

Central Government Direct and Indirect Spend with SMEs 2013-14

In the Coalition Agreement¹ the government committed to an aspiration of awarding 25 per cent of central government procurement spend to small and medium sized enterprises (SMEs²), directly or via the supply chain, by May 2015. This aspiration was met in the 2013-14 financial year.

Reports on the aspiration are represented as the sum of two figures: direct spend and indirect spend, as the figures are calculated using different methodologies. This provides the figure against which the aspiration is measured.

Table 1: Central Government's direct and indirect spend with SMEs in 2013/14 (£millions)

Department	2013/14					
	TPS	Direct	Direct %	Indirect Spend with SMEs (£m) ²	Indirect Spend with SMEs as %	Total Spend with SMEs as %
BIS	£1,412	£484	34.3%	£36	2.5%	36.8%
CO ¹	£231	£43	18.6%	£11	4.7%	23.3%
DCLG	£255	£61	23.8%	£14	5.6%	29.5%
DCMS	£344	£127	36.8%	£52	15.1%	51.9%
DECC	£2,085	£35	1.7%	£334	16.0%	17.7%
DEFRA	£1,338	£199	14.9%	£92	6.8%	21.7%
DFE	£390	£91	23.4%	£135	34.6%	58.0%
DFID	£1,018	£310	30.4%	£97	9.6%	40.0%
DFT	£3,115	£145	4.6%	£526	16.9%	21.5%
DH	£1,712	£138	8.1%	£125	7.3%	15.4%
DWP	£2,949	£124	4.2%	£337	11.4%	15.6%
FCO ³	£260	£54	20.6%	£52	7.7%	28.3%
HMRC	£1,349	£95	7.1%	£110	8.2%	15.3%
HMT	£85	£3	4.0%	£2	1.9%	5.9%
HO	£2,280	£140	6.2%	£250	11.0%	17.1%
MOD ⁴	£20,261	£916	4.5%	£3,008	14.8%	19.4%
MOJ	£4,647	£1,525	32.8%	£211	4.6%	37.4%
Other ⁵				£1,517		
Total	£43,733	£4,489	10.3%	£6,909	15.8%	26.1%

Notes

¹ Indirect spend represents data captured directly by Cabinet Office from suppliers for 2013/14.

² The indirect spend figures are reported by suppliers via the SID4GOV platform as part of the centrally coordinated quarterly supplier survey. These figures are indicative and have not been supplied by Departments.

³ FCO direct spend is based on UK spend only. Indirect has been calculated against global total procurement spend.

⁴ MoD total procurement and direct spend figures are for the core department only, therefore excluding its Executive Agencies and NDPB.

⁵ Data reported by suppliers for central government with no departmental association

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf, p. 10.

² We use the EU definition of an SME:

http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf²

Methodology: Direct Spend

To calculate the direct spend, we use Dun and Bradstreet, a leading provider of business information, to classify all government suppliers as either SMEs or non-SMEs. We then use departments' accounting systems to calculate how much money has been directly spent with SMEs. Departments are asked to include the core department and its Executive Agencies and Non-Departmental Public Bodies (NDPBs). Returns are reviewed and signed off by Commercial Directors.

Methodology: Indirect Spend

Indirect spend with SMEs via the supply chain is collected through a Cabinet Office-administered survey of the top 500 suppliers, on a department by department basis. The information is collected on our behalf by NQC (an SME). Departments then review this data.

Because we rely on reported data and not on data supplied by departments, the approach to indirect spend should be regarded as indicative. It leaves a significant proportion of spend un-surveyed, particularly in MoD. To get a more accurate picture of spend for 2013-14 and having developed our approach with the National Audit Office, we undertook a sampling exercise with MoD to estimate the remainder of its spend.

Table 2: Central government's direct spend with SMEs from 2009/10 to 2013/14 (£millions)

Department	2009/10			2010/11			2011/12			2012/13			2013/14		
	TPS	Direct	Direct %	TPS	Direct	Direct %	TPS	Direct	Direct %	TPS	Direct	Direct %	TPS	Direct	Direct %
BIS	£1,316	£294	22.3%	£793	£197	24.8%	£1,108	£295	26.6%	£1,490	£422	28.3%	£1,412	£484	34.3%
CO	£149	£12	8.1%	£85	£6	7.1%	£93	£11	12.0%	£168	£23	13.5%	£231	£43	18.6%
DCLG	£313	£43	13.7%	£417	£50	12.0%	£253	£53	21.1%	£269	£67	25.0%	£255	£61	23.8%
DCMS	£26	£7	26.9%	£292	£77	26.4%	£336	£59	17.5%	£320	£46	14.5%	£344	£127	36.8%
DECC	£3,006	£17	0.6%	£2,965	£18	0.6%	£3,081	£13	0.4%	£1,841	£35	1.9%	£2,085	£35	1.7%
DEFRA ¹	£1,514	£159	10.5%	£1,355	£263	19.4%	£1,266	£208	16.4%	£1,345	£273	20.3%	£1,338	£199	14.9%
DfE	£509	£129	25.3%	£533	£127	23.8%	£267	£48	17.9%	£325	£63	19.5%	£390	£91	23.4%
DFID				£560	£218	38.9%	£652	£202	30.9%	£698	£222	31.9%	£1,018	£310	30.4%
DfT	£3,851	£117	3.0%	£3,240	£68	2.1%	£2,696	£77	2.9%	£2,791	£137	4.9%	£3,115	£145	4.6%
DH	£618	£112	18.1%	£1,149	£84	7.3%	£1,061	£91	8.6%	£1,206	£161	13.4%	£1,712	£138	8.1%
DWP	£4,329	£509	11.8%	£4,153	£622	15.0%	£3,407	£378	11.1%	£3,354	£238	7.1%	£2,949	£124	4.2%
FCO ²				£749	£48	6.4%	£712	£35	4.9%	£192	£39	20.5%	£260	£54	20.6%
HMRC	£1,783	£193	10.8%	£1,613	£1	0.1%	£1,475	£6	0.4%	£1,410	£91	6.5%	£1,349	£95	7.1%
HMT	£118	£38	32.2%	£108	£14	13.0%	£92	£5	5.0%	£80	£4	5.0%	£85	£3	4.0%
HO	£2,531	£56	2.2%	£2,915	£218	7.5%	£2,876	£185	6.4%	£2,616	£98	3.8%	£2,280	£140	6.2%
MOD ³	£22,100	£920	4.2%	£19,976	£686	3.4%	£20,071	£1,044	5.2%	£20,369	£1,096	5.4%	£20,261	£916	4.5%
MOJ	£5,626	£506	9.0%	£5,899	£506	8.6%	£5,090	£1,728	34.0%	£5,030	£1,560	31.0%	£4,647	£1,525	32.8%
Total	£47,789	£3,112	6.5%	£46,802	£3,200	6.8%	£44,535	£4,439	10.0%	£43,503	£4,577	10.5%	£43,733	£4,489	10.3%

Notes

¹ DEFRA has seen a shift in its figures as a result of due diligence carried out highlighting the misclassification of SMEs.

² FCO total procurement spend for 2010/11 and 2011/12 is based on global spend, total procurement spend for 2012/13 and 2013/14 is based on UK spend only. All FCO direct spend is based on UK spend.

³ MoD total procurement and direct spend figures are for the core department only, therefore excluding its Executive Agencies and NDPB.