

Supplementary SME Action Plan

19 February 2021

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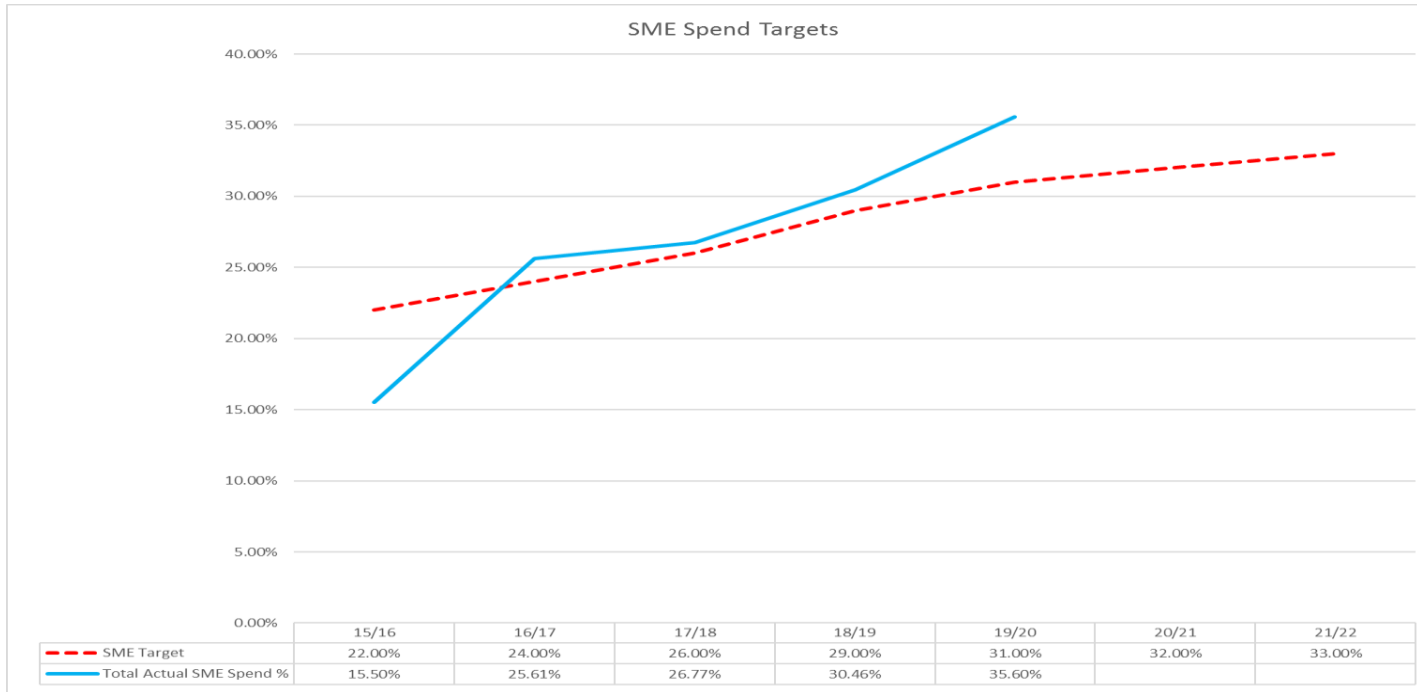
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Foreword

Network Rail is committed to achieving the Government's target of 33% of our annual expenditure being spent via small and medium sized enterprises (SMEs) by 2022.

In the preceding four years, Network Rail has increased its expenditure with SMEs achieving 25.61%, 26.78%, 30.4% and 35.6% respectively. This is ahead of plan and on-track to meet the target; however, with every year the targets become increasingly difficult to achieve and we recognise that we must now step-up our breadth and depth of activity and range of actions, anticipating a Covid-19 related dip in the current financial year before recovery in 2021/22.

Network Rail spent £2.52bn with SMEs, both directly and indirectly through our supply chain, in the 2019/20 financial year. Following analysis of SME spend data, we have identified opportunities in relation to Tier 1 suppliers to go further in supporting our SME community.

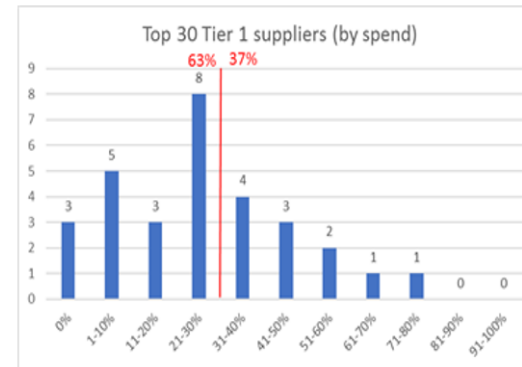


We are launching this Supplementary SME Action Plan aimed at establishing Tier 1 Supplier support, associated with 15 actions which we believe will help make it easier for SMEs to thrive in the rail sector. We believe these initiatives support both the Governments' Industrial Strategy and the Rail Sector Deal.

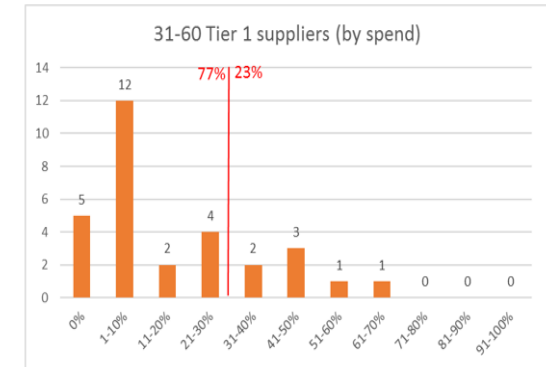
Based on analysis of SME spend, we think Network Rail could further improve **our SME Action Plan activity** and further increase **SME spend** through greater collaborative working with our Tier 1 suppliers and encourage greater Tier 1 engagement.

Why is this important? Small companies play a significant role in the growth of the economy. Pre-Covid-19 SMEs accounted for c15.7 million jobs in the UK; 60% of all private sector employment. SMEs are also important to Network Rail, as this business community is recognized as being highly adaptive and innovative.

Indirect spend with top 60 suppliers 2019/20



- Spend with this group was £3.56bn
- of which £1.68bn was sub-contracted
- of which £924.6m went to SMEs



- Spend with this group was £945m
- of which £308m was sub-contracted
- of which £170.6m went to SMEs

Ken Blackley
Programme Director, Commercial & Procurement

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Group Commercial & Procurement Director, Route Services

Executive summary

Network Rail is requesting that our top 100 Tier 1 suppliers (by spend) support Network Rail's [SME Action Plan](#) by choosing to make a clear commitment to implement some or all of the following 15 actions:

1. Commit to the Government's SME target of a minimum 33 % spend with SMEs by 2022 (or whatever subsequent targets the Government sets).
2. Commit to submitting SME spend data to Network Rail in a prescribed format by a set date/time, to maintain a high response rate in gathering indirect spend data and support supply chain mapping.
3. Commit to payment of SMEs promptly (ideally within 5 days) and publish SME payment statistics.
4. Commit to ensuring adequate tender durations.
5. Appoint an SME Champion and adopt an escalation process to resolve disagreements raised by SMEs.
6. Commit to encouraging and sponsoring SME innovation.
7. Commit to publishing your sourcing pipeline.
8. Commit to stop withholding retention.
9. Commit to ensuring that your supply chain has free access to Network Rail Standards.
10. Commit to supporting Network Rail's phase-in payment of the 'real living wage' to our supply chain.
11. Commit to implementing the Social Value Act, by adopting 10 % Invitation to Tender (ITT) evaluation weighting for social value in accordance with Government guidance.
12. Commit to support the Rail Sector Deal
13. Commit to supporting 'Work Pipeline Visibility.'
14. Commit to adopt Network Rail's approach of providing supplier references for those suppliers within your supply chain bidding for overseas contracts (to support the RSD Export & Inward Investment Strategy).
15. Commit to supporting relevant initiatives associated with the Rail Sector Deal – Export & Inward Investment Pillar.

We propose to publish a table on **Network Rail's SME webpage** listing our top 100 Tier 1 suppliers in the 2019/20 financial year (by spend) in alphabetical order, annotated to show which supplier has committed to support which SME action plan action, and linking to each Tier 1 supplier's own website via their company name.

An illustration of the proposed table is provided below:

Supplier	Action														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A Ltd				√	√		√	√		√	√	√	√		√
B Co. Ltd.	√		√		√	√	√		√		√	√		√	√
C Engineering	√	√			√		√	√		√		√	√		
etc.															

Network Rail requests

1.	Commit to support the Government's SME target of a minimum 33 % spend with SMEs by 2022 (or whatever subsequent targets the Government sets) and publish your own SME Action Plan	
Network Rail Request		Tier 1 Supplier Response
<p>As a Top 100 supplier to Network Rail can you please:</p> <p>(a) make a statement in support of the Government SME spend target, (b) publish it on your website, (c) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to your statement on your web page.</p> <p>We also request that you consider publishing your own equivalent of Network Rail's SME Action Plan and publish it on your webpage.</p>		<p>Suggested wording:</p> <p>'Based on the revenue received directly from Network Rail in the 2019/20 financial reporting period, [Supplier name] subcontracted [£x] (y %) to Small & Medium Sized Enterprises (SMEs.).</p> <p>'We commit to the Government's SME target of a minimum 33 % spend with SMEs by 2022 and we forecast that we will achieve x % in the 2020/21 financial year and y % in the 2021/22 financial year.'</p> <p>Alternatively:</p> <p>Where a Tier 1's business model is to largely undertake the works in-house, they may wish to acknowledge the Government target and explain what they are prepared to commit to and the reason why.</p>

2.	Commit to submitting SME spend data in the prescribed format by a set date/time, (to maintain high response rate to gathering indirect spend data) and support 'supply chain mapping'	
Network Rail Request		Tier 1 Supplier Response
<p>As a Top 100 supplier to Network Rail can you please:</p> <p>(a) Commit to providing SME spend data in the attached format:</p> <ul style="list-style-type: none"> • 2020/21 SME spend data by 31st May 2021. 		

<ul style="list-style-type: none"> • 2021/22 SME spend data by 31st May 2022 <p>(b) confirm the name, email and mobile telephone number of the person who will be accountable for providing the data by the end of May 2021.</p>	
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3. Commit to payment of SMEs promptly (ideally within five days) and publish SME payment statistics	
Network Rail Request	Tier 1 Supplier Response
<p>The Government commitment is to pay 90 % of undisputed and valid invoices from SMEs within 5 days and 100 % of all undisputed and valid invoices to be paid within 30 days.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <p>(a) publish supplier SME payment data on your website, (b) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to facilitate SME access and transparency. (c) Consider signing up to the Government's 'Prompt Payment Code' that will help small businesses to be paid on time: http://www.promptpaymentcode.org.uk/</p>	

4. Commit to ensuring adequate tender durations	
Network Rail Request	Tier 1 Supplier Response
<p>Network Rail regularly hears from SMEs that they are often given very short timescales within which to submit tenders to Tier 1 suppliers (e.g. being given two weeks when four weeks would be more realistic given the size and complexity of the tender) and often with no regard being given to tender periods spanning Christmas, Easter and other bank holidays.</p> <p>As a Top 100 supplier to Network Rail can you please:</p>	

<p>(a) provide a commitment to SMEs within the rail supply chain, via a statement on your website, that you will implement a minimum tender duration and avoid requiring the supply chain to work on tenders during (Christmas, Easter and other) bank holidays.</p> <p>(SMEs desire a minimum 4-week tender duration)</p>	
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<p>5. Appoint a SME Champion and adopt an escalation process to resolve disagreements</p>	
Network Rail Request	Tier 1 Supplier Response
<p>As a Top 100 supplier to Network Rail can you please:</p> <p>(a) appoint a SME Champion and publish their name and email address on your website;</p> <p>(b) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to the contact details of your SME Champion.</p> <p>Supplier SME Champions will be a single point of contact:</p> <ul style="list-style-type: none"> • to be accountable for implementing your supplier SME Action Plan (if you have one), • for Network Rail SME Champions to contact about any SME related matters with your company, • to discuss how to improve our ways of working with SMEs and collectively make ourselves ‘easier to do business with’, • for SMEs who wish to raise any matter regarding working with your company. 	

6. Commit to encouraging SME innovation	
Network Rail Request	Tier 1 Supplier Response
<p>There needs to be more clarity on how innovation can be encouraged, whilst ensuring that procurement is not compromised. Examples include:</p> <ul style="list-style-type: none"> (a) Network Rail Challenge Statements; (b) Challenging Network Rail Standards; (c) Introducing more performance / output based specifications; and (d) 'Pitch Platform,' Network Rails 'dragon's den' style initiative. <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) help sponsor, encourage and promote rail sector related innovation for goods, works and services and publish innovation related opportunities on your external website, (b) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to your 'innovation opportunities'. 	

7. Commit to publishing your procurement pipeline	
Network Rail Request	Tier 1 Supplier Response
<p>Network Rail updates its procurement pipeline every four weeks – view the current pipeline (xls)</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) implement your own procurement pipeline for rail related goods, works and services, commence publishing it on your external website by the end of Q1 2021/22 and update it quarterly thereafter as a minimum; (b) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to your sourcing pipeline. 	

(Network Rail are minded to mandate this requirement).	
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8. Reform Payment Practices – Commit to Stop retention	
Network Rail Request	Tier 1 Supplier Response
<p>In 2018 Network Rail abolished the practice of holding retention monies, having decided that it provided no assurance to build quality. The prompt payment improves cash flow within the supply chain.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) confirm that you no longer hold retentions from payments to sub-contractors within the rail sector? (b) Provide a statement on your external webpage in relation to your cash retention policy? 	

9. Commit to ensuring that your supply chain have free access to Network Rail Standards	
Network Rail Request	Tier 1 Supplier Response
<p>In June 2020, Network Rail launched a new 'Standards Portal' to allow all suppliers (including SMEs) to register to receive Network Rail Standards free of charge.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) commit to helping Network Rail communicate this message throughout our supply chain by passing on the portal home page link. You may refer to this link on your webpage or within your tender/contract documentation. 	

10. Real Living Wage	
Network Rail Request	Tier 1 Supplier Response
<p>Network Rail is committed to a phased implementation approach of paying all regular third party contracted staff* the Real Living Wage rate as and when contracts are up for renewal. <i>*Third party contracted staff refers to any staff:</i></p> <ul style="list-style-type: none"> i. <i>providing a service,</i> ii. <i>on premises that Network Rail is currently occupying (rented or owned) or premises necessary to the work being carried out,</i> iii. <i>for two or more hours a week for eight or more consecutive weeks.</i> <p>Network Rail has amended our suite of conditions of contract so that a requirement to pay the Real Living Wage will be incorporated in future tenders/contracts. We aim to be fully compliant by October 2023.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) commit to helping Network Rail phase-in payment of the 'real living wage' to our supply chain. For details of 'real living wage rates' visit www.livingwage.org.uk. (b) for those suppliers who want to go a step further and become a Living Wage Foundation 'accredited employer,' joining the circa 1986 other organisations who are doing the right thing by workers and their families by paying the real living wage, visit www.livingwage.org.uk. 	

11. Implementing Social Value	
Network Rail Request	Tier 1 Supplier Response
<p>Value for money absolutely includes the social value of the contract.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <ul style="list-style-type: none"> (a) Commit to helping Network Rail place a greater focus on delivering social value, by endeavouring to make every pound of public money work as hard as possible. All major procurements to explicitly evaluate social value where appropriate, rather than just consider it. (b) confirm that you will incorporate social value ITT weighting to be a minimum of 10% from 1 April 2021. (c) provide a statement on your external webpage to this effect. <p>Criteria to be selected from the five Themes and eight Policy Outcomes:</p> <p>1 Covid-19 Recovery</p> <ul style="list-style-type: none"> • Policy Outcome 1 – Help local communities to manage and recover from the impact of Covid-19 <p>2 Tackling economic inequality</p> <ul style="list-style-type: none"> • Policy Outcome 2 – Create new businesses, new jobs and new skills • Policy Outcome 3 – Increase supply chain resilience and capacity <p>3 Fighting climate change</p> <ul style="list-style-type: none"> • Policy Outcome 4 – Effective stewardship of the environment <p>4 Equal Opportunities</p> <ul style="list-style-type: none"> • Policy Outcome 5 – Reduce the disability employment gap • Policy Outcome 6 – Tackle workforce inequality <p>5 Wellbeing</p>	

<ul style="list-style-type: none"> • Policy Outcome 7 – Improve health and wellbeing • Policy Outcome 8 – Improve community integration 	
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12. Support the Rail Sector Deal	
Network Rail Request	Tier 1 Supplier Response
<p>The Rail Sector Deal sets out a new approach to the rail industry and the government working in partnership to transform the rail sector by taking actions to increase the use of digital technology, boost productivity, improve the service received by those who use our railways and build the skills of the UK workforce to capitalise on these opportunities.</p> <p>The Rail Supply Group Council comprises representation industry, Network Rail, the Department for Business, Energy and Industrial Strategy (BEIS) and Department for Transport (DfT). It is focussed on delivery of the Rail Sector Deal via 4 pillars and 3 cross-cutting themes, each led by an Industry Champion.</p> <p>The 4 pillars are:</p> <ol style="list-style-type: none"> 1. Digital Railway 2. Mobility and Data 3. Sustainable Railway 4. Export and Inward Investment <p>With the 3 cross-cutting themes being:</p> <ol style="list-style-type: none"> 1. Productivity 2. Midlands Pilots 3. Skills and People <p>As a Top 100 supplier to Network Rail can you please:</p> <ol style="list-style-type: none"> (a) Confirm your support for overall delivery of the Rail Sector Deal; (b) Align your business activities to support industry commitments within the Rail Sector Deal; (c) Identify links between various industry groups that might support the Rail Sector Deal and contact the Rail Supply Group at 	

<p>rsgenquiries@raildeliverygroup.com to seek active involvement and alignment;</p> <p>(d) Support the implementation of priority initiatives.</p>	
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<p>13. Work-pipeline visibility</p>	
<p>Network Rail Request</p>	<p>Tier 1 Supplier Response</p>
<p>Provide suppliers with up-to-date information on work-pipeline visibility for in-flight projects and promote this activity throughout all tiers of the supply chain.</p> <p>The Rail Supply Group Covid-19 Taskforce identified the need to increase work pipeline visibility for ‘in-flight’ projects to allow suppliers to forecast cashflow based on their existing order books and secured contracts. Alliance, renewals, development and maintenance project pilots have been completed and identified many benefits that boost productivity, increase supplier investment, and improve supply chain resilience.</p> <p>As a Top 100 supplier to Network Rail can you confirm that you will:</p> <ul style="list-style-type: none"> (a) Help boost productivity, increase supplier investment and improve supply chain resilience by providing your suppliers with up to date forecasts on work pipeline visibility, even if the work is not yet contracted; (b) Engage and support your supply chain to do the same; (c) Collaborate and build trust with your supply chain by taking and promoting supportive behaviours. 	

<p>14. Adopt Network Rail or similar approach of providing supplier references for those suppliers bidding for overseas contracts (to support the Rail Sector Deal Export & Inward Investment Strategy)</p>	
<p>Network Rail Request</p>	<p>Tier 1 Supplier Response</p>

<p>In May 2020, Network Rail commenced offering references for organisations within our supply chain who are bidding for overseas contracts or for an export opportunity. Please refer to the 1 page supplier reference process (see here).</p> <p>This decision was taken to support the Rail Sector Deal – Export & Inward Investment Pillar and the government’s ‘Industrial Strategy’.</p> <p>This link takes you to the external press release for information: https://www.networkrailmediacentre.co.uk/news/network-rail-to-help-uk-rail-supply-chain-secure-business-abroad</p> <p>As a Top 100 supplier to Network Rail can you confirm that you will:</p> <p>(a) commit to provide references for organisations within your supply chain who are bidding for overseas contracts or for an export opportunity and publish your commitment on your external website, (b) provide a link to your website to Network Rail so that we may sign-post SMEs via your link to your ‘commitment’ and process for supplier references.</p>	
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15. Support for Rail Sector Deal – Export & Inward Investment Pillar	
Network Rail Request	Tier 1 Supplier Response
<p>The Rail Sector Deal Export & Inward Investment Pillar, seeks to double export performance by 2025.</p> <p>As a Top 100 supplier to Network Rail can you please:</p> <p>(a) confirm which countries you currently operate in, or intend to operate in, (with an established presence) to assist the Rail Supply Group and the Department for International Trade to map overseas opportunities with UK capability,</p>	

(b) Confirm which countries you currently export goods or services to (from a UK based economic operator) and what goods or services you export (refer to the [RSG Export Survey questionnaire](#) as a consideration of the data the DIT wish to collect.)

(c) where relevant, provide the name and contact details of colleagues within overseas offices and whether they are happy for these to be passed to the local DIT Rail lead in market (if not already connected).

(d) become involved in mentoring SMEs, to support the export mentoring initiative.

(e) identify overseas opportunities for SMEs and inform the Department for International Trade (ria.bairstow@trade.gov.uk).

(f) commence providing supplier references for those SME suppliers bidding for overseas contracts (as per action 13 above).