

Central Government Direct and Indirect Spend with Small and Medium sized Enterprises 2014/15

In its pre-election Manifesto[1] government committed to one third of central government procurement spend going to small and medium sized enterprises (SMEs[2]), directly or via the supply chain, by 2020.

The table below shows the breakdown of spend with small and medium sized businesses for 2014/15 against the previous 25% aspiration. Reports on this target are always represented as the sum of two figures: direct spend and indirect spend, as the figures are calculated using different methodologies. Their addition provides the figure against which the target is measured.

Breakdown of departmental SME spend data (£m) 2014/15

Department	2013/14 Full Year						2014/15 Full Year					
	Total Procurement Spend	Direct Spend with SMEs	Direct Spend with SMEs	Indirect Spend with SMEs	Indirect Spend with SMEs	Total Spend with SMEs	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m)	Indirect Spend with SMEs as %	Total Spend with SMEs
BIS	£1,412	£484	34.3%	£36	2.5%	36.8%	£1,815	£411	22.7%	£55	3.0%	25.7%
CO	£231	£43	18.6%	£11	4.7%	23.3%	£210	£18	8.6%	£19	9.0%	17.6%
DCLG	£255	£61	23.8%	£14	5.6%	29.5%	£267	£60	22.6%	£8	2.8%	25.4%
DCMS	£344	£127	36.8%	£52	15.1%	51.9%	£367	£125	34.2%	£12	3.3%	37.5%
DECC	£2,085	£35	1.7%	£334	16.0%	17.7%	£2,129	£43	2.0%	£378	17.8%	19.8%
DEFRA	£1,338	£199	14.9%	£92	6.8%	21.7%	£1,357	£213	15.7%	£78	5.7%	21.5%
DfE	£390	£91	23.4%	£135	34.7%	58.1%	£398	£120	30.2%	£7	1.9%	32.1%
DFID	£1,018	£310	30.4%	£97	9.6%	40.0%	£1,238	£367	29.6%	£113	9.2%	38.8%
DFT 1	£3,115	£145	4.6%	£462	14.8%	19.5%	£3,538	£130	3.7%	£1,044	29.5%	33.2%
DH	£1,712	£138	8.1%	£125	7.3%	15.4%	£1,782	£202	11.3%	£151	8.5%	19.8%
DWP	£2,949	£124	4.2%	£337	11.4%	15.6%	£2,982	£151	5.0%	£332	11.1%	16.2%
FCO 1,3	£174	£54	30.7%	£52	7.7%	38.5%	£387	£103	26.5%	£47	7.3%	33.8%
HMRC	£1,349	£95	7.1%	£110	8.2%	15.3%	£1,372	£137	10.0%	£119	8.7%	18.7%
HMT	£85	£3	4.0%	£2	1.9%	5.9%	£92	£6	6.4%	£2	2.2%	8.6%
HO	£2,280	£140	6.2%	£250	11.0%	17.1%	£2,603	£201	7.7%	£310	11.9%	19.6%
MOD 4	£20,261	£916	4.5%	£3,008	14.8%	19.4%	£19,582	£822	4.2%	£2,973	15.2%	19.4%
MOJ	£4,647	£1,525	32.8%	£211	4.6%	37.4%	£4,753	£1,766	37.2%	£210	4.4%	41.6%
Other 5				£1,517						£1,408		
Total	£43,647	£4,489	10.3%	£6,845	15.7%	26.0%	£44,871	£4,876	10.9%	£7,266	16.2%	27.1%

Notes

- 1 Further to revalidation of 2013/14 figures there are two amendments to previously published figures (DFT revised indirect spend figure, FCO revised UK total procurement spend figure). The overall percentage remains at 26% for 2013/14. All 2013/14 caveats remain unchanged.
- 2 The indirect spend figures are reported by suppliers 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 Other data reported by suppliers for central government with no departmental breakdown.

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. 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 and having developed our approach with the National Audit Office, we undertook a sampling exercise with MoD to estimate the remainder of its spend.

[1]<https://www.conservatives.com/manifesto> p. 19.

[2] We use the EU definition of an SME:

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