

Central Government Direct and Indirect Spend with Small and Medium sized Enterprises 2015/16

The government wants small and medium sized enterprises (SMEs^[1]) to benefit from 33% of central government procurement spend, either directly or indirectly via the supply chain, by 2022.

Reports on this aspiration are 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 overall aspiration is measured.

Breakdown of departmental SME spend data (£m) 2015/16

The table below shows the departmental breakdown of spend with small and medium sized businesses for financial year 2015/16 against financial year 2014/15 figures.

Department	Financial Year 2014/15						Financial Year 2015/16					
	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m) ¹	Indirect Spend with SMEs as %	Total Spend with SMEs as %	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m) ¹	Indirect Spend with SMEs as %	Total Spend with SMEs as %
BIS	£1,815	£411	22.7%	£55	3.0%	25.7%	£1,321	£263	19.9%	£103	7.8%	27.7%
CO	£210	£18	8.6%	£19	9.0%	17.6%	£216	£18	8.3%	£25	11.7%	19.9%
DCLG	£267	£60	22.6%	£8	2.8%	25.4%	£253	£49	19.2%	£5	1.9%	21.2%
DCMS	£367	£125	34.2%	£12	3.3%	37.5%	£428	£182	42.6%	£13	3.0%	45.6%
DECC	£2,129	£43	2.0%	£378	17.8%	19.8%	£222	£39	17.8%	£0	0.0%	17.8%
DEFRA	£1,357	£213	15.7%	£78	5.7%	21.5%	£1,238	£196	15.8%	£75	6.1%	21.9%
DFE	£398	£120	30.2%	£7	1.9%	32.1%	£413	£115	27.7%	£2	0.6%	28.3%
DFID	£1,238	£367	29.6%	£113	9.2%	38.8%	£1,348	£431	32.0%	£125	9.3%	41.3%
DFT	£3,538	£130	3.7%	£1,044	29.5%	33.2%	£11,431	£1,255	11.0%	£1,461	12.8%	23.8%
DH	£1,782	£202	11.3%	£151	8.5%	19.8%	£1,562	£160	10.2%	£195	12.5%	22.7%
DWP	£2,982	£151	5.0%	£332	11.1%	16.2%	£2,900	£192	6.6%	£311	10.7%	17.4%
FCO ²	£387	£103	26.5%	£47	7.3%	33.8%	£372	£73	19.5%	£45	6.8%	26.3%
HMRC	£1,372	£137	10.0%	£119	8.7%	18.7%	£1,436	£160	11.1%	£117	8.1%	19.2%
HMT	£92	£6	6.4%	£2	2.2%	8.6%	£96	£5	4.7%	£3	2.8%	7.5%
HO	£2,603	£201	7.7%	£310	11.9%	19.6%	£1,962	£173	8.8%	£229	11.7%	20.5%
MoD ³	£19,582	£822	4.2%	£2,973	15.2%	19.4%	£19,417	£912	4.7%	£2,598	13.4%	18.1%
MOJ	£4,753	£1,766	37.2%	£210	4.4%	41.6%	£4,632	£1,386	29.9%	£196	4.2%	34.2%
NDA ⁴							£1,686	£13	0.7%	£360	21.4%	22.1%
Other ⁵				£1,408						£760		
Total	£44,871	£4,876	10.9%	£7,266	16.2%	27.1%	£50,932	£5,619	11.0%	£6,625	13.0%	24.0%

Notes

¹ The indirect spend figures are reported twice a year by suppliers as part of the centrally coordinated supplier survey. These figures are indicative and have not been supplied by Departments.

² FCO direct spend is based on UK spend only. Indirect has been calculated against global total procurement spend.

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

⁴ Prior to 2015/16 NDA reported their figures through DECC.

⁵ Other Data reported by suppliers for central government with no departmental breakdown.

Methodology: Direct Spend

To calculate 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 those 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 Crown Commercial Service-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. The survey only applies to the second tier of subcontracting opportunities (i.e. one level below the primes) and therefore is likely to represent an underreporting of the SME figures.

This process leaves a 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. This will not be continued beyond 2015/16.

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

<http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/>