/302 was published in March 2020 enabling new ‘Supplier Assurance Providers’ to apply to become approved to assure suppliers in Network Rail supply chain, providing greater choice for Tier 2 and 3 suppliers. Network Rail shall continue to use RSSB RISQS to assure those Tier 1 suppliers whom we contract with directly for the supply of safety critical goods, works or services.
6. **Performance/Output based Standards** – Our supply chain tell us that many of our 882 Network Rail Standards are conformance based. They encourage us to move towards performance or output based standards & specifications, citing that this will allow them to be more innovative and offer solutions learned from other sectors, which would drive greater value for money for Network Rail.

The 21 Standards Steering Group Chairpersons were briefed on the SME Action Plan (January 2020) and subsequent discussions have been held with the Telecoms SSG (February 2020) and Supply Chain Operations SSG (May 2020). Recognising that this could be a slow process, C&P attended the Company Standards & Controls Steering Group (21 May 2020) and asked for SSGs to volunteer to form working groups with willing SMEs from their discipline, to explore the potential for moving to output based specifications.

7. **Cross Industry SME Engagement** – DfT, Network Rail, HS2, TfL and Highways England SME engagement now taking place:
 - a. Initial meeting held on 7th January 2020 led to a survey of the SME community to understand their priorities for such events.
 - b. **1727** responses were received (in the three weeks up to 21st February)
 - c. second planning meeting held 26th February 2020.
 - d. This group did not take place in March – May 2020 due to Covid-19
 - e. Next meeting arranged for 12 June 2020.
8. **Regional SME Champions** - Five Regional SME Champions, Scotland (Martin McLaren), Eastern (Ingrid Norman), North West & Central (Denise Wetton), Wales & Western (Jadon Silva) and Southern (Dan Smith) in place (January 2020).
9. **Attracting more SMEs** – Whilst existing SMEs seek more ‘face time’ with Network Rail, for us to increase our use of performance specifications and create more certainty/visibility of our sourcing pipeline, I sense that SMEs from out-with the rail sector still find our ‘barriers to entry’ to be too high. Making our standards freely available is step 1. The next step is making the cost of safety assurance via RSSB RISQS cheaper year on year. Step 3 is making our Parts and Drawings Database (PADS) free – suppliers currently require to subscribe via Serco. We have stated our intention to include SME content in our Category Strategies to help draw out and shape opportunities for SMEs and more online transparency of our good payment record, sourcing pipeline and being prepared to listen to good supplier ideas is likely to attract attention from the wider SME community.
10. **Social Value** – In April, Highways England, HS2, TfL and NR commenced discussing a common interpretation and implementation of the Governments new Social Value requirements - the common themes and approach will make it easier for SMEs to become familiar with how all clients expect them to respond in their tenders.
11. **Challenging Network Rail Standards** - The STE ‘Standards Challenge’ initiative has been running for around 18 months and as of January 2020 **91** standards challenge applications have been received, **38/51** have been accepted (75 % success rate, **40** still under evaluation, **13** declined).

After we've made the Network Rail Standards freely available to the supply chain (June 2020) we intend to support the existing STE initiative to challenge Network Rail Standards by launching an approach by discipline, e.g. get all the Telecoms SMEs in a group and give them the list of 117 Telecoms standards to challenge e.g. to remove unnecessary cost without loss of function. This should help accelerate this STE initiative.

12. **Standard Form of Sub-contract** – A new standardised form of sub-contract was been drafted by end March 2020. It has not yet been reviewed/endorsed as March 2020 Commercial Directors Forum was postponed due to Covid-19.
13. **Nil Value Frameworks** – We have begun to challenge over use of 'nil value framework' agreements at C&P Procurement Executive Panel, but more work is required, particularly to get the Regions to commit in certain categories.
14. **SME payment** – SME payment within 5 days for those SME Network Rail contract directly with is now the norm. We still need to be more transparent and publish data online.
15. **Fast Track Innovation Process** – We have developed a 'fast track' routes to market for innovative procurement, which we have been using. We are planning to publish this in Summer 2020 to help SMEs understand the routes into NR.
16. **Network Rail Challenge Statements** – Challenge statements are being published on Network Rail's web-site. SME consider them to be too broad. More work is required to make them more accessible to SMEs.

Ken Blackley
NR SME Champion
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